

**Date and Time:** Monday 9 September 2024 17:28:00 CEST

**Job Number:** 233033411

**Documents (100)**

1. [*25 YEARS OF EXCELLENT SERVICES AND INNOVATIVE PRODUCTS*](https://advance.lexis.com/api/document?id=urn:contentItem:5SPK-D9D1-JD3Y-Y3V4-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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2. [*Washington: TRANSMISSION OF MATERIALS IN THIS RELEASE IS EMBARGOED UNTIL 8:30 A.M (Eastern) Thursday, December 21, 2017*](https://advance.lexis.com/api/document?id=urn:contentItem:5R7G-CX01-JDG9-Y4VM-00000-00&idtype=PID&context=1516831)

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3. [*Washington: EXECUTIVE COMMUNICATIONS, ETC. (House of Representatives - July 24, 2018)*](https://advance.lexis.com/api/document?id=urn:contentItem:5S18-H1N1-F0YC-N12S-00000-00&idtype=PID&context=1516831)

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4. [*New reinsurance programmes are bolstering coverage against natural disasters in emerging markets*](https://advance.lexis.com/api/document?id=urn:contentItem:5WS6-C4Y1-DXYV-7046-00000-00&idtype=PID&context=1516831)

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5. [*BBC Radio 4 - 4:37 PM GMT*](https://advance.lexis.com/api/document?id=urn:contentItem:5S06-K8X1-DY08-30GT-00000-00&idtype=PID&context=1516831)

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6. [*Federal Register: Increasing Flexibility for Verification of For-Profit Center Eligibility in the Child and Adult Care Food Program Pages 50038 - 50046 [FR DOC # 2018-21445]*](https://advance.lexis.com/api/document?id=urn:contentItem:5TDP-4D71-F0YC-N1BP-00000-00&idtype=PID&context=1516831)

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7. [*FEDERAL REGISTER: National Flood Insurance Program (NFIP): Conforming Changes To Reflect the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) and the Homeowners Flood Insurance Affordability Act of 2014 (HFIAA), and Additional Clarifications for Plain Language Pages 32956 - 33015 [FR DOC # 2018-13292]*](https://advance.lexis.com/api/document?id=urn:contentItem:5STM-6B61-F0YC-N2PP-00000-00&idtype=PID&context=1516831)

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8. [*Washington: TRANSMISSION OF MATERIALS IN THIS RELEASE IS EMBARGOED UNTIL 8:30 A.M (Eastern) Thursday, January 11, 2018*](https://advance.lexis.com/api/document?id=urn:contentItem:5RCY-C991-JDG9-Y2NT-00000-00&idtype=PID&context=1516831)

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9. [*The art of careful planning IHT remains a thorny subject for clients and advisers to grasp - and the possibility of future rule changes should also be taken into account, writes Peter Nellist*](https://advance.lexis.com/api/document?id=urn:contentItem:5SGG-9GM1-DY9P-N270-00000-00&idtype=PID&context=1516831)

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10. [*The art of careful planning*](https://advance.lexis.com/api/document?id=urn:contentItem:5SF6-0WG1-JCJY-G0XK-00000-00&idtype=PID&context=1516831)

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11. [*Register of Commission documents: European Parliament resolution of 14 November 2018 on the Multiannual Financial Framework 2021-2027 – Parliament’s position with a view to an agreement (COM(2018)0322 – C8-0000/2018 – 2018/0166R(APP)) Document date: 2018-11-14 P8\_TA-PROV(2018)0449 Texts adopted (provisional edition*](https://advance.lexis.com/api/document?id=urn:contentItem:5TRN-7SN1-F0YC-N1TC-00000-00&idtype=PID&context=1516831)

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12. [*FEDERAL REGISTER: Financial Responsibility Requirements Under CERCLA Section 108(b) for Classes of Facilities in the Hardrock Mining Industry Pages 7556 - 7588 [FR DOC # 2017-26514]*](https://advance.lexis.com/api/document?id=urn:contentItem:5RPP-PDK1-JDG9-Y0HM-00000-00&idtype=PID&context=1516831)

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13. [*Register of Commission documents: European Parliament resolution of 14 November 2018 on the Multiannual Financial Framework 2021-2027 – Parliament’s position with a view to an agreement (COM(2018)0322 – C8-0000/2018 – 2018/0166R(APP)) Document date: 2018-11-14 P8\_TA-PROV(2018)0449 Texts adopted (provisional edition*](https://advance.lexis.com/api/document?id=urn:contentItem:5TRN-8H51-F0YC-N0D7-00000-00&idtype=PID&context=1516831)

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14. [*City in a city: the 63,000 people who run the world's busiest airport Georgia 's biggest employer is not CNN or Coca-Cola - it is Hartsfield-Jackson airport, which since the 1970s has grown into a unique economic ecosystemPortraits by Bita Honarvar*](https://advance.lexis.com/api/document?id=urn:contentItem:5TK5-02V1-JCJY-G229-00000-00&idtype=PID&context=1516831)

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15. [*The First Minister with his view from Cardiff Carwyn Jones ; OPINION*](https://advance.lexis.com/api/document?id=urn:contentItem:5SXK-6M41-JCBX-G1WY-00000-00&idtype=PID&context=1516831)

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16. [*Washington: TEXT OF AMENDMENTS (Senate - August 21, 2018)*](https://advance.lexis.com/api/document?id=urn:contentItem:5T4T-PJT1-JDG9-Y3GC-00000-00&idtype=PID&context=1516831)

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17. [*CAP reform is just tinkering around the edges of a flaes flawed and broken system*](https://advance.lexis.com/api/document?id=urn:contentItem:5SJ4-MC71-DY9P-N28H-00000-00&idtype=PID&context=1516831)

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18. [*FSA Offers Disaster Assistance for Qualifying Tree, Bush and Vine Losses*](https://advance.lexis.com/api/document?id=urn:contentItem:5SHY-FCB1-JDG9-Y4XB-00000-00&idtype=PID&context=1516831)

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19. [*Washington: INTRODUCTION OF BILLS AND JOINT RESOLUTIONS (Senate - May 24, 2018)*](https://advance.lexis.com/api/document?id=urn:contentItem:5SDH-BDB1-F0YC-N17F-00000-00&idtype=PID&context=1516831)

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20. [*Council of the European Union: REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL on the implementation of the Common Monitoring and Evaluation Framework and first results on the performance of the Common Agricultural Policy PDF document ST 15268 2018 INIT06-12-2018*](https://advance.lexis.com/api/document?id=urn:contentItem:5TX4-T701-F0YC-N2FS-00000-00&idtype=PID&context=1516831)

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21. [*Register of Commission documents: from the Commission to the European Parliament and the Council on the implementation of the Common Monitoring and Evaluation Framework and first results on the performance of the Common Agricultural Policy Document date: 2018-12-05 COM\_COM(2018)0790 COM documents*](https://advance.lexis.com/api/document?id=urn:contentItem:5SSJ-NW91-JDG9-Y0JB-00000-00&idtype=PID&context=1516831)

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22. [*Register of Commission documents: COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL AND THE COUNCIL A new, modern Multiannual Financial Framework for a European Union that delivers efficiently on its priorities post-2020 The European Commission's contribution to the Informal Leaders' meeting on 23 February 2018 Document date: 2018-02-15 COM\_COM(2018)0098 COM documents*](https://advance.lexis.com/api/document?id=urn:contentItem:5RRR-NPW1-F0YC-N1DS-00000-00&idtype=PID&context=1516831)

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23. [*Council of the European Union: COMMUNICATION FROM THE COMMISSION A new, modern Multiannual Financial Framework for a European Union that delivers efficiently on its priorities post-2020 The European Commission's contribution to the Informal Leaders' meeting on 23 February 2018 ST 6229 2018 INIT*](https://advance.lexis.com/api/document?id=urn:contentItem:5RTH-M8J1-JDG9-Y4V9-00000-00&idtype=PID&context=1516831)

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24. [*Sistema PJSFC 1st Quarter Results -3-*](https://advance.lexis.com/api/document?id=urn:contentItem:5SGT-SXP1-F0CC-S2J9-00000-00&idtype=PID&context=1516831)

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25. [*Farming's ageing and negativity problem*](https://advance.lexis.com/api/document?id=urn:contentItem:5SWR-TW91-DYXB-V199-00000-00&idtype=PID&context=1516831)

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26. [*FEDERAL REGISTER: Rural Development Cooperative Agreement Program Pages 41046 - 41056 [FR DOC # 2018-17765]*](https://advance.lexis.com/api/document?id=urn:contentItem:5T4K-PM91-F0YC-N4TP-00000-00&idtype=PID&context=1516831)

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27. [*Council of the European Union: Draft amending budget No 5 to the general budget for 2018: Cancellation of the reserve related to the support to Turkey from the Instrument for Pre-Accession (IPA II), reinforcement of the European Neirbourhood Instrument (ENI) and of the Humanitarian Aid for other urgent actions and modification of the establishment plan of the Innovation and Networks Executive Agency (INEA) in the context of the WiFi4EU initiativ ST 11843 2018 INIT18-09-2018*](https://advance.lexis.com/api/document?id=urn:contentItem:5TGM-0T81-JDG9-Y4GS-00000-00&idtype=PID&context=1516831)

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28. [*FEDERAL REGISTER: Rural Development Cooperative Agreement Program Pages 41046 - 41056 [FR DOC # 2018-17765]*](https://advance.lexis.com/api/document?id=urn:contentItem:5T4K-PM91-F0YC-N4VN-00000-00&idtype=PID&context=1516831)

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29. [*FEDERAL REGISTER: Rural Development Cooperative Agreement Program Pages 41046 - 41056 [FR DOC # 2018-17765]*](https://advance.lexis.com/api/document?id=urn:contentItem:5T4K-PM91-F0YC-N4TN-00000-00&idtype=PID&context=1516831)

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30. [*THE BANKER TECH PROJECTS AWARDS 2018*](https://advance.lexis.com/api/document?id=urn:contentItem:5SXT-1BB1-JCBX-G4CV-00000-00&idtype=PID&context=1516831)

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31. [*FEDERAL REGISTER: Policy on Audits of RUS Borrowers and Grantees Pages 19905 - 19915 [FR DOC # 2018-09501]*](https://advance.lexis.com/api/document?id=urn:contentItem:5S8P-GPM1-JDG9-Y0NB-00000-00&idtype=PID&context=1516831)

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32. [*Washington: Grassley Marks Policy, Oversight Accomplishments in 2017*](https://advance.lexis.com/api/document?id=urn:contentItem:5RB7-WV21-JDG9-Y1F6-00000-00&idtype=PID&context=1516831)

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33. [*Blockchain In Agribusiness: Plenty Of Benefits But Commercialisation A Few Years Away*](https://advance.lexis.com/api/document?id=urn:contentItem:5SYB-02H1-F0J5-80JB-00000-00&idtype=PID&context=1516831)

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34. [*Register of Commission documents: Ex-post Addressing migration and forced displacement challenges in Asia and the Middle East Document date: 2018-01-16 COM-AC\_DI(2018)O055047-01 Comitology - Documents for information*](https://advance.lexis.com/api/document?id=urn:contentItem:5RJ6-PV21-JDG9-Y2N7-00000-00&idtype=PID&context=1516831)

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35. [*Blockchain In Agribusiness: Plenty Of Benefits But Commercialisation A Few Years Away*](https://advance.lexis.com/api/document?id=urn:contentItem:5SXW-Y7P1-F0J5-80FJ-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 07 dec 2017 tot 07 dec 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

36. [*DIANA E. MURPHY UNITED STATES COURTHOUSE (House of Representatives - September 13, 2018)*](https://advance.lexis.com/api/document?id=urn:contentItem:5S9B-DPJ1-JDG9-Y30D-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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37. [*IL&FS Solar Power Limited: Long-term ratings downgraded*](https://advance.lexis.com/api/document?id=urn:contentItem:5T7J-41N1-JDVR-03S0-00000-00&idtype=PID&context=1516831)

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38. [*IL&FS Solar Power Limited: Long-term rating downgraded*](https://advance.lexis.com/api/document?id=urn:contentItem:5TC6-YJH1-F19S-P449-00000-00&idtype=PID&context=1516831)

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39. [*Week in Lithuania . Government to unveil new measures against shadow economy*](https://advance.lexis.com/api/document?id=urn:contentItem:5S42-CRW1-F0YC-N3CB-00000-00&idtype=PID&context=1516831)

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40. [*Programme summary of Iranian TV news 1730 gmt 11 Nov 18*](https://advance.lexis.com/api/document?id=urn:contentItem:5TPS-K9J1-DYRV-3038-00000-00&idtype=PID&context=1516831)

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41. [*MW Asset Rentals (RF) Ltd - Extension of New Ratings Accorded*](https://advance.lexis.com/api/document?id=urn:contentItem:5RN0-C5R1-JDVR-01R6-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 07 dec 2017 tot 07 dec 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

42. [*Register of Commission documents: European Parliament resolution of 17 April 2018 on the implementation of the 7th Environment Action Programme (2017/2030(INI)) Document date: 2018-04-17 P8\_TA-PROV(2018)0100 Texts adopted (provisional edition*](https://advance.lexis.com/api/document?id=urn:contentItem:5S64-YDB1-F0YC-N1H1-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 07 dec 2017 tot 07 dec 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

43. [*MW Asset Rentals (RF) Ltd - New Ratings Accorded*](https://advance.lexis.com/api/document?id=urn:contentItem:5R60-5441-F19S-P26S-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 07 dec 2017 tot 07 dec 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

44. [*Programme summary of Iranian East Azarbayjan Province TV news 1600 gmt 21 Dec 17*](https://advance.lexis.com/api/document?id=urn:contentItem:5R89-Y9R1-JC8S-C4GK-00000-00&idtype=PID&context=1516831)

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45. [*Northern Arc Capital Limited : Ratings upgraded for Pooled Loan Issuance (PLI) programme - IFMR Capital PLI IV November 2017*](https://advance.lexis.com/api/document?id=urn:contentItem:5T2X-3901-JDVR-00BT-00000-00&idtype=PID&context=1516831)

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46. [*New legislation in Saudi Arabia to attract foreign investment*](https://advance.lexis.com/api/document?id=urn:contentItem:5WS6-C4X1-DXYV-7408-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 07 dec 2017 tot 07 dec 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

47. [*Roxgold releases 2017 Q4 and full year results*](https://advance.lexis.com/api/document?id=urn:contentItem:5S12-WK21-JC0X-H44S-00000-00&idtype=PID&context=1516831)

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48. [*Ncondezi Energy Limited Annual Financial Report -4-*](https://advance.lexis.com/api/document?id=urn:contentItem:5SNY-3971-JCXB-21FC-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 07 dec 2017 tot 07 dec 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

49. [*FEDERAL REGISTER: Common Crop Insurance Regulations; Cultivated Clam Crop Insurance Provisions Pages 61134 - 61140 [FR DOC # 2017-27894]*](https://advance.lexis.com/api/document?id=urn:contentItem:5R8R-X2Y1-JDG9-Y1N4-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 07 dec 2017 tot 07 dec 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

50. [*FEDERAL REGISTER: Common Crop Insurance Regulations; Cultivated Clam Crop Insurance Provisions Pages 61134 - 61140 [FR DOC # 2017-27894]*](https://advance.lexis.com/api/document?id=urn:contentItem:5R8R-X2Y1-JDG9-Y1S8-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 07 dec 2017 tot 07 dec 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

51. [*National fertilizers Limited : Ratings reaffirmed*](https://advance.lexis.com/api/document?id=urn:contentItem:5TNB-18T1-JDVR-0063-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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| News | Timeline: 07 dec 2017 tot 07 dec 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

52. [*Register of Commission documents: Annex to Commission Implementing Decision amending the Indicative Strategy Paper for the former Yugoslav Republic of Macedonia for the period 2014-2020 Document date: 2018-09-27 COM-AC\_DR(2018)D057357-02 Comitology - Right of scrutiny*](https://advance.lexis.com/api/document?id=urn:contentItem:5VHD-FSP1-F0YC-N4BC-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 07 dec 2017 tot 07 dec 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

53. [*R.E.A. Holdings plc : Annual Report in respect of -2-*](https://advance.lexis.com/api/document?id=urn:contentItem:5S6G-XNW1-JCXB-2206-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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54. [*- Barclays , Hawaiian Airlines Introduce New Hawaiian Airlines Credit Cards Companies donate $ 100,000 to Hawai'i agriculture in celebration of enhanced dining benefits*](https://advance.lexis.com/api/document?id=urn:contentItem:5SSB-GX61-F0K1-N4NS-00000-00&idtype=PID&context=1516831)

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55. [*BBC News - 01:30 AM GMT*](https://advance.lexis.com/api/document?id=urn:contentItem:5THM-5X11-JBH6-C1KK-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

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| News | Timeline: 07 dec 2017 tot 07 dec 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

56. [*BBC News - 01:30 AM GMT*](https://advance.lexis.com/api/document?id=urn:contentItem:5THM-5X11-JBH6-C1K9-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 07 dec 2017 tot 07 dec 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

57. [*BBC News - 01:30 AM GMT*](https://advance.lexis.com/api/document?id=urn:contentItem:5THM-5X11-JBH6-C1KJ-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 07 dec 2017 tot 07 dec 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

58. [*BBC News - 01:30 AM GMT*](https://advance.lexis.com/api/document?id=urn:contentItem:5THM-5X11-JBH6-C1KC-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 07 dec 2017 tot 07 dec 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

59. [*BBC News - 01:30 AM GMT*](https://advance.lexis.com/api/document?id=urn:contentItem:5THM-5X11-JBH6-C1KP-00000-00&idtype=PID&context=1516831)

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60. [*BBC News - 01:30 AM GMT*](https://advance.lexis.com/api/document?id=urn:contentItem:5THM-5X11-JBH6-C1KN-00000-00&idtype=PID&context=1516831)

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61. [*BBC News - 01:30 AM GMT*](https://advance.lexis.com/api/document?id=urn:contentItem:5THM-5X11-JBH6-C1KW-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 07 dec 2017 tot 07 dec 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

62. [*BBC News - 01:30 AM GMT*](https://advance.lexis.com/api/document?id=urn:contentItem:5THM-5X11-JBH6-C1KT-00000-00&idtype=PID&context=1516831)

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63. [*Kazakh leader makes state of nation address - official transcript*](https://advance.lexis.com/api/document?id=urn:contentItem:5TFK-7161-JC8S-C2F7-00000-00&idtype=PID&context=1516831)

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64. [*BBC News - 01:30 AM GMT*](https://advance.lexis.com/api/document?id=urn:contentItem:5THM-5X11-JBH6-C1KX-00000-00&idtype=PID&context=1516831)

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65. [*BBC News - 01:30 AM GMT*](https://advance.lexis.com/api/document?id=urn:contentItem:5THM-5X11-JBH6-C1K2-00000-00&idtype=PID&context=1516831)

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66. [*BBC News - 01:30 AM GMT*](https://advance.lexis.com/api/document?id=urn:contentItem:5THM-5X11-JBH6-C1M0-00000-00&idtype=PID&context=1516831)

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67. [*BBC News - 01:30 AM GMT*](https://advance.lexis.com/api/document?id=urn:contentItem:5THM-5X11-JBH6-C1KG-00000-00&idtype=PID&context=1516831)

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68. [*BBC News - 01:30 AM GMT*](https://advance.lexis.com/api/document?id=urn:contentItem:5THM-5X11-JBH6-C1M6-00000-00&idtype=PID&context=1516831)

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69. [*BBC News - 01:30 AM GMT*](https://advance.lexis.com/api/document?id=urn:contentItem:5THM-5X11-JBH6-C1K5-00000-00&idtype=PID&context=1516831)

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70. [*Washington: EXECUTIVE AND OTHER COMMUNICATIONS (Senate - May 21, 2018)*](https://advance.lexis.com/api/document?id=urn:contentItem:5SCW-CNC1-JDG9-Y4J3-00000-00&idtype=PID&context=1516831)

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71. [*Thursday in Parliament - 01:30 AM GMT*](https://advance.lexis.com/api/document?id=urn:contentItem:5THM-5X11-JBH6-C1B1-00000-00&idtype=PID&context=1516831)

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72. [*BBC News - 01:30 AM GMT*](https://advance.lexis.com/api/document?id=urn:contentItem:5THM-5X11-JBH6-C1KS-00000-00&idtype=PID&context=1516831)

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| News | Timeline: 07 dec 2017 tot 07 dec 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

73. [*- Republic of Lithuania : IMF Executive Board Concludes Article IV Consultation*](https://advance.lexis.com/api/document?id=urn:contentItem:5SN5-XVT1-JD3Y-Y0R6-00000-00&idtype=PID&context=1516831)

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74. [*BBC News - 01:30 AM GMT*](https://advance.lexis.com/api/document?id=urn:contentItem:5THM-5X11-JBH6-C1KH-00000-00&idtype=PID&context=1516831)

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75. [*Register of Commission documents: Minutes - Attendance List Document date: 2018-07-05 P8\_PV-PROV(2018)07-05(LP) Provisional minutes - Plenary documents*](https://advance.lexis.com/api/document?id=urn:contentItem:5T4K-PKW1-JDG9-Y1M1-00000-00&idtype=PID&context=1516831)

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76. [*DGAP-News: Hannover Re anticipates stable prices and conditions for 2019 following last year's large loss events*](https://advance.lexis.com/api/document?id=urn:contentItem:5T7B-MG41-F022-H3G9-00000-00&idtype=PID&context=1516831)

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77. [*Strategies to transform Jordan into a digital economy and leading ICT regional centre*](https://advance.lexis.com/api/document?id=urn:contentItem:5WS6-C4X1-DXYV-74XR-00000-00&idtype=PID&context=1516831)

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78. [*EQS-News: Hannover Re anticipates stable prices and conditions for 2019*](https://advance.lexis.com/api/document?id=urn:contentItem:5T7B-76P1-JCXB-12YX-00000-00&idtype=PID&context=1516831)

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79. [*Council of the European Union: COMMISSION STAFF WORKING DOCUMENT IMPACT ASSESSMENT Accompanying the document Proposal for a Council Regulation on establishing the European High Performance Computing Joint Undertaking ST 5282 2018 ADD 4*](https://advance.lexis.com/api/document?id=urn:contentItem:5RGX-Y7T1-F0YC-N3K0-00000-00&idtype=PID&context=1516831)

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80. [*DGAP-News: Hannover Re anticipates stable prices and conditions for 2019 following last year's large loss events (english)*](https://advance.lexis.com/api/document?id=urn:contentItem:5T7K-RS31-DXCW-C523-00000-00&idtype=PID&context=1516831)

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81. [*Government policies aim to ensure that the Philippines ' economic growth is sustainable and inclusive*](https://advance.lexis.com/api/document?id=urn:contentItem:5WS6-C4Y1-DXYV-703G-00000-00&idtype=PID&context=1516831)

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82. [*Federal Register: Proposed Collection; Comment Request for Forms 1065, 1065-B, 1066, 1120, 1120-C, 1120-F, 1120-H, 1120-ND, 1120-S, 1120-SF, 1120- FSC , 1120-L, 1120-PC, 1120- REIT , 1120-RIC, 1120-POL, and Related Attachments Pages 50750 - 50756 [FR DOC # 2018-21846]*](https://advance.lexis.com/api/document?id=urn:contentItem:5TFR-GTD1-JDG9-Y36P-00000-00&idtype=PID&context=1516831)

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83. [*Kazakhstan : Staff Concluding Statement of an IMF Staff Visit*](https://advance.lexis.com/api/document?id=urn:contentItem:5TVM-9351-F0YC-N27Y-00000-00&idtype=PID&context=1516831)

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84. [*Uzbekistan - Q2 2018*](https://advance.lexis.com/api/document?id=urn:contentItem:5S37-5CX1-JD33-J2G9-00000-00&idtype=PID&context=1516831)

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85. [*Factors affecting temporary labour migration for seasonal work: a review*](https://advance.lexis.com/api/document?id=urn:contentItem:5YJX-P231-DY4C-F124-00000-00&idtype=PID&context=1516831)

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86. [*Nursultan Nazarbayev's Address to the People: "Five Social Initiatives of the President"*](https://advance.lexis.com/api/document?id=urn:contentItem:5RT3-4KC1-JDVR-03J4-00000-00&idtype=PID&context=1516831)

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87. [*Washington: ADDITIONAL COSPONSORS (Senate - May 22, 2018)*](https://advance.lexis.com/api/document?id=urn:contentItem:5SD9-W1K1-JDG9-Y4RX-00000-00&idtype=PID&context=1516831)

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88. [*- Roxgold Reports 2017 Fourth Quarter and Full Year Financial Results - Strong Cash Flow Driven by Robust Operating Performance in First Full Year of Operation*](https://advance.lexis.com/api/document?id=urn:contentItem:5S18-CF71-JD3Y-Y19D-00000-00&idtype=PID&context=1516831)

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89. [*EXECUTIVE AND OTHER COMMUNICATIONS (Senate - September 12, 2018)*](https://advance.lexis.com/api/document?id=urn:contentItem:5T86-SS41-F0YC-N4NM-00000-00&idtype=PID&context=1516831)

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90. [*Egypt 's economy grows in response to wide-ranging reform programme*](https://advance.lexis.com/api/document?id=urn:contentItem:5WS6-C4X1-DXYV-74G4-00000-00&idtype=PID&context=1516831)

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91. [*Thursday in Parliament - 10:04 PM GMT*](https://advance.lexis.com/api/document?id=urn:contentItem:5THH-N571-DY08-32Y0-00000-00&idtype=PID&context=1516831)

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92. [*Raiffeisen Bank Aval - Ukraine , Monthly Economic Review, November 2017*](https://advance.lexis.com/api/document?id=urn:contentItem:5R4N-1331-F19S-P1VT-00000-00&idtype=PID&context=1516831)

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93. [*Register of Commission documents: Challenges for EU cohesion policy: Issues in the forthcoming post-2020 reform Document date: 2018-02-16 EPRS\_BRI(2018)614703 Briefing*](https://advance.lexis.com/api/document?id=urn:contentItem:5RRR-NPX1-F0YC-N21P-00000-00&idtype=PID&context=1516831)

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94. [*BUSINESSWIRE: Eurofins Exceeds Its Recently-Upgraded 2017 Objectives on a*](https://advance.lexis.com/api/document?id=urn:contentItem:5RT7-W4G1-JCXB-1290-00000-00&idtype=PID&context=1516831)

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95. [*Moldova : Dniester region media highlights 10-16 Nov 18*](https://advance.lexis.com/api/document?id=urn:contentItem:5TTC-2F91-DYRV-34BW-00000-00&idtype=PID&context=1516831)

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96. [*Raiffeisen Bank Aval - Ukraine , Monthly Economic Review, November 2017*](https://advance.lexis.com/api/document?id=urn:contentItem:5R4N-1331-F19S-P1VY-00000-00&idtype=PID&context=1516831)

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97. [*Meeting with Government members*](https://advance.lexis.com/api/document?id=urn:contentItem:5TD8-THY1-F19S-P1B1-00000-00&idtype=PID&context=1516831)

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98. [*Top news from Polish politics, economy, business & financial markets - 18:30 BUSINESS & EQUITY MARKET NEWS*](https://advance.lexis.com/api/document?id=urn:contentItem:64R9-6WP1-JCG5-H4GF-00000-00&idtype=PID&context=1516831)

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99. [*OECD Report: Call for higher tax rate on vacant city properties*](https://advance.lexis.com/api/document?id=urn:contentItem:5RTW-1X11-JCW9-22J7-00000-00&idtype=PID&context=1516831)

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100. [*Fiscal reforms and new programmes driving Jordan's progress*](https://advance.lexis.com/api/document?id=urn:contentItem:5WS6-C4X1-DXYV-74YG-00000-00&idtype=PID&context=1516831)

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# [***25 YEARS OF EXCELLENT SERVICES AND INNOVATIVE PRODUCTS***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SPK-D9D1-JD3Y-Y3V4-00000-00&context=1516831)

M2 PressWIRE

July 2, 2018 Monday

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**Length:** 1948 words

**Body**

July 2, 2018

First Investment Bank (Fibank) Launches New Promotional Offers on the Occasion of Its 25th Anniversary

Interview with Ms. Sevdalina Vassileva, Executive Director and Member of the Management Board of Fibank

Ms. Vassileva, how has the banking sector in Bulgaria been performing in 2018 so far, and what are your expectations for the second half of the ***year***?

- The banking sector in Bulgaria is stable and has achieved good financial results. In 2017, bank assets grew by more than 6%. Banks in Bulgaria proved to be a reliable partner for individuals and small and medium-sized enterprises. This ***year*** we are witnessing increased consumer consumption, as well as an upturn in the property sector. Banks have also contributed to that through their retail and housing loans. It is logical in such market conditions to observe steady growth in the consumer and mortgage lending segment, which creates prerequisites for revival in the economy. Despite the reduced interest rates on deposits, their volume continued to increase in both the individual and corporate segments, reaching a total growth of 5.8% in 2017.

In the second half of the ***year***, we expect the positive trend of moderate credit growth to continue. Banks have considerable liquidity and are ready to support both the financing needs of individuals, and the good ideas for development of Bulgarian business.

At the same time, the environment in which banks operate has been undergoing serious changes caused by a number of new regulations such as the General Data Protection Regulation (GDPR), the AML (Anti-Money Laundering) and KYC (Know Your Customer) regulations, the Directive on ***Payment*** Services in the Internal Market (PSD2), and others. Technological transformations increasingly affect the ways of attracting and serving customers, the designing and streamlining of processes, analyzing of data, and building of systems and models for their application. All this leads to more changes and a more competitive environment requiring banks to actively prepare and rethink their models. True, things are happening gradually - in an evolutionarily, not revolutionary way - but in 2 or 3 ***years***' time, when we turn back, we shall realize how significant these changes were.

What is the focus of Fibank's activity this ***year***?

- We are continuing to build on the solid foundations and experience of the past 25 ***years***: our wide and accessible branch network, the highly developed digital service channels, the innovative and competitive products, the partnerships and trust we have built with our over one million customers. Apart from being market- and customer-oriented, Fibank's policy includes a balanced approach to the development of SME and retail banking. In 2017, this approach again proved successful: we consolidated our leadership position in bank card business, and achieved the highest increase in the volume of consumer loans by BGN 127.4 million. The upward trend in our development with an emphasis on retail banking is continuing in 2018. Our analyzes indicate that households will continue to look for mortgage loans for home purchases, as well as for consumer loans for repairs, furnishings or other personal needs, so logically we will continue to develop these products alongside with attractive offers and packages including secure and convenient bank transactions online, or through our mobile application.

I would like here to turn your attention to the fact that this ***year*** First Investment Bank is celebrating its 25th anniversary. As a sign of appreciation for our customers' business and confidence, we have tried to develop attractive anniversary offers for various credit and deposit products.

Would you give us some more details about these offers?

- The first series of special anniversary offers will start at the beginning of the month, and continue until August 6 this ***year***. For our business customers, for example, we will offer business credit cards with no annual maintenance fee for the first 25 months of use so that they can try and appreciate the benefits of this type of cards that seems to be less popular in Bulgaria, while being undeniably useful and convenient. Another offer is a promotional deposit with 25 bp higher interest rate than the standard rates for individuals and business customers. We have also launched a new electronic deposit for individuals opened fully online, without the need to visit a bank's office, including for persons who are not currently customers of Fibank. That is also part of in the anniversary promotions.

Jubilee offers also include an interesting and extremely attractive proposal for a promotional overdraft with 25% lower interest rate. The authorized overdraft amount is determined based on the proceeds to the customer's account and can be drawn depending on the particular needs of the customer. Interest is paid only on the used part and only for the period of use, without any additional costs.

The overdraft can be repaid fully or in part, and then drawn again. With its low interest rate and high limit of up to BGN 25,000, combined with the advantageous "My Choice" daily banking packages, this overdraft is a great solution for people receiving their salaries at Fibank and a preferred alternative to the so-called "fast" loans offered on our market by various non-bank companies.

And that's not everything: the latest news from the bank is that our new credit proposals come in combination with the "Restart" option for consolidating and refinancing obligations of individuals. We have called it that because with its low cost, flexibility in terms of amount and maturity and tailored approach depending on the client's profile, it allows for a "fresh start" with the disposable funds remaining in the monthly budget after the reduction of the loan installment.

Thus, under the sign and on the occasion of its 25th anniversary, Fibank will continue to bring various attractive offers to the attention of its clients in the coming months. Just keep looking!

According to experts, the end is approaching of low interest rates on consumer and mortgage loans. What are your expectations?

- For us Bulgarians there is no need to worry. In the medium term, I do not expect any significant change in current interest rates. Of course it also depends on the policy of the European Central Bank, but even if a general increase in interest rates occurs in time, it will not happen abruptly.

Will the process of consolidation in the sector continue?

- In my opinion, it has never stopped but just slowed down due to the economic and financial crisis of 2007-2008. For example, 15-20 ***years*** ago there were about 35 banks on the Bulgarian market, while today there are 25. Fibank also took part in the process of consolidation in the sector a few ***years*** ago with the acquisition of Unionbank. The publicly known information at the moment indicates that the Bulgarian banking sector is still looking forward to more consolidations. This is a complex and multi-layered process that will continue in the coming ***years*** because of its underlying business logic.

As you mentioned, First Investment Bank is celebrating its 25th anniversary. How do you see its development over the next five-***year*** period?

- Our overall projections for the coming ***years*** are positive: macroeconomic growth, stable financial and business environment, and more clearly defined middle class. Against the backdrop of a domestic and European banking market that is highly regulated and demanding in terms of controls, practices and indicators, one of the main drivers for change is the technological and digital evolution: both of the financial services and their suppliers, and of the preferences of users. The Bank's main development strategy relies on areas where we have proven to be among the leaders in recent ***years***: adaptive market approach, first class service and individual customer approach, innovative and attractive products and services. To the vast experience and knowledge accumulated over the past 25 ***years*** we should add our leading position in digital technologies and banking channels, which we will continue to develop and improve in the context of the modern environment. We are constantly working on the automation and process simplification in order to become even faster and more responsive to our customers' requirements. At the same time, we are investing in the latest digital technologies that will make customer service ever more personalized, direct and related to the specific needs, while maintaining the trust and integrity of personal data. I feel positive that in 5 ***years***' time Fibank will be again, as it is now, a bank preferred by the customers, and a leader in digital transformation.

We all know that small and medium businesses are the backbone of the Bulgarian economy. Is there an increased interest in the banking products offered to such businesses in Bulgaria?

- Yes, we are definitely seeing an increased demand for financing by many companies, especially in the segment of SMEs and micro enterprises. Fibank offers the full range of financial solutions for business customers, including convenient and attractive transaction service packages. We are receiving positive feedback from our clients for acting in a quick and flexible manner, which is not typical of most banks where decision making and response for business lending are concerned.

The Smart Lady ***program*** that we recently launched to fund and support women in business has been enjoying particular interest, as women are very focused and have a great potential for small business. The ***program*** has two main goals: to offer a range of banking services and products and services tailored to the specific needs of women in business, and to provide opportunities for them to build on their skills, find support, share experience and receive advice from both our banking experts and from other ladies that have gone down the same path and have achieved success.

The features that the Smart Lady ***program*** includes meet certain concerns regarding the more conservative attitude towards risk taking, ***payment*** of financial obligations during maternity, child and family care, as well as care for the employees - because women have a tendency to ***transfer*** family values in the businesses environment, as well. This was the reason to offer a lower cost of financing, discounts on banking services, longer repayment periods, preferential terms, a wide range of acceptable collateral (including the option for unsecured loans), eased terms during maternity, additional health insurance with a comprehensive package for prevention and care covered by the bank, "Tranquility" insurance for borrowers again covered by the bank, etc.

For the brief 3 or 4 months of its existence, the ***program*** has enjoyed exceptional interest on the part of the customers. Hundreds of loans have been granted in different business areas, ranging from kindergartens, trade, ***agriculture*** and medical services to furniture manufacturing. The ***program*** has been well accepted throughout the country: 70% of the borrowers are from outside Sofia. They are mostly small companies, in line with the general profile of companies run by women: 87% fall within the SME category, of which 40% are micro enterprises (up to 9 people staff).

All this comes to show that there is enough business activity and demand, as long as customers can find high quality service and appropriate solutions. We at Fibank seem to have successfully managed that over the past 25 ***years***. And I believe we will continue to do so.

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[***Washington: TRANSMISSION OF MATERIALS IN THIS RELEASE IS EMBARGOED UNTIL 8:30 A.M (Eastern) Thursday, December 21, 2017***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5R7G-CX01-JDG9-Y4VM-00000-00&context=1516831)

Impact News Service

December 21, 2017 Thursday

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**Length:** 3319 words

**Body**

Washington: U.S.Department of Labor has issued the following news release:

UNEMPLOYMENT INSURANCE WEEKLY CLAIMS SEASONALLY ADJUSTED DATA In the week ending December 16, the advance figure for seasonally adjusted initial claims was 245,000, an increase of 20,000 from the previous week's unrevised level of 225,000. The 4-week moving average was 236,000, an increase of 1,250 from the previous week's unrevised average of 234,750. Claims taking procedures continue to be disrupted in the Virgin Islands. The claims taking process in Puerto Rico has still not returned to normal. The advance seasonally adjusted insured unemployment rate was 1.4 percent for the week ending December 9, an increase of 0.1 percentage point from the previous week's unrevised rate. The advance number for seasonally adjusted insured unemployment during the week ending December 9 was 1,932,000, an increase of 43,000 from the previous week's revised level. The previous week's level was revised up 3,000 from 1,886,000 to 1,889,000. The 4-week moving average was 1,923,000, an increase of 4,250 from the previous week's revised average.

The previous week's average was revised up by 250 from 1,918,500 to 1,918,750. UNADJUSTED DATA The advance number of actual initial claims under state ***programs***, unadjusted, totaled 287,103 in the week ending December 16, an increase of 4,339 (or 1.5 percent) from the previous week. The seasonal factors had expected a decrease of 18,039 (or -6.4 percent) from the previous week. There were 315,068 initial claims in the comparable week in 2016. The advance unadjusted insured unemployment rate was 1.4 percent during the week ending December 9, an increase of 0.1 percentage point from the prior week. The advance unadjusted number for persons claiming UI benefits in state ***programs*** totaled 1,961,454, an increase of 95,487 (or 5.1 percent) from the preceding week. The seasonal factors had expected an increase of 50,993 (or 2.7 percent) from the previous week. A ***year*** earlier the rate was 1.5 percent and the volume was 2,097,013. The total number of people claiming benefits in all ***programs*** for the week ending December 2 was 1,901,773, a decrease of 89,915 from the previous week. There were 2,038,035 persons claiming benefits in all ***programs*** in the comparable week in 2016. Extended Benefits were available in Alaska during the week ending December 2. Initial claims for UI benefits filed by former Federal civilian employees totaled 1,173 in the week ending December 9, a decrease of 449 from the prior week. There were 756 initial claims filed by newly discharged veterans, a decrease of 79 from the preceding week. There were 13,433 former Federal civilian employees claiming UI benefits for the week ending December 2, a decrease of 2,428 from the previous week. Newly discharged veterans claiming benefits totaled 8,482, a decrease of 700 from the prior week. The highest insured unemployment rates in the week ending December 2 were in Puerto Rico (6.1), Alaska (3.7), the Virgin Islands (3.0), New Jersey (2.3), Connecticut (2.1), Montana (2.1), Pennsylvania (2.1), California (2.0), Massachusetts (1.8), Washington (1.8), and West Virginia (1.8). The largest increases in initial claims for the week ending December 9 were in Illinois (+1,411), Michigan (+1,170), Iowa (+488), Massachusetts (+484), and Colorado (+379), while the largest decreases were in New York (-10,265), California (-6,475), Pennsylvania (-5,907), Texas (-5,224), and Georgia (-4,054). UNEMPLOYMENT INSURANCE DATA FOR REGULAR STATE ***PROGRAMS*** WEEK ENDING December 16 December 9 Change December 2 Prior Year1 Initial Claims (SA) 245,000 225,000 +20,000 236,000 265,000 Initial Claims (NSA) 287,103 282,764 +4,339 326,064 315,068 4-Wk Moving Average (SA) 236,000 234,750 +1,250 241,500 257,250 WEEK ENDING December 9 December 2 Change November 25 Prior Year1 Insured Unemployment (SA) 1,932,000 1,889,000 +43,000 1,911,000 2,044,000 Insured Unemployment (NSA) 1,961,454 1,865,967 +95,487 1,951,392 2,097,013 4-Wk Moving Average (SA) 1,923,000 1,918,750 +4,250 1,913,500 2,045,250 Insured Unemployment Rate (SA)2 1.4% 1.3% +0.1 1.4% 1.5% Insured Unemployment Rate (NSA)2 1.4% 1.3% +0.1 1.4% 1.5% INITIAL CLAIMS FILED IN FEDERAL ***PROGRAMS*** (UNADJUSTED) WEEK ENDING December 9 December 2 Change Prior Year1 Federal Employees (UCFE) 1,173 1,622 -449 1,088 Newly Discharged Veterans (UCX) 756 835 -79 1,083 PERSONS CLAIMING UI BENEFITS IN ALL ***PROGRAMS*** (UNADJUSTED) WEEK ENDING December 2 November 25 Change Prior Year1 Regular State 1,863,638 1,948,425 -84,787 1,993,028 Federal Employees 13,433 15,861 -2,428 12,006 Newly Discharged Veterans 8,482 9,182 -700 12,528 Extended Benefits3 1,284 977 +307 0 State Additional Benefits4 6,601 6,800 -199 7,287 STC / Workshare 5 8,335 10,443 -2,108 13,186 TOTAL 1,901,773 1,991,688 -89,915 2,038,035 FOOTNOTES SA - Seasonally Adjusted Data, NSA - Not Seasonally Adjusted Data 1. Prior ***year*** is comparable to most recent data. 2. Most recent week used covered employment of 140,510,815 as denominator. 3. Information on the EB ***program*** can be found here: EB ***Program*** information 4. Some states maintain additional benefit ***programs*** for those claimants who exhaust regular, extended and emergency benefits. Information on states that participate, and the extent of benefits paid, can be found starting on page 4-5 of this link: Extensions and Special ***Programs*** PDF 5. Information on STC/Worksharing can be found starting on page 4-9 of the following link: Extensions and Special ***Programs*** PDF Advance State Claims - Not Seasonally Adjusted Initial Claims Filed During Week Ended December 16 Insured Unemployment For Week Ended December 9 STATE Advance Prior Wk Change Advance Prior Wk Change Alabama 2,499 3,876 -1,377 16,531 16,751 -220 Alaska 1,385 1,349 36 12,464 11,565 899 Arizona 3,372 3,886 -514 19,840 21,848 -2,008 Arkansas 2,180 1,998 182 13,119 14,186 -1,067 California 48,326 47,792 534 376,279 334,048 42,231 Colorado 2,487 2,763 -276 21,432 21,149 283 Connecticut 4,113 4,149 -36 36,742 33,841 2,901 Delaware 661 592 69 5,286 5,011 275 District of Columbia 659 385 274 7,835 8,623 -788 Florida 7,046 7,593 -547 41,071 39,908 1,163 Georgia 5,220 5,433 -213 26,290 27,674 -1,384 Hawaii 1,098 1,285 -187 8,010 7,410 600 Idaho 2,047 2,317 -270 8,196 7,724 472 Illinois 16,351 16,838 -487 110,858 101,702 9,156 Indiana 4,539 3,442 1,097 16,572 15,272 1,300 Iowa 5,541 4,995 546 20,988 17,619 3,369 Kansas 2,365 2,222 143 10,344 10,137 207 Kentucky 3,574 2,744 830 17,799 17,244 555 Louisiana 2,297 2,145 152 16,583 19,001 -2,418 Maine \*\* 1,776 1,416 360 6,085 5,155 930 Maryland 3,826 3,842 -16 30,487 33,286 -2,799 Massachusetts 10,137 8,300 1,837 63,989 62,790 1,199 Michigan 14,840 15,571 -731 62,774 53,433 9,341 Minnesota 6,879 6,991 -112 54,202 47,895 6,307 Mississippi 1,316 1,283 33 8,158 9,063 -905 Missouri 4,615 4,302 313 23,557 22,971 586 Montana 1,435 1,467 -32 9,806 9,105 701 Nebraska 1,178 1,363 -185 5,584 4,793 791 Nevada 3,468 3,013 455 21,373 22,049 -676 New Hampshire 713 668 45 3,632 3,872 -240 New Jersey 11,714 10,924 790 94,268 89,537 4,731 New Mexico 902 972 -70 10,209 10,193 16 New York 18,005 15,720 2,285 144,971 139,183 5,788 North Carolina 3,433 3,186 247 19,952 20,769 -817 North Dakota 1,402 1,355 47 6,370 4,302 2,068 Ohio 12,069 9,891 2,178 59,434 56,084 3,350 Oklahoma 1,265 1,767 -502 13,789 14,496 -707 Oregon 4,249 4,535 -286 28,333 28,088 245 Pennsylvania 18,463 18,892 -429 123,139 118,856 4,283 Puerto Rico I M 4,524 5,909 -1,385 49,574 53,727 -4,153 Rhode Island 1,576 1,154 422 7,797 7,280 517 South Carolina 2,588 3,453 -865 18,716 18,235 481 South Dakota 400 657 -257 2,425 1,956 469 Tennessee 3,131 3,145 -14 18,221 18,109 112 Texas 14,038 14,375 -337 136,026 135,717 309 Utah 1,765 1,813 -48 10,000 9,382 618 Vermont 678 586 92 3,945 3,575 370 Virgin Islands \*I M 170 201 -31 1,342 1,103 239 Virginia 3,625 3,146 479 24,893 23,961 932 Washington 7,315 7,150 165 60,301 57,522 2,779 West Virginia 1,296 2,010 -714 11,900 11,883 17 Wisconsin 8,013 7,257 756 36,271 33,379 2,892 Wyoming 539 646 -107 3,692 3,505 187 US Total 287,103 282,764 4,339 1,961,454 1,865,967 95,487 Note: Advance Claims are not directly comparable to claims reported in prior weeks. Advance claims are reported by the state liable for paying the unemployment compensation, whereas previous weeks reported reflect claimants by state of residence. In addition, claims reported as 'workshare equivalent' in the previous week are added to the advance claims as a proxy for the current week's 'workshare equivalent' activity. \*Denotes OUI estimate. \*\*Denotes state estimate. IAffected by Hurricane Irma. MAffected by Hurricane Maria. Seasonally Adjusted US Weekly UI Claims (in thousands) Week Ending Initial Claims Change from Prior Week 4-Week Average Insured Unemployment Change from Prior Week 4-Week Average IUR December 10, 2016 251 0 253.00 2,044 11 2,045.25 1.5 December 17, 2016 265 14 257.25 2,097 53 2,048.50 1.5 December 24, 2016 258 -7 256.25 2,102 5 2,069.00 1.5 December 31, 2016 241 -17 253.75 2,081 -21 2,081.00 1.5 January 7, 2017 245 4 252.25 2,061 -20 2,085.25 1.5 January 14, 2017 241 -4 246.25 2,083 22 2,081.75 1.5 January 21, 2017 252 11 244.75 2,063 -20 2,072.00 1.5 January 28, 2017 250 -2 247.00 2,067 4 2,068.50 1.5 February 4, 2017 237 -13 245.00 2,071 4 2,071.00 1.5 February 11, 2017 248 11 246.75 2,052 -19 2,063.25 1.5 February 18, 2017 247 -1 245.50 2,057 5 2,061.75 1.5 February 25, 2017 227 -20 239.75 2,059 2 2,059.75 1.5 March 4, 2017 252 25 243.50 2,025 -34 2,048.25 1.5 March 11, 2017 246 -6 243.00 1,987 -38 2,032.00 1.4 March 18, 2017 261 15 246.50 2,052 65 2,030.75 1.5 March 25, 2017 259 -2 254.50 2,035 -17 2,024.75 1.5 April 1, 2017 235 -24 250.25 2,028 -7 2,025.50 1.5 April 8, 2017 234 -1 247.25 1,978 -50 2,023.25 1.4 April 15, 2017 243 9 242.75 1,987 9 2,007.00 1.4 April 22, 2017 257 14 242.25 1,979 -8 1,993.00 1.4 April 29, 2017 238 -19 243.00 1,920 -59 1,966.00 1.4 May 6, 2017 236 -2 243.50 1,899 -21 1,946.25 1.4 May 13, 2017 233 -3 241.00 1,924 25 1,930.50 1.4 May 20, 2017 235 2 235.50 1,919 -5 1,915.50 1.4 May 27, 2017 255 20 239.75 1,929 10 1,917.75 1.4 June 3, 2017 245 -10 242.00 1,936 7 1,927.00 1.4 June 10, 2017 238 -7 243.25 1,942 6 1,931.50 1.4 June 17, 2017 242 4 245.00 1,945 3 1,938.00 1.4 June 24, 2017 244 2 242.25 1,965 20 1,947.00 1.4 July 1, 2017 250 6 243.50 1,949 -16 1,950.25 1.4 July 8, 2017 248 -2 246.00 1,977 28 1,959.00 1.4 July 15, 2017 234 -14 244.00 1,965 -12 1,964.00 1.4 July 22, 2017 245 11 244.25 1,967 2 1,964.50 1.4 July 29, 2017 241 -4 242.00 1,956 -11 1,966.25 1.4 August 5, 2017 244 3 241.00 1,954 -2 1,960.50 1.4 August 12, 2017 232 -12 240.50 1,954 0 1,957.75 1.4 August 19, 2017 235 3 238.00 1,945 -9 1,952.25 1.4 August 26, 2017 236 1 236.75 1,951 6 1,951.00 1.4 September 2, 2017 298 62 250.25 1,935 -16 1,946.25 1.4 September 9, 2017 281 -17 262.50 1,979 44 1,952.50 1.4 September 16, 2017 260 -21 268.75 1,911 -68 1,944.00 1.4 September 23, 2017 269 9 277.00 1,921 10 1,936.50 1.4 September 30, 2017 258 -11 267.00 1,904 -17 1,928.75 1.4 October 7, 2017 244 -14 257.75 1,896 -8 1,908.00 1.3 October 14, 2017 223 -21 248.50 1,900 4 1,905.25 1.4 October 21, 2017 234 11 239.75 1,884 -16 1,896.00 1.3 October 28, 2017 229 -5 232.50 1,904 20 1,896.00 1.4 November 4, 2017 239 10 231.25 1,868 -36 1,889.00 1.3 November 11, 2017 252 13 238.50 1,915 47 1,892.75 1.4 November 18, 2017 240 -12 240.00 1,960 45 1,911.75 1.4 November 25, 2017 238 -2 242.25 1,911 -49 1,913.50 1.4 December 2, 2017 236 -2 241.50 1,889 -22 1,918.75 1.3 December 9, 2017 225 -11 234.75 1,932 43 1,923.00 1.4 December 16, 2017 245 20 236.00 Initial Claims Filed During Week Ended December 9 INITIAL CLAIMS Insured Unemployment For Week Ended December 2 INSURED UNEMPLOYMENT STATE STATE CHANGE FROM UCFE 1UCX 1STATE (%) 2 CHANGE FROM UCFE 1UCX 1ALL ***PROGRAMS*** EXCLUDING RAILROAD RETIREMENT LAST WEEK ***YEAR*** AGO LAST WEEK ***YEAR*** AGO Alabama 3876 -845 730 8 22 16751 0.9 -2096 -3076 42 80 16873 Alaska 1349 -254 -116 6 0 11565 3.7 -449 -1205 188 37 13070 Arizona 3886 -161 -164 23 0 21848 0.8 -1178 -3096 221 77 22146 Arkansas 1998 -692 -485 6 9 14186 1.2 -362 -1425 68 71 14325 California 47792 -6475 -2845 262 124 334048 2.0 -46265 -32442 2321 1811 338180 Colorado 2763 379 -1056 33 14 21149 0.8 1 -4324 239 234 21622 Connecticut 4149 -400 80 9 5 33841 2.1 -663 -2416 55 82 33978 Delaware 592 -414 -109 2 0 5011 1.2 -1535 -344 15 12 5038 District of Columbia 385 -12 13 4 2 8623 1.5 -137 215 374 10 9007 Florida 7593 -431 -537 34 53 39908 0.5 -9804 -603 187 200 40295 Georgia 5433 -4054 -2204 49 32 27674 0.7 -4331 -2871 339 239 28252 Hawaii 1285 -125 52 7 9 7410 1.2 -527 52 87 94 7591 Idaho 2317 129 -384 43 2 7724 1.1 -86 -1449 260 19 8003 Illinois 16838 1411 -2962 10 14 101702 1.7 658 -5613 385 238 102325 Indiana 3442 82 -1694 3 9 15272 0.5 758 -7078 58 52 15382 Iowa 4995 488 -614 7 1 17619 1.2 819 -3214 49 43 17711 Kansas 2222 124 -898 10 1 10137 0.8 -565 -924 186 41 10364 Kentucky 2744 11 -556 6 4 17244 0.9 -637 -2342 175 119 17538 Louisiana 2145 -408 -719 9 2 19001 1.0 -603 -4655 45 24 19070 Maine 1416 278 77 7 1 5155 0.9 -341 -1458 32 22 5209 Maryland 3842 -796 -287 23 9 33286 1.3 -888 -2287 442 137 33865 Massachusetts 8300 484 30 14 13 62790 1.8 291 -1865 329 159 63278 Michigan 15571 1170 3181 31 20 53433 1.3 -1168 -2220 171 107 53713 Minnesota 6991 -975 -400 8 6 47895 1.7 1479 -5096 145 100 48140 Mississippi 1283 -201 -474 3 3 9063 0.8 -958 -2496 47 37 9147 Missouri 4302 -136 -954 20 4 22971 0.8 -1459 -1584 750 59 23780 Montana 1467 -172 -901 69 1 9105 2.1 -442 -446 370 25 9501 Nebraska 1363 294 -302 2 3 4793 0.5 -248 -587 15 13 4821 Nevada 3013 -177 -20 12 7 22049 1.7 -1129 -1223 171 74 22294 New Hampshire 668 4 -111 0 4 3872 0.6 1 -477 7 3 3882 New Jersey 10924 -165 -259 14 23 89537 2.3 -3903 -4185 228 291 90056 New Mexico 972 -97 -163 8 4 10193 1.3 -510 -1694 316 77 10586 New York 15720 -10265 -1571 45 37 139183 1.5 -10580 -10831 639 438 140260 North Carolina 3186 -340 -1071 4 19 20769 0.5 34 -3593 90 158 21017 North Dakota 1355 157 -441 3 2 4302 1.1 414 -1411 19 8 4329 Ohio 9891 -515 -858 10 28 56084 1.1 2398 -4285 206 218 56508 Oklahoma 1767 139 28 11 4 14496 1.0 -664 -4914 75 95 14666 Oregon 4535 -2190 -712 70 15 28088 1.5 -2398 -1294 623 119 28830 Pennsylvania 18892 -5907 -1868 81 46 118856 2.1 9031 -8253 662 324 119842 Puerto Rico 5909 -1372 4427 0 2 53727 6.1 1085 31529 20 18 53765 Rhode Island 1154 -79 59 2 2 7280 1.6 39 -833 19 22 7321 South Carolina 3453 85 452 4 11 18235 0.9 -769 2892 63 71 18370 South Dakota 657 141 -39 2 1 1956 0.5 157 -558 34 4 1994 Tennessee 3145 -88 -376 10 2 18109 0.6 -867 427 416 52 18577 Texas 14375 -5224 -1134 81 126 135717 1.2 -4654 -15490 833 1229 137779 Utah 1813 37 -204 46 5 9382 0.7 507 -1698 275 21 9678 Vermont 586 -293 -80 1 0 3575 1.2 -473 -860 11 3 3589 Virgin Islands 201 40 181 1 0 1103 3.0 99 557 0 0 1103 Virginia 3146 -358 -629 22 21 23961 0.7 1560 -860 352 397 24710 Washington 7150 -2232 -1843 18 25 57522 1.8 -430 2417 486 640 58648 West Virginia 2010 -180 -288 3 3 11883 1.8 -105 -2883 59 34 11976 Wisconsin 7257 -2837 -1253 5 6 33379 1.2 -3295 -7559 104 31 33514 Wyoming 646 117 -233 12 0 3505 1.3 -237 -774 130 13 3648 Totals 282764 -43300 -22504 1173 756 1865967 1.3 -85425 -130702 13433 8482 1889166 Figures Appearing in columns showing Over-The-Week Changes reflect all revisions in data for prior week submitted by State agencies. 1.The Unemployment Compensation ***program*** for Federal Employees (UCFE) and the Unemployment Compensation for Ex-servicemembers (UCX) exclude claims filedjointly under other ***programs*** to avoid duplication. 2.Rate is not seasonally adjusted. The source of US total covered employment is BLS. UNADJUSTED INITIAL CLAIMS FOR WEEK ENDED DECEMBER 9, 2017 STATES WITH AN INCREASE OF MORE THAN 1,000 State Change State Supplied Comment IL +1,411 Layoffs in the construction, administrative and support and waste management and remediation service, wholesale trade, and retail trade industries. MI +1,170 No comment. STATES WITH A DECREASE OF MORE THAN 1,000 State Change State Supplied Comment NY -10,265 Fewer layoffs in the transportation and warehousing, construction, and accommodation and food service industries. CA -6,475 Fewer layoffs in the service and ***agriculture***, forestry, fishing, and hunting industries. PA -5,907 Fewer layoffs in the transportation and warehousing, accommodation and food service, and construction industries. TX -5,224 No comment. GA -4,054 Fewer layoffs in the manufacturing, administrative and support and waste management and remediation service, and construction industries. WI -2,837 No comment. WA -2,232 No comment. OR -2,190 No comment. PR -1,372 No comment. TECHNICAL NOTES This news release presents the weekly unemployment insurance (UI) claims reported by each state's unemployment insurance ***program*** offices. These claims may be used for monitoring workload volume, assessing state ***program*** operations and for assessing labor market conditions. States initially report claims directly taken by the state liable for the benefit ***payments***, regardless of where the claimant who filed the claim resided. These are the basis for the advance initial claims and continued claims reported each week. These data come from ETA 538, Advance Weekly Initial and Continued Claims Report. The following week initial claims and continued claims are revised based on a second reporting by states that reflect the claimants by state of residence. These data come from the ETA 539, Weekly Claims and Extended Benefits Trigger Data Report. A. Initial Claims An initial claim is a claim filed by an unemployed individual after a separation from an employer. The claimant requests a determination of basic eligibility for the UI ***program***. When an initial claim is filed with a state, certain programmatic activities take place and these result in activity counts including the count of initial claims. The count of U.S initial claims for unemployment insurance is a leading economic indicator because it is an indication of emerging labor market conditions in the country. However, these are weekly administrative data which are difficult to seasonally adjust, making the series subject to some volatility. B. Continued Weeks Claimed A person who has already filed an initial claim and who has experienced a week of unemployment then files a continued claim to claim benefits for that week of unemployment. Continued claims are also referred to as insured unemployment. The count of U.S continued weeks claimed is also a good indicator of labor market conditions. Continued claims reflect the current number of insured unemployed workers filing for UI benefits in the nation. While continued claims are not a leading indicator (they roughly coincide with economic cycles at their peaks and lag at cycle troughs), they provide confirming evidence of the direction of the U.S economy. C. Seasonal Adjustments and Annual Revisions Over the course of a ***year***, the weekly changes in the levels of initial claims and continued claims undergo regularly occurring fluctuations. These fluctuations may result from seasonal changes in weather, major holidays, the opening and closing of schools, or other similar events. Because these seasonal events follow a more or less regular pattern each ***year***, their influence on the level of a series can be tempered by adjusting for regular seasonal variation. These adjustments make trend and cycle developments easier to spot. At the beginning of each ***calendar*** ***year***, the Bureau of Labor Statistics provides the Employment and Training Administration (ETA) with a set of seasonal factors to apply to the unadjusted data during that ***year***. Concurrent with the implementation and release of the new seasonal factors, ETA incorporates revisions to the UI claims historical series caused by updates to the unadjusted data.

**Load-Date:** December 22, 2017

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[***Washington: EXECUTIVE COMMUNICATIONS, ETC. (House of Representatives - July 24, 2018)***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5S18-H1N1-F0YC-N12S-00000-00&context=1516831)

Impact News Service

July 26, 2018 Thursday

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**Length:** 1732 words

**Body**

Washington: The Library of Congress, The Government  of USA has issued the following house proceeding:

 EXECUTIVE COMMUNICATIONS, ETC. Under clause 2 of rule XIV, executive communications were taken from the Speaker's table and referred as follows: 5742. A letter from the Under Secretary, Acquisition and Sustainment, Department of Defense, transmitting the Department's report titled ``Fiscal ***Year*** 2017 Purchases From Foreign Entities'', pursuant to 41 U.S.C 8305; Public Law 104-201, Sec. 827 (as amended by Public Law 111-350, Sec. 3); (124 Stat. 3833) and Public Law 115-31, Sec.

8029(b); (131 Stat. 253); to the Committee on Armed Services. 5743. A letter from the Chairman, Board of Governors of the Federal Reserve System, transmitting the Board's Report to the Congress on the Profitability of Credit Card Operations of Depository Institutions, pursuant to 15 U.S.C 1637 note; Public Law 100-583, Sec. 8; (102 Stat. 2969); to the Committee on Financial Services. 5744. A letter from the Chief Counsel, FEMA, Department of Homeland Security, transmitting the Department's final rule -- National Flood Insurance ***Program***: Removal of Monroe County Pilot Inspection ***Program*** Regulations [Docket ID: FEMA-2018- 0027] (RIN: 1660-AA93) received July 18, 2018, pursuant to 5 U.S.C 801(a)(1)(A); Public Law 104-121, Sec. 251; (110 Stat. 868); to the Committee on Financial Services. 5745. A letter from the Associate General Counsel for Legislation and Regulations, Office of Housing -- Federal Housing Commissioner, Department of Housing and Urban Development, transmitting the Department's final rule -- Streamlining Inspection Requirements for Federal Housing Administration (FHA) Single-Family Mortgage Insurance: Removal of the FHA Inspector Roster [Docket No.: FR-5457-F- 02] (RIN: 2502-AJ03) received July 12, 2018, pursuant to 5 U.S.C 801(a)(1)(A); Public Law 104-121, Sec. 251; (110 Stat. 868); to the Committee on Financial Services. [[Page H7153]] 5746. A letter from the Secretary, Department of Education, transmitting the Department's final rule -- Student Assistance General Provisions, Federal Perkins Loan ***Program***, Federal Family Education Loan ***Program***, William D. Ford Federal Direct Loan ***Program***, and Teacher Education Assistance for College and Higher Education Grant ***Program***; Corrections [Docket ID: ED-2017-OPE-0112] (RIN: 1840-AD28) received July 17, 2018, pursuant to 5 U.S.C 801(a)(1)(A); Public Law 104- 121, Sec. 251; (110 Stat. 868) and 20 U.S.C 1232(f); Public Law 90-247, Sec. 437(f) (as added Public Law 91-230, Sec. 401(a)(10)); (84 Stat. 169); to the Committee on Education and the Workforce. 5747. A letter from the Secretary, Department of Energy, transmitting the Department's Strategic Petroleum Reserve Annual Report for ***Calendar*** ***Year*** 2015, pursuant to 42 U.S.C 6245 Public Law 94-163, Sec.165 (as amended by Public Law 106-469, Sec. 103(17)); (114 Stat. 2032) (114 Stat. 2032); to the Committee on Energy and Commerce. 5748. A letter from the Secretary, Department of Health and Human Services, transmitting a Declaration that Circumstances Exist Justifying an Authorization Pursuant to Section 564 of the Federal Food, Drug, and Cosmetic Act; to the Committee on Energy and Commerce. 5749. A letter from the Deputy Assistant Administrator, Diversion Control Division, DEA, Department of Justice, transmitting the Department's temporary amendment -- Schedules of Controlled Substances: Temporary Placement of NM2201, 5F-AB-PINACA, 4-CN-CUMYL-BUTINACA, MMB-CHMICA and 5F- CUMYL-P7AICA Into Schedule I [Docket No.: DEA-479] received July 17, 2018, pursuant to 5 U.S.C 801(a)(1)(A); Public Law 104-121, Sec. 251; (110 Stat. 868); to the Committee on Energy and Commerce. 5750. A letter from the Assistant Administrator, Diversion Control Division, DEA, Department of Justice, transmitting the Department's final rule -- Controlled Substances Quotas [Docket No.: DEA-480] (RIN: 1117-AB48) received July 17, 2018, pursuant to 5 U.S.C 801(a)(1)(A); Public Law 104-121, Sec. 251; (110 Stat. 868); to the Committee on Energy and Commerce. 5751. A letter from the Chief Executive Officer, U.S Anti- Doping Agency, transmitting the Agency's 2017 Annual Report and Financial Audit, pursuant to 21 U.S.C 2002(b); Public Law 109-469, Sec. 702(b); (120 Stat. 3534); to the Committee on Energy and Commerce. 5752. A letter from the Director, Office of Congressional Affairs, U.S Nuclear Regulatory Commission, transmitting the Commission's final rule -- Medical Use of Byproduct Material -- Medical Event Definitions, Training and Experience, and Clarifying Amendments [NRC-2008-0175] (RIN: 3150-AI63) received July 17, 2018, pursuant to 5 U.S.C 801(a)(1)(A); Public Law 104-121, Sec. 251; (110 Stat. 868); to the Committee on Energy and Commerce. 5753. A letter from the Secretary, Department of Commerce, transmitting a report certifying that the export of the listed items to the People's Republic of China is not detrimental to the U.S space launch industry, pursuant to 22 U.S.C 2778 note; Public Law 105-261, Sec. 1512 (as amended by Public Law 105-277, Sec. 146); (112 Stat. 2174); to the Committee on Foreign Affairs. 5754. A letter from the Assistant Legal Advisor, Office of Treaty Affairs, Department of State, transmitting reports concerning international agreements other than treaties entered into by the United States to be transmitted to the Congress within the sixty-day period specified in the Case- Zablocki Act, pursuant to 1 U.S.C 112b(a); Public Law 92- 403, Sec. 1(a) (as amended by Public Law 108-458, Sec. 7121(b)); (118 Stat. 3807); to the Committee on Foreign Affairs. 5755. A letter from the Assistant Secretary, Legislative Affairs, Department of State, transmitting Transmittal No. DDTC 17-074, pursuant to the reporting requirements of Section 36(d) of the Arms Export Control Act; to the Committee on Foreign Affairs. 5756. A letter from the Associate General Counsel for General Law, Department of Homeland Security, transmitting a notification of discontinuation of service in acting role, pursuant to 5 U.S.C 3349(a); Public Law 105-277, 151(b); (112 Stat. 2681-614); to the Committee on Oversight and Government Reform. 5757. A letter from the Assistant General Counsel, General Law, Ethics, and Regulation, Department of the Treasury, transmitting a notification of a designation of acting officer and nomination, pursuant to 5 U.S.C 3349(a); Public Law 105-277, 151(b); (112 Stat. 2681-614); to the Committee on Oversight and Government Reform. 5758. A letter from the Associate General Counsel for General Law, Immigration and Customs Enforcement, Department of Homeland Security, transmitting a notification of a designation of acting officer, and a notification of a discontinuation of service in acting role, pursuant to 5 U.S.C 3349(a); Public Law 105-277, 151(b); (112 Stat. 2681- 614); to the Committee on Oversight and Government Reform. 5759. A letter from the Chairman, National Credit Union Administration, transmitting the NCUA Strategic Plan 2018- 2022 and 2018 Annual Performance Plan, pursuant to 5 U.S.C 306(a); Public Law 103-62, Sec. 3(a) (as amended by Public Law 111-352, Sec. 2); (124 Stat. 3866) and 31 U.S.C 1115(b); Public Law 111-352, Sec. 3; (124 Stat. 3867); to the Committee on Oversight and Government Reform. 5760. A letter from the Director, Office of Personnel Management, transmitting the Office's final rule -- Federal Employees Health Benefits ***Program*** and Federal Employees Dental and Vision Insurance ***Program***: Expiration of Coverage of Children of Same-Sex Domestic Partners; Federal Flexible Benefits Plan: Pre-Tax ***Payment*** of Health Benefits Premiums: Conforming Amendments (RIN: 3206-AN34) received July 17, 2018, pursuant to 5 U.S.C 801(a)(1)(A); Public Law 104-121, Sec. 251; (110 Stat. 868); to the Committee on Oversight and Government Reform. 5761. A letter from the Director, Office of Personnel Management, transmitting the Office's Inspector General Semiannual Report for the period of October 1, 2017, to March 31, 2018, pursuant to Sec. 5 of Public Law 95-452, as amended; to the Committee on Oversight and Government Reform. 5762. A letter from the Executive Director, United States Access Board, transmitting the Board's FY 2017 No FEAR Act report, pursuant to 5 U.S.C 2301 note; Public Law 107-174, 203(a) (as amended by Public Law 109-435, Sec. 604(f)); (120 Stat. 3242); to the Committee on Oversight and Government Reform. 5763. A letter from the Chairman and CEO, Farm Credit Administration, transmitting the Administration's final rule -- Organization; Funding and Fiscal Affairs, Loan Policies and Operations, and Funding Operations; Investment Eligibility (RIN: 3052-AC84) received July 18, 2018, pursuant to 5 U.S.C 801(a)(1)(A); Public Law 104-121, Sec. 251; (110 Stat. 868); to the Committee on ***Agriculture***. 5764. A letter from the Federal Liaison Officer, United States Patent and Trademark Office, Department of Commerce, transmitting the Department's final rule -- Removal of Rules Governing Trademark Interferences [Docket No.: PTO-T-2017- 0032] (RIN: 0651-AD23) received July 17, 2018, pursuant to 5 U.S.C 801(a)(1)(A); Public Law 104-121, Sec. 251; (110 Stat. 868); to the Committee on the Judiciary. 5765. A letter from the Impact Analyst, Office of Regulation Policy and Management, Office of the Secretary (00REG), Department of Veterans Affairs, transmitting the Department's final rule -- Schedule for Rating Disabilities: Skin (RIN: 2900-AP27) received July 17, 2018, pursuant to 5 U.S.C 801(a)(1)(A); Public Law 104-121, Sec. 251; (110 Stat. 868); to the Committee on Veterans' Affairs. 5766. A letter from the Inspector General, Office of Inspector General, Department of Health and Human Services, transmitting a report entitled ``The MEDIC Produced Some Positive Results but More Could be Done to Enhance its Effectiveness'' (OEI-03-17-00310), pursuant to Public Law 114-198, Sec. 704(c)(2)(B); (130 Stat. 750); jointly to the Committees on Energy and Commerce and Ways and Means. 5767. A letter from the Inspector General, Office of the Inspector General, Department of Health and Human Services, transmitting an update on the ongoing monitoring of the Centers for Medicare and Medicaid Services' implementation of a new Medicare ***payment*** system for clinical diagnostic laboratory tests; jointly to the Committees on Energy and Commerce and Ways and Means.

**Load-Date:** July 27, 2018

**End of Document**



[***New reinsurance programmes are bolstering coverage against natural disasters in emerging markets***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5WS6-C4Y1-DXYV-7046-00000-00&context=1516831)

Oxford Business Group: Articles

June 2018

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**Body**

While advanced economies generate the vast majority of insurance and reinsurance business, emerging markets are posting higher rates of growth. Complementing this underlying trend is a strong and expanding interest in catastrophic risk, which by nature tends to pertain to emerging markets. This is coming alongside fast-paced, sector-transforming innovation, which could provide a major boost to industries in less-developed economies.

**By The Numbers**

In terms of simple throughput, insurance remains very much centred in North America, Europe and mature Asian markets. With long histories of trading risk, a general acceptance of the relevant products, and massive and increasingly vulnerable asset bases that need protection, developed economies generate steady volumes. According to insurance group Munich Re, in 2016 North America paid 31.1% of global premium, Western Europe paid 28.8% and the more advanced Asian markets, such as Japan, paid 19.8%.

However, growth rates in emerging markets outpace them by far: according to global accountancy EY, life premium in developing markets rose by 7.8% in 2014, while advanced markets grew by 4%. Those rates were 13.2% and 3.4%, respectively, in 2015, 20.1% and 2% in 2016, and an estimated 14.9% against 2.1% in 2017. Particularly strong growth was noted in the life segments in Vietnam, Malaysia and Indonesia. Regarding non-life insurance, the growth in emerging markets has been in the range of 5-8.5% since 2012, while growth in developed markets has remained around 2%. These trends are leading to a relative decline in the share of business in developed insurance markets. Munich Re has estimated that primary premium in North America will fall to 27.8% of the world's total by 2026, Western Europe to 24.5% and mature Asian markets to 17.5%. Meanwhile, emerging Asia's share will jump from 13.3% in 2016 to 21.4%, the MENA region's allocation will rise from 1.3% to 1.8%, and the share held by sub-Saharan Africa will remain at 1.1%. International reinsurer Swiss Re forecasts global reinsurance will grow by 1% per ***year*** over 2016-19; by comparison, reinsurance in emerging markets is growing at around 10%.

**Trends**

The global reinsurance market on the whole is healthy, with capital reaching $605bn at the end of the first half of 2017. However, in the wake of hurricanes Irma, Maria, Harvey and Nate, among other natural disasters, the long period of relatively low claims appears to be coming to an end, inevitably altering the fundamentals of the market. In its "Global Insurance Trends Analysis" for the first half of 2017, EY noted this flip in the market, with average event occurrence rising above the mean. According to the report, 2016 was the biggest ***year*** for catastrophe (CAT) claims since 2012, with $54bn in insurance losses reported on $210bn worth of damage, a coverage rate of 26%; in the first half of 2017 this rose to 42%. Reinsurance returns are already at or below the cost of capital: ratings agency Fitch expected return on equity to fall from 8.5% in 2016 to 2.1% in 2017, but forecast it would increase to 7.1% in 2018. The cost of capital for companies, meanwhile, was projected at 6-7% in 2017.

As reinsurance recovers from a turbulent ***year***, emerging markets should help drive the rebound. Although conditions are likely to remain tight, there is considerable optimism as reinsurers and investors in related securities look for opportunities in fast-growing economies in Asia, Africa and the Gulf. Latin America is not to be ignored, however, as Mexican insurance authorities reported strong demand from international markets and healthy pricing in early 2018, despite recent global catastrophes. At present, 236 reinsurers are operating in Mexico, serving 113 insurance companies - more than two reinsurers for every insurer.

**Micro-Insurance**

The growth of reinsurance in the developing world is mainly the result of economic expansion and increased awareness, though regulatory changes are playing a role as well. Many local authorities are working to raise awareness of the benefits of insurance and are calling for better coverage of risk, which is boosting policy demand. The rise in cessions is also being driven by innovations devised to address country-specific conditions, events and constraints.

Micro-insurance, which was targeted as one of the UN's Sustainable Development Goals, is one such innovation. In 2017 an international partnership was forged between the UN and the global insurance industry to boost sector activity. Swiss Re estimates the micro-insurance market could cover 4bn people worldwide, and reinsurers will be vital to this expansion. As the market increases in size, added capacity will be needed beyond what domestic businesses can currently provide, and international players will be key in bridging the gap.

To date, however, engagement has been minimal. While major reinsurance companies are supportive of the offerings of micro-insurance - in terms of grants, research and promotion - their exact participation in the risk-***transfer*** part of the equation remains unclear. This is partially a structural issue: the insured amount is usually so low with micro-insurance that reinsurance rarely kicks in on a per policy basis.

**Index Linking**

For the most part, reinsurance companies are involved with the micro-segment indirectly via the index-linked market. These products utilise parametric triggers, deliver large payouts when the relevant criteria are met and offer clear visibility of the basis for any claims, making them well suited for reinsurers.

A number of ***programmes*** are under way to increase reinsurance participation in the index-linked market, such as Mongolia's ***Agriculture*** Reinsurance (AgRe), which provides index-based livestock cover and is supported by major international players, including SCOR, Swiss Re and Qatar Re. Despite early losses, the ***programme*** has been in positive territory every ***year*** since 2010, according to company data.

**CAT Risk**

CAT coverage is a key avenue to emerging markets for reinsurers. Developing countries often turn abroad to cover major disasters, as they have limited domestic capacity due to the size of their economies and local insurance markets. It is also a product line where the modes of participation for international reinsurers are straightforward, with ample opportunity for innovation and product development. The triggers are transparent, the events are well defined and the duration of the cover tends to be short.

Although CAT coverage is needed and utilised everywhere, and most claims are paid in developed markets, the insurance is particularly suited to emerging economies. Because of their locations, populations and lack of infrastructure, these countries tend to be most affected by weather-related and seismic events. Thailand, the Philippines, Mexico, Indonesia, Papua New Guinea and a number of sub-Saharan African nations, for instance, are all highly vulnerable to natural disasters and are good candidates for coverage. Development of the segment is ongoing, but a number of ***programmes*** are already in place. For example, the Caribbean Catastrophe Risk Insurance Facility (CCRIF), which is currently owned and operated by 16 governments from the region, was created in 2007 with international assistance. It is the first and only regional fund to date that pays out claims based on statistical parameters rather than actual losses incurred. Reinsurance is a key component of the coverage, as it allows for the purchase of CAT insurance at lower rates than would usually be available commercially. Payouts from the CCRIF totalled $100m as of late 2017. Another such entity is the Pacific Catastrophe Risk Insurance Company (PCRIC), which covers the Cook Islands, the Republic of the Marshall Islands, Samoa, Tonga and Vanuatu. The entity was designed to pool risk and tap international reinsurance markets to cover key regional risks, such as tsunamis, earthquakes and cyclones. Established in June 2016 after the completion of a pilot ***programme*** from 2013 to 2015, the PCRIC mobilised $45m worth of coverage for the 2017/18 cyclone season, up from $38m a ***year*** earlier.

**Innovation**

In addition to traditional reinsurance arrangements, CAT bonds and CAT swaps are becoming a bigger part of the landscape. Under a swap, the exposure is ***transferred*** to investors in return for a ***payment*** - similar to a bond or a reinsurance agreement, but with less structure. These developments allow for the quick identification of risk and deployment of capital, in turn resulting in highly competitive terms. As reinsurance becomes more oriented towards capital markets, some developing economies may be better served.

For instance, Mexico's Fund for Natural Disasters (Fondo de Desastres Naturales, FONDEN) uses an index based on the Richter scale to provide reinsurance to cover costs after the country's earthquake insurance fund is tapped out. In 2017 FONDEN sold a $360m CAT bond, surpassing the $290m that was initially planned.

In the Philippines, a parametric disaster line to cover the 25 most disaster-prone provinces was initiated in 2017. The fund, valued at P1bn ($19.8m), received support from the World Bank, with the risk fully ceded to international reinsurers. In a related development, the World Bank arranged a $206m CAT swap line for the country, which will cover typhoon and earthquake risk.

At a global level, the World Bank has initiated a pandemic CAT ***programme***, issuing a $320m bond and completing $105m worth of swap transactions in 2017. The pandemic emergency financing facility will provide cover for the flu; coronaviruses, such as SARS; filoviruses, including Ebola and Marburg; Crimean-Congo fever; Rift Valley fever; Lassa fever; and others. World Health Organisation data on the number of people affected by an outbreak is used to trigger ***payments***.

The size of the CAT bond market has more than doubled over the past decade. It reached record volumes in 2017, estimated at $12bn, with more than $30bn outstanding. There are signs that alternative financing is outpacing traditional reinsurance, which could have a major impact on developing economies, given the speed and flexibility of market-based solutions.

**Protectionism**

Despite these advancements in CAT coverage bolstering the industry, the rise of protectionism presents a challenge. The trend towards more open economies has hit a speed bump in recent times, as populist sentiment and isolationism rise around the globe. In insurance markets, these trends have resulted in new efforts to restrict entry, such as local incorporation rules and higher capitalisation levels. Reinsurance is often targeted directly. This can include mandatory cessions to state reinsurers, minimum retention levels and high capital requirements for overseas cessions. The Global Reinsurance Forum identified 28 countries or regions that have or are implementing restrictions on reinsurance. While a number of developed countries are included - such as the US, Germany and France - mandatory cession and other such requirements are more common in emerging markets. For instance, Kazakhstan and Russia have been particularly restrictive, with the latter forming the Russian National Reinsurance Company in 2016. "The introduction of local requirements is influencing international reinsurers," Solomon Lartey, CEO of Activa International Insurance in Ghana, told OBG. "The global view of the reinsurer is bittersweet. For the big players facing natural disasters, they are getting squeezed from every angle."

In 2008 Saudi Arabia announced that all foreign insurance firms operating in the country had to become locally incorporated and foreign ownership was restricted to 30% of the total capital of an insurer, with all risk to be placed with local insurers. A report by insurance ratings agency AM Best concluded these rules were ineffective, as informal fronting arrangements meant much of the risk was placed internationally anyway. To mitigate this, the authorities initiated minimum retention levels, requiring that 30% of premium ceded be kept in the country. The Saudi net retention ratio has been far beyond this, at 81% in 2015 and 82% in 2016.

Similar requirements have been introduced in sub-Saharan Africa: 15% of life cessions and 10% of non-life cessions in Gabon must go to the Société Commerciale de Réassurance du Gabon; 15% of all reinsurance cessions in Uganda must be made to Uganda National Reinsurance; African Reinsurance Corporation (Africa Re) is entitled to 5% from underwriters in the African Union; and in Nigeria 5% goes to Africa Re and 5% is ceded to the West African Insurance Companies Association Reinsurance Corporation.

Protectionism is increasingly evident in Asian markets as well. So-called voluntary cessions to Malaysia Re will continue at a rate of 2.5% until the end of 2019 at least. In the Philippines, 10% must be ceded to the National Reinsurance Company of the Philippines, while in Sri Lanka 30% must go to National Insurance Trust Fund, up from 10% in 2013. Thailand has required 5% cessions to Thai Re since 2005, though this has not been enforced since the damaging 2011 floods. Notably, Indonesia, via the Indonesian Financial Services Authority (OJK), has established a number of reinsurance rules to encourage more domestic cession. Motor, health, personal accident, credit, life and surety risk must remain in the country, though products for multinational companies underwritten by international insurers are allowed. Each insurer must prepare an insurance support strategy, which sets out a reinsurance and retention plan, while automatic reinsurance agreements must utilise domestic capacity first - going overseas only if the domestic market is unwilling or unable to fill the order, as long as proof of this is provided to the OJK. Furthermore, foreign insurers taking on risk must be rated above "BBB". Indonesia also set up a national reinsurer, Indonesia Re, amalgamating the existing reinsurers in 2015. It was created to keep premium in the domestic market and may be recapitalised to achieve this goal. European insurers are worried that the new company could result in a higher rate of mandatory cession. While Indonesia is starting to employ protectionist measures, its economic growth is leading to overexposure in the domestic insurance sector. JLT Re, global provider of reinsurance broking, noted that although premium grew at a 10% rate from 2011 to 2016, the pace is not fast enough to fully cover the rise in exposure, placing underwriters at more risk.

Interestingly, Mexico and most Latin American markets are free of such protectionist measures, with the exception of Argentina, with 15% mandatory cession. Mandating retention rates may be difficult, as insurers in developing countries often do not have the necessary capital to serve all business. A good portion of premium required to remain domestic already ends up overseas; national reinsurers often have no choice but to turn to international markets. "A lot of our local players are more distribution organisations or consumer insurers," Mark Lwin, CEO of AIG Philippines Insurance, told OBG. "If you look at retention rates, they are as low as 1-2% or 8% at most for larger commercial risks. The gap between the desire to keep premium in the local market and the capacity to do so is significant."

**Risks**

Local conditions can impose specific challenges for insurers and reinsurers alike. On the life side, EY anticipates a tapering of growth in East Asia, as demand shifts from investment-linked products to protection products. In terms of non-life, EY has forecast a pick-up following a period of slower growth stemming from macroeconomic concerns, although the rebound will likely be capped by competitive and regulatory pressures. There are common structural risks in emerging markets, such as limited data and underwriting experience; however, advances in technology should see these areas improve over time, and some developing economies already have substantial information available. For example, PNG has 50 ***years*** of cyclone data and Mongolia's livestock census dates to 1918.

**Looking Ahead**

Reinsurance is changing globally. Although natural disasters have led to market tightening, new technologies are aiding players in reaching historically underpenetrated areas. Alternative solutions are likely to create uncertainties as well as opportunities, but reinsurance in emerging markets appears set to grow in both absolute and relative terms. While there are concerns about increased protectionism, the desire to keep more premium within emerging economies is likely to bolster development. "It is up to global players, but they must stop thinking that African business is too small," Lartey told OBG. "African regulators are talking to each other, fighting to close every loophole. If multinationals don't take action, local players will step in and work to meet business needs. Eventually, global players will have to shift to doing more business in Africa."

**Load-Date:** March 12, 2020

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[***BBC Radio 4 - 4:37 PM GMT***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5S06-K8X1-DY08-30GT-00000-00&context=1516831)

TVEyes - BBC Radio 4

March 29, 2018 Thursday

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**Section:** U.K. NATIONAL RADIO

**Length:** 885 words

**Body**

**Speech to text transcript:**[[1]](#footnote-2)1

Will go down in history he says March 29 29 18 will be the day on which after decades of membership several ***years*** of consternation and many months of negotiation will finally leave the European Union Mr. Davis adds if the past ***year*** has taught us anything it's that though there will be inevitably bumps in the road had there is always a way through in fact this ***year*** has made me more determined optimist than ever before he said and whatever happened to the famous letter by the Prime Minister kicked all this of Theresa May's missive triggering article 50 well the Telegraph has tracked down into the archives of the European Council in a safe-deposit room accessible to only 5 staff it stored in an acid free Fulda in a box with all the letters of accessions from the countries that have joined the EU ironically there it will stay for 30 ***years*** until ***transferred*** to an archive in Italy as you heard the Prime Minister is on a masochistic mission around the UK you know John appear in a series of apparently mutually exclusive places to pop up in the space of a single day amazing what's possible with planes and not staying anywhere very long anyway another event today requiring big thoughts rather than the big travel bill the UK in a changing Europe conference at the QE2 centre in Westminster entitled article 51 ***year*** on and with it a report Professor Anand Menon the group's director says that at this halfway point between as legally starting the journey to Brexit and actually leaving uncertainty reigns is having a negative consequences he claims for business in key sectors including ***agriculture*** fisheries aviation the environment higher education the health service and financial services the report also says that demographic changes are pulling public opinion in a pro-European direction claims by 2021 the lecture will be 52 48 in favour of remain by 2026 it will be 54 46 remain as a result of rising education rising ethnic diversity and what it calls a generational change change and finally nothing to do with Brexit day itself just some general Brexit News the Irish government this week announced a loan scheme to help businesses there have to adapt as a result of the UK's departure companies with up to 500 employees will be able to apply for loans worth up to one and a half million EURO repayable a rate of 4% on 20 the 9th of March we will be exactly one ***year*** away from Brexit supporters and removing the United Kingdom from the European Union mean for European Union as part of the day of special ***programmes*** on BBC Radio 4 Evan Davis and David Aaronovitch explore what life will be like the EU after Brexit what does it means the grasses the British voice will be all these things will affect the European Union and from the European Union will come back to that tops the EU after Brexit tonight at 8 part of Britain at the crossroads on BBC radio 4's Chris Morris the BBC's reality Check correspondent is here to answer pm business questions about Brexit Chris Let's start with money we've had question asks what is the financial cost of the Brexit process so far and more specific one from John Eames who asks what the estimate of the final cost want to divorce bill has been made alterations to be made to move to government etc a minute it is really hard to be precise disappoint John night the beginning but let's just say one thing we've been looking into recently which is the civil service we know that there have been specific cost there to prepare for Brexit two new departments Department for Exiting the European Union the Department for International trade we know that 1000 extra civil servants been taking on in places like the Department for environment food and rural affairs her Majesty's revenue and Customs and there's an estimate that in this financial ***year*** just about to start there's probably in about two billion £ of spending just on The civil service preparing for for Brexit mean obviously the big cost going forward it will be the divorce bill we were talking about earlier in the ***programme*** up to 39 billion £ says the government with ***payments*** which will stretch for decades into the future small ones when you look at things like pensions of and so on EU says there are those on the EU side say it could even be higher than that because obviously not quite certain how long people will live so that's a slight unknown other costs things like setting up some of the regulatory agencies we currently share with the European Union things like when they think like chemicals and pharmaceuticals which we want to stay in but there are plenty of others that we may well leave will have to set up some system of our own all that of course have been put in the context of what Brexit does to our economy in the short term most economists not all but most economists we will take a hit in the longer term I think the forecast almost points we don't really know so I think even put in that context there are certainly some short-term costs involved

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[***Federal Register: Increasing Flexibility for Verification of For-Profit Center Eligibility in the Child and Adult Care Food Program Pages 50038 - 50046 [FR DOC # 2018-21445]***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TDP-4D71-F0YC-N1BP-00000-00&context=1516831)

Impact News Service

October 4, 2018 Thursday

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**Length:** 10457 words

**Body**

Washington: Office of the Federal Register has issued the following notice:

DEPARTMENT OF ***AGRICULTURE*** Food and Nutrition Service 7 CFR Part 226 [FNS-2018-0009] RIN 0584-AE59 Increasing Flexibility for Verification of For-Profit Center Eligibility in the Child and Adult Care Food ***Program*** AGENCY: Food and Nutrition Service (FNS), USDA. ACTION: Proposed rule. ----------------------------------------------------------------------- SUMMARY: USDA proposes a deregulatory action to simplify the requirement for for-profit child care centers, for-profit adult care centers, and sponsoring organizations of for-profit centers in the Child and Adult Care Food ***Program*** to verify that they are eligible to submit claims for reimbursement each month. This rule would exempt for- profit centers from monthly verification if they annually demonstrate that at least 50 percent of children served are eligible for free and reduced-price meals or benefits under title XX of the Social Security Act, or at least 50 percent of adult participants are eligible for benefits under title XIX or title XX of the Social Security Act.

Monthly verification represents a small but duplicative paperwork burden. Allowing a less frequent verification cycle would reduce the administrative burden for those centers that consistently serve a high percentage of eligible children or adult participants from low-income households. DATES: Written comments must be received on or before December 3, 2018 to be assured of consideration. ADDRESSES: USDA invites interested persons to submit written comments on this proposed rule, including the information collection. Comments may be submitted in writing by one of the following methods:  Federal eRulemaking Portal: Go to [*http://www.regulations.gov*](http://www.regulations.gov) Follow the online instructions for submitting comments.      Mail: Send comments to Community Meals Branch, Policy and ***Program*** Development Division, USDA Food and Nutrition Service, 3101 Park Center Drive, Alexandria, Virginia 22302.      All written comments submitted in response to this proposed rule will be included in the record and will be made available to the public. Please be advised that the substance of the comments and the identity of the individuals or entities submitting the comments will be subject to public disclosure. USDA will make the written comments publicly available via   [*http://www.regulations.gov*](http://www.regulations.gov)

FOR FURTHER INFORMATION CONTACT: Andrea Farmer, Chief, Community Meals Branch, Policy and ***Program*** Development Division, USDA Food and Nutrition Service, 703-305-2590.

SUPPLEMENTARY INFORMATION:

I. Overview

    USDA is committed to working with States to highlight flexibilities and local choices that would both ensure that the Child and Adult Care Food ***Program*** (CACFP) operates with integrity and alleviate unnecessary regulatory burdens, such as the monthly verification required of private for-profit centers that serve a high percentage of eligible children or adult participants from low-income households. To be eligible to claim reimbursement for meals and snacks served in CACFP, for-profit centers must document that they meet specified criteria, which demonstrates that at least 25 percent of children or adult participants in care are from low-income households. This proposed rule would simplify the requirement for some for-profit child and adult care centers and sponsoring organizations of for-profit centers to verify that the 25 percent standard is met. It would allow a less frequent verification cycle, from monthly to annual verification, in those centers where low-income children or adult participants make up a large proportion of the enrollment. This rule proposes to make the following amendments to CACFP regulations:     1. At 7 CFR 226.10(c), exempt for-profit child or adult care centers from re-verifying their eligibility on monthly claim forms if they annually meet the criteria for for-profit centers to demonstrate that at least 50 percent of children or adult participants in care are from low-income households.     2. At 7 CFR 226.6(f), make verification of eligibility of participating for-profit institutions an annual State agency responsibility.     3. At 7 CFR 226.9(b) and 226.11(c), allow State agencies to use free and reduced-price counts to support the annual eligibility determination for for-profit centers that are assigned claiming percentages or blended rates of reimbursement, when the 50 percent standard is met.

II. Background

    CACFP, authorized under section 17 of the Richard B. Russell National School Lunch Act, 42 U.S.C 1766, supports the efforts of public, private non-profit, and private for-profit child care centers, outside school-hours-care centers, and adult day care centers to provide nutritious foods that contribute to the wellness, healthy growth, and development of young children and the health and wellness of older and chronically impaired adults. Independent public and private non-profit centers and sponsoring organizations of centers submit claims to the State agency for reimbursement each month, based on the number of meals served to eligible children or adult participants and their eligibility for free and reduced-priced meals. However, the claiming process is not as simple for independent for- profit centers and sponsoring organizations of for-profit centers. The Omnibus Reconciliation Act of 1981, Public Law 97-35, established a legislative standard of participation for for-profit centers that would reduce spending and target benefits to low-income children. Consequently, for-profit centers must meet additional criteria and verify each month that they are eligible to submit claims for reimbursement.     Based on informal input from CACFP stakeholders, USDA understands that for-profit centers that have to report information to verify monthly eligibility on their claim forms find it to be an unnecessary administrative burden, particularly for centers where low-income children or adult participants make up a greater proportion of the enrollment. USDA has been working with State agencies and local partners to examine administrative requirements

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and explore recommendations for reducing unnecessary paperwork and easing the burden of those requirements.     In 2011, USDA formed the Paperwork Reduction Work Group to explore ways to streamline CACFP. The Work Group consisted of a representative panel of CACFP professionals from State and local agencies and national associations, as well as experts in early childhood education and care, nutrition, and technology to help USDA understand how to make operational requirements more efficient, without compromising the measures we have taken to protect ***program*** integrity. Recommendations from the Work Group were included in a report, Reducing Paperwork in the Child and Adult Care Food ***Program***, which was submitted to Congress in August 2015.     The Work Group found it confusing and burdensome that CACFP regulations under 7 CFR 226.2 and 226.6 require for-profit centers to verify their eligibility in their applications and then, under 7 CFR 226.10, require for-profit centers to re-verify their eligibility to participate and submit claims for reimbursement each month. The Work Group reasoned that centers do not experience large variability in the percentage of enrollment or licensed capacity and that submitting monthly documentation results in a disproportional amount of work for any center that serves a high number of low-income children or adult participants. To address this paperwork burden, the Work Group considered several recommendations regarding eligibility verification and ***payments***, including proposals to:      Establish annual eligibility determinations for for-profit centers serving high numbers of low-income children;      Eliminate requirements to submit monthly backup documentation of attendance, income eligibility forms, or title XX participation;      Establish a single, blended-rate method of ***payment***, determined annually for centers;      Compute the blended rates of ***payment*** for centers based on an individual center's enrollment; and      Allow centers the option of amending the rate more frequently than annually.     The report's recommendations urged USDA to work with State agencies to streamline the annual eligibility determinations for participating for-profit centers meeting a 50 percent standard, and eliminate requirements to submit monthly backup documentation of children or adult participants' attendance or eligibility for meal benefits to verify that the 25 percent standard is met. The report also proposed recommendations on the assignment of rates of reimbursement, reflecting the Work Group's broader concerns about the paperwork burden placed on any center, not just for-profit centers, and on sponsoring organizations of centers when ***payment*** rates must be re-evaluated monthly. Instead of basing ***payments*** on the actual number or a claiming percentage of meals served free, at a reduced-price, or at the paid rate, the report asked State agencies to consider updating computer systems to move toward an annual blended ***payment*** rate, based on an individual center's enrollment, and allowing centers the option of amending the rate more frequently than annually.     Through this deregulatory action, USDA proposes to address the verification issue in the report by streamlining reporting requirements of for-profit centers and sponsoring organizations of for-profit centers that meet a 50 percent standard. In those centers where low- income children or adult participants make up a large proportion of the enrollment, the number of times eligibility must be verified would be reduced from monthly to annually.     This rule would exempt for-profit child or adult care centers from re-verifying their eligibility to submit claims each month, if they annually meet the criteria for for-profit centers to demonstrate that at least 50 percent of children or adult participants in care are from low-income households. The 50 percent standard is consistent with the Paperwork Reduction Work Group's recommendation and adopts a benchmark that has been applied by Congress to define low-income areas and determine eligibility in CACFP for streamlined reimbursements for non- profit centers. Corresponding changes would make verification of eligibility of participating for-profit institutions an annual State agency responsibility and provide options that would allow the State agency to use separate free and reduced-price counts that support the for-profit eligibility determination to assign each for-profit center an annual claiming percentage or blended rate.     The amendments proposed in this rule would not change fundamental CACFP requirements. USDA's intent is to find reasonable ways to ease CACFP operational burdens, through State flexibilities and options for child and adult care institutions that would make it easier to demonstrate and verify compliance with for-profit center requirements. For example, this rule would not change the 25 percent standard for application approval or the criteria to verify that each for-profit center is eligible to submit claims for reimbursement. Every for-profit center must continue to meet the 25 percent standard in order to be eligible to claim reimbursement each ***calendar*** month. No claims for reimbursement may be paid for meals served at a for-profit center in a ***calendar*** month when less than 25 percent of eligible children or adult participants meet this standard.     This rule would also not change the States' responsibilities for the assignment and calculation of rates of reimbursement. To calculate ***payments*** for public, private non-profit, and for-profit centers, State agencies receive monthly information from CACFP institutions about the eligibility of children and adult participants. Public and private non- profit institutions will continue to report this information to the State agency each month. For-profit institutions that do not meet the criteria demonstrating that at least 50 percent of children or adult participants in care are from low-income households would also continue to report eligibility information each month.     More than 65,300 child care centers and 2,700 adult care centers participated in CACFP in 2017, according to USDA administrative data released in April 2018. The numbers represent independent centers and centers that participate under a sponsoring organization, which the data collectively refer to as outlets--the individual child or adult care centers where meals are actually served. Of these outlets, USDA estimates that 18,841, or about 28 percent, were for-profit centers. In North Carolina, Georgia, and Florida, for-profit centers made up over half of the total number of centers.     The changes proposed in this rule would only apply to CACFP institutions--the independent centers and sponsoring organizations that are responsible for CACFP for-profit reporting requirements--not the individual centers that participate under a sponsoring organization. USDA administrative data showed that, in 2017, 9,770 independent for- profit centers and sponsoring organizations of for-profit centers participated in CACFP. Out of this universe of 9,770 for-profit institutions, USDA estimates that this rule would change reporting requirements for 7,920, or about 80 percent.     USDA recognizes that State agencies take different approaches in assigning and computing rates of reimbursement, depending on the structure and capabilities of their automated financial

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systems and the other technology investments they choose. Some of the options that USDA has considered addressing in this rule, such as allowing eligible for-profit centers to receive the assigned ***payment*** rate or submit information to the State agency to recalculate the rate at other intervals, have raised ***program*** integrity issues. Some have also raised concerns about preserving equity among public, private non- profit, and for-profit centers.     USDA seeks comments to help determine further changes, particularly from States where for-profit centers make up a significant proportion of CACFP centers. We encourage your comments to help us better understand what the differences in claims processing systems are and how they may impact for-profit institutions differently from public and non-profit centers and sponsoring organizations. It would be especially helpful to know how State administrators and local partners view the Paperwork Reduction Work Group's recommendations for assigning and amending ***payment*** rates to centers in CACFP.

Eligibility Determination and Verification

    A for-profit center in CACFP is defined under 7 CFR 226.2 as a child care center, outside-school-hours care center, or adult day care center providing nonresidential day care services that does not qualify for tax-exempt status under the Internal Revenue Code of 1986. Claims for reimbursement from, or on behalf of, a for-profit child care center or an outside-school-hours-care center may be submitted only for ***calendar*** months during which at least 25 percent of the children in care are eligible for free and reduced-price meals or receive benefits, for which the center receives compensation, under title XX of the Social Security Act. For-profit centers serving adults may submit claims for reimbursement only for ***calendar*** months during which at least 25 percent of the adults enrolled in care receive benefits, for which the center receives compensation, under title XIX or title XX of the Social Security Act, or a combination of both.     CACFP ***payment*** procedures under 7 CFR 226.10(c) require all for- profit child and adult care institutions to submit information to the State agency to verify their eligibility, for each month in which a for-profit child care center, for-profit outside-school-hours care center, or for-profit adult day care center claims reimbursement. Child care institutions must provide the number and percentage of children in care that documents that at least 25 percent of their enrollment or licensed capacity, whichever is less, is eligible for free and reduced- price meals or receive benefits, for which the center receives compensation, under title XX of the Social Security Act. Adult day care institutions must provide the percentage of enrolled adult participants that documents that at least 25 percent receive benefits, for which the center receives compensation, under title XIX or title XX of the Social Security Act.     USDA proposes several amendments to 7 CFR 226.10(c), including technical changes that would conform 7 CFR 226.10(c) with the codification requirements of the Office of the Federal Register and present the information in paragraph (c) in a clear, concise, yet thorough manner. Programmatically, this rule would exempt new institutions from re-verifying their monthly eligibility if their initial application demonstrates that at least 50 percent of children or adult participants in care are from low-income households.     With an annual eligibility determination, independent for-profit centers and sponsoring organizations of for-profit centers would not be required to re-verify their eligibility on monthly claim forms if the 50 percent standard is met.     However, to be eligible to submit a monthly claim for reimbursement, each institution must also ensure that, if enrollment changes, the center will still meet the criteria for for-profit centers to demonstrate that at least 25 percent of children or adult participants in care are from low-income households. No claims for reimbursement may be paid for meals served at a for-profit center in a ***calendar*** month when less than 25 percent of eligible children or adult participants meet this standard. Under this rule, it would be the responsibility of the institution to notify the State agency each month in which reimbursement would not be claimed.     This rule would encourage State agencies to utilize flexibilities that would also ease the administrative burden of State requirements. Based on informal input, USDA understands that in some States, additional paperwork may be requested to verify that a for-profit center meets the 25 percent standard. For example, a State agency may require the sponsoring organization to collect documentation of attendance, income eligibility, or title XIX or title XX participation, from its for-profit centers, with each month's claiming data. Under this rule, no additional submission of information to support the eligibility determination would be necessary if the center's annual for-profit eligibility percentage were 50 percent or greater. The sponsoring organization would check the center's eligibility documentation to verify children or adult participants' attendance or eligibility for meal benefits during a review. The center would not need to submit additional information to the sponsoring organization.     This rule would also exempt renewing institutions if they annually demonstrate that at least 50 percent of the children or adult participants in care are from low-income households. USDA proposes corresponding changes to make verification of eligibility of participating for-profit institutions an annual State agency responsibility.     USDA has not required renewing for-profit institutions to provide documentation of eligibility because, as a condition of their eligibility, for-profit centers are required to document that the 25 percent standard is met each month. Although the State agency receives this information monthly as part of the claiming process, 7 CFR 226.6(f)(3)(iv) of the regulations allows, but does not require, the State agency to request periodic resubmission of documentation to determine the continued eligibility of renewing centers. This rule would make annual reporting of eligibility information a requirement for all for-profit institutions, and move this provision from 7 CFR 226.6(f)(3)(iv) to the list of responsibilities under 7 CFR 226.6(f)(1).     Accordingly, this rule proposes to make technical changes to 7 CFR 226.10(c). New paragraphs at 7 CFR 226.10(c)(3) and (c)(4) would exempt for-profit child or adult care centers from re-verifying their eligibility to submit claims each month, if they annually meet the criteria for for-profit centers to demonstrate that at least 50 percent of children or adult participants in care are from low-income households. A new paragraph at 7 CFR 226.10(c)(5) would require the institution to notify the State agency each month in which reimbursement would not be claimed if a for-profit center that had verified an annual eligibility percentage of 50 percent or greater did not meet the 25 percent standard. This rule would also add a new paragraph at 7 CFR 226.6(f)(1) to make verification of eligibility of all participating for-profit institutions an annual State agency responsibility.

Assignment and Computation of Rates of Reimbursement

    State agencies have three options--actual counts, claiming percentages, and blended per-meal rates--for assigning

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rates of reimbursement, at 7 CFR 226.9(b), and computing reimbursement, at 7 CFR 226.11(c)(5), for child care centers, outside-school-hours- care centers, and adult day care centers.     State agencies may assign rates of reimbursement, not less frequently than annually, on the basis of family-size and income information reported by each institution. The assigned rates of reimbursement may be changed more frequently than annually if warranted by changes in family size and income information. Annual assignment of rates is a State option, not a requirement.     USDA is not proposing any changes in the assignment or computation of rates of reimbursement when the annual for-profit eligibility percentage is less than 50 percent. The State agency would continue to have the option of assigning rates of reimbursement annually or more frequently than annually for for-profit centers that do not meet the 50 percent standard. However, in States which elect claiming percentages or blended rates, this rule proposes that the State agency assign an annual rate of reimbursement when the 50 percent standard is met. The State agency would use the separate free and reduced-price counts that support each center's annual for-profit eligibility percentage to compute an annual claiming percentage or an annual blended rate. This rule would also provide flexibility, as needed for proper administration of CACFP, to allow the State agency to require a for- profit center to submit information to recalculate the claiming percentage or blended rate more frequently than annually.     These proposed changes are consistent with USDA's long-standing view that State agencies should utilize the flexibilities available in the regulations to simplify CACFP operations. In policy guidance, CACFP 15-2013, Existing Flexibilities in the Child and Adult Care Food ***Program***, issued on July 26, 2013, USDA encourages State agencies to annually assign rates of reimbursement for centers.     When reviews disclose serious noncompliance, requiring centers to re-evaluate the claiming percentage or blended rate each month would be an appropriate component of a corrective action plan.     However, for most centers which operate CACFP in good standing, allowing an annually determined claiming percentage or an annually determined blended rate would streamline the eligibility process. It would reduce the number of times the centers have to determine eligibility and provide more transparency for them to understand how they are reimbursed.     Accordingly, this rule proposes to add new paragraphs at 7 CFR 226.9(b)(2) and 226.11(c)(4) for computing rates of reimbursement for for-profit centers in States where claiming percentages or blended rates are assigned, if the center's annual eligibility percentage is 50 percent or greater. The proposed changes would allow State agencies to use the free and reduced-price counts that support the for-profit eligibility determination to assign each eligible for-profit center an annual claiming percentage or annual blended rate, with exceptions when needed for proper ***program*** administration.

Public Submission

    Public input and assessment, with an opportunity to examine CACFP operations and consider improvements related to this rule, are essential elements of the rulemaking process. We invite the public to submit comments to help USDA gain a better understanding of both the possible benefits and any negative impacts associated with the changes proposed in this rule.     This proposed rule reflects USDA's commitment to work with all of our partners, including State administrators, sponsoring organization leaders, for-profit center operators, advocates, and other CACFP stakeholders to develop innovative strategies to ensure that CACFP requirements are effective and practical.     USDA is actively looking for more information, particularly regarding the Paperwork Reduction Work Group's recommendations for assigning reimbursement rates and USDA's efforts to balance operational flexibilities with improvements in ***program*** integrity.     Comments on the economic effects of this rule that include quantitative and qualitative data--such as the public's insights on the occupations responsible for the paperwork and other inputs, which would help USDA prepare benefit cost analyses and narrow down the range of cost savings--are also especially helpful.     Please select those issues that most concern and affect you, or that you best understand, and include examples of how the proposed rule would impact you, positively or negatively. Consider what could be done to foster incentives for flexibility, consistency, eliminating duplication, ensuring compliance, and protecting ***program*** integrity. For example, consider:      How easily State agency and sponsoring organization financial systems could support the changes;      What impacts, if any, there would be for State agencies or sponsoring organizations in processing claims for reimbursement;      How State agency financial systems could impact for-profit institutions differently from other types of institutions;      How compliance would be monitored;      How likely it would be for a for-profit center to drop below the 25 percent standard, after the center verified an annual eligibility percentage of 50 percent;      How the State agency or sponsoring organization would determine that a for-profit center dropped below the 25 percent standard, after the center had verified an annual eligibility percentage of 50 percent, and how the claiming process would be impacted;      What flexibilities, if any, there could be for for-profit centers that fall below the 50 percent standard, but above the 25 percent standard;      What impacts there would be if for-profit centers could request the State agency to amend the claiming percentages or blended rates more frequently than annually;      How participation could be impacted if for-profit centers have the option of submitting information to the State agency to amend the claiming percentages or blended rates more frequently than annually; and      How, or if, the changes proposed in this rule would make CACFP more efficient and easier to manage.     We welcome your ideas for improving CACFP and ways that USDA can serve you better. USDA will carefully consider all relevant comments submitted during the 60-day comment period for this rule. Comments may be submitted as outlined in Addresses.

Procedural Matters

Executive Order 12866, 13563 and 13771

    Executive Orders 12866 and 13563 direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). Executive Order 13563 emphasizes the importance of quantifying both costs and benefits, reducing costs, harmonizing rules, and promoting flexibility. This proposed rule was initially determined to be significant and was reviewed by the Office of Management and Budget

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(OMB). On July 24, 2018, OMB changed the designation to not significant. Executive Order 13771 directs agencies to reduce regulation and control regulatory costs and provides that for every one new regulation issued, at least two prior regulations be identified for elimination, and that the cost of planned regulations be prudently managed and controlled through a budgeting process. FNS considers this rule to be an Executive Order 13771 deregulatory action.

Economic Summary

    A regulatory impact analysis must be prepared for major rules with economically significant effects ($100 million or more in any one ***year***). USDA does not anticipate that this proposed rule is likely to have an economic impact of $100 million or more in any one ***year***, and therefore, does not meet the definition of ``economically significant'' under Executive Order 12866. The changes proposed in this rule would result in a small amount of administrative savings from reducing the monthly reporting requirements to once a ***year***.     The proposed changes are not expected to increase CACFP costs. The proposed rule decreases the estimated annual staff time required to do the reporting by 5.5 hours per ***year*** per center. According to the Paperwork Reduction Act section of this rule, the number of estimated annual responses per center decreases from 12 to 1. At 30 minutes per response, this is a decrease of 5.5 staff hours per center per ***year***. It is highly unlikely that saving 5.5 hours of staff time per ***year*** would provide sufficient incentive to induce additional eligible centers to participate if those centers are not already participating in CACFP. USDA does not estimate that there would be any change in center participation, or any changes to any other costs associated with CACFP, resulting from this proposed rule.     While the changes proposed in this rule impact for-profit institutions, which are responsible for the reporting requirements, it is important to get a sense of how many for-profit outlets--the individual child or adult care centers where the meals are actually served--would meet the 50 percent standard, and how it would impact the decision to participate in CACFP. Administrative data collected by USDA does not contain outlet-level information needed to assess the potential impact of this proposed rule to participation. USDA obtained informal outlet-level information from a number of States to analyze. The data contained the number of for-profit outlets and the percent of eligible participants as well as two separate months of information to evaluate the potential monthly volatility of the eligibility percentages in for-profit outlets. These States represent a variety of sizes and regions and account for roughly 40 percent of the total number of for-profit outlets in Fiscal ***Year*** (FY) 2017.     The majority of for-profit outlets in the State data had annual eligibility percentages of 50 percent or more. The percent of for- profit outlets with an annual eligibility percentage of 50 percent or more ranged from 60 percent of the total number of for-profit outlets to over 90 percent of the total number of for-profit outlets. The data demonstrate that the majority of for-profit outlets continue to participate in CACFP because the number of eligible children and adult participants make it financially viable. While this rule would create administrative efficiencies, it is unlikely that the proposed changes would provide the incentive for more outlets with an annual eligibility percentage of 50 percent to participate in CACFP.     USDA also reviewed the State data to gain a sense of the distribution of the percentages of eligible participants in for-profit outlets that would meet or exceed the proposed 50 percent standard. The average percentage of eligible participants was between 70 percent and 90 percent for those sites meeting or exceeding the standard across all eight States. The average percent of eligible participants in sites not meeting the standard was above 35 percent. This indicates that, not only do the majority of for-profit outlets meet the 50 percent standard, but on average, outlets serve a much higher percentage of eligible participants.     The likelihood of outlets falling below the proposed 50 percent threshold would be very low. To better understand how many outlets may potentially fall below the 50 percent standard, USDA reviewed the State data to determine the number of for-profit outlets that have eligibility percentages between 50 percent and 55 percent.     Overall, about 6 percent of outlets (about 300) had eligibility percentages that fell within this range. The individual States ranged from less than 1 percent to slightly more than 10 percent. Likewise, the number of outlets falling between 45 percent and 50 percent were slightly less, with only about 4 percent (about 200) of the for-profit outlets in the eight States falling in this range.     The monthly variation in the percentage of for-profit outlets that meet the 50 percent standard is relatively small. Overall, there was an increase of about 1 percent in the number of for-profit outlets meeting the proposed 50 percent threshold from July to September 2017.     The high percentages of eligible participants, along with the large numbers of for-profit outlets meeting the proposed 50 percent standard, indicate that the impact of the proposed changes in this rule would be largely administrative. The changes aim to increase efficiencies, but are not projected to impact CACFP participation and costs.     Based on this evidence, USDA estimates that the only savings associated with this proposed rule would be a decrease in annual reporting burden on existing for-profit institutions. There were 9,770 independent for-profit centers and sponsoring organizations of for- profit centers participating in CACFP in FY 2017, according to USDA administrative data. USDA estimates about 80 percent of for-profit institutions would be impacted by this rule and would experience a reduction in burden. This percentage allows for some sponsoring organizations that do not have outlets meeting the proposed 50 percent standard.     The data provided by the States indicate that the majority of outlets exceed the proposed 50 percent standard, making it very likely that the vast majority of sponsors contain at least one outlet meeting or exceeding the standard.     As described in the Paperwork Reduction Act section of this rule, the reporting burden for these institutions would be 43,559 hours. Depending on whether one assumes that an administrative assistant or the center director or submits these reports, this decrease would result in an annualized estimated savings of $1.3 million (assuming administrative assistants submit the reports) to $2.2 million (assuming center directors submit the reports), each ***year*** from FY 2019 through FY 2023.

Regulatory Flexibility Act

    The Regulatory Flexibility Act, 5 U.S.C 601-612, requires Agencies to analyze the impact of rulemaking on small entities and consider alternatives that would minimize any significant impacts on a substantial number of small entities. Pursuant to that review, it has been certified that this rule would not have a significant impact on a substantial number of small entities. This rule would exempt for-profit centers from re-verifying their eligibility to submit claims each month, if they

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annually meet the criteria for for-profit centers that consistently serve a high number of children or adult participants from low-income households. This rule is a deregulatory action that would not impact a substantial number of small entities. USDA estimates that 28 percent of centers participating in CACFP are for-profit.

Unfunded Mandates Reform Act

    Title II of the Unfunded Mandate Reform Act of 1995 (UMRA) established requirements for Federal agencies to assess the effects of their regulatory actions on State, local, and tribal governments, and the private sector.     Under Section 202 of UMRA, USDA generally must prepare a written statement, including a cost-benefit analysis, for proposed and final rules with ``Federal mandates'' that may result in expenditures to State, local, or tribal governments in the aggregate, or to the private sector, of $100 million or more in any one ***year***. When such a statement is needed for a rule, section 205 of UMRA generally requires USDA to identify and consider a reasonable number of regulatory alternatives and adopt the least costly, more cost-effective or least burdensome alternative that achieves the objectives of the rule. This proposed rule contains no Federal mandates, under the regulatory provisions of title II of UMRA, for State, local, and tribal governments, or the private sector, of $100 million or more in any one ***year***. Therefore, this rule is not subject to the requirements of sections 202 and 205 of UMRA.

Executive Order 12372

    CACFP is listed in the Assistance Listings under the Catalog of Federal Domestic Assistance (CFDA) Number 10.558 and is subject to Executive Order 12372, which requires intergovernmental consultation with State and local officials. Since the Child Nutrition ***Programs*** are State-administered, USDA has formal and informal discussions with State and local officials, including representatives of Indian Tribal Organizations, on an ongoing basis regarding CACFP requirements and operation. This provides USDA with the opportunity to receive regular input from State administrators and local CACFP operators, which contributes to the development of feasible requirements.

Federalism Summary Impact Statement

    Executive Order 13132 requires Federal agencies to consider the impact of their regulatory actions on State and local governments. Where such actions have federalism implications, agencies are directed to provide a statement for inclusion in the preamble to the regulations describing the agency's considerations in terms of the three categories called for under section 6(b)(2)(B) of Executive Order 13132. USDA has determined that this rule does not have federalism implications. This rule does not impose substantial or direct compliance costs on State and local governments. Therefore, under section 6(b) of the Executive Order, a federalism summary is not required.

Executive Order 12988, Civil Justice Reform

    This proposed rule has been reviewed under Executive Order 12988, Civil Justice Reform. This rulemaking, when published as a final rule, is intended to have preemptive effect with respect to any State or local laws, regulations, or policies which conflict with its provisions or which would otherwise impede its full and timely implementation. This rulemaking is not intended to have retroactive effect. Prior to any judicial challenge to the provisions of a final rule, all applicable administrative procedures must be exhausted.

Civil Rights Impact Analysis

    FNS has reviewed this proposed rule in accordance with USDA Regulation 4300-4, ``Civil Rights Impact Analysis,'' to identify any major civil rights impacts the rule might have on CACFP participants on the basis of age, race, color, national origin, sex, or disability. After a careful review of the rule's intent and provisions, USDA has determined that this rule would not be expected to limit or reduce the ability of protected classes of individuals to participate as CACFP operators or as recipients of CACFP meal benefits. USDA also would not expect this rule to have any disparate impacts on CACFP operators by protected classes of individuals.

Executive Order 13175

    Executive Order 13175 requires Federal agencies to consult and coordinate with Tribes on a government-to-government basis on policies that have Tribal implications, including regulations, legislative comments or proposed legislation, and other policy statements or actions that have substantial direct effects on one or more Indian Tribes, on the relationship between the Federal Government and Indian Tribes, or on the distribution of power and responsibilities between the Federal Government and Indian Tribes. A consultation with Indian Tribal Organizations took place on March 14, 2018. USDA proposes this deregulatory action to encourage existing for-profit centers, including for-profit child care, outside-school-hours care, and adult day care centers in Indian country, to continue to participate in CACFP, and maintain access to nutritious meals for eligible children and adult participants. USDA anticipates that this action would have no significant cost and no major increase in regulatory burden on tribal organizations.

Paperwork Reduction Act

    The Paperwork Reduction Act of 1995, 44 U.S.C Chapter 35 and 5 CFR 1320, requires OMB to approve all collections of information by a Federal agency before they can be implemented. Respondents are not required to respond to any collection of information unless it displays a current valid OMB control number. This rule contains an information collection requirement that has been approved by OMB under OMB Control Number 0584-0055.     This is a revision to an existing collection: Child and Adult Food Care ***Program***, OMB Control Number 0584-0055. This change is contingent upon OMB approval under the Paperwork Reduction Act of 1995.     When the information collection requirement has been approved, FNS will publish a separate action in the Federal Register announcing OMB's approval. Comments on this proposed rule must be received by December 3, 2018.     Comments are invited on: (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used; (c) ways to enhance the quality, utility, and clarity of the information to be collected; and (d) ways to minimize the burden of the collection of information on those who are to respond, including use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology. All responses to this notification will be summarized and included in the request for OMB approval. All comments will also become a matter of public record.     Title: 7 CFR part 226, Increasing Flexibility for Verification of For-Profit Center Eligibility in the Child and Adult Care Food ***Program***.     OMB Number: 0584-0055.     Expiration Date: February 29, 2020.     Type of Request: Revision.

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    Abstract: This is a revision of an existing information collection associated with 7 CFR part 226, OMB Number 0584-0055, based on this rulemaking. USDA proposes to modify regulatory requirements for for- profit institutions in the Child and Adult Care Food ***Program*** (CACFP) to provide information verifying their eligibility to submit claims for reimbursement each month.     Under this proposed rule for-profit centers, institutions that annually demonstrate that at least 50 percent of children or adult participants in care are from low-income households would be exempt from monthly verification.     By reducing the frequency of verification, this rule would modestly reduce the reporting burden for eligible for-profit centers and sponsoring organizations of for-profit centers.     There would be no change in reporting burden for for-profit centers that do not meet the 50 percent standard. This rule would also not affect reporting requirements for public and non-profit institutions.     The CACFP information collection, approved with a nonsubstantive change on August 31, 2018, includes a reporting requirement under 7 CFR 226.10(c) for sponsoring organizations and other institutions to submit documentation to verify the eligibility of for-profit centers. USDA estimates that 9,770 for-profit institutions each provide 12 reports annually, for a total of 117,240 responses. The estimated average number of burden hours per response is 0.50, resulting in an estimated total of 58,620 burden hours.     The ***program*** change proposed in this rule would only impact for- profit institutions that meet the 50 percent standard. USDA estimates a subset of 1,850 for-profit institutions, or about 20 percent of the 9,770 institution respondents that would not meet this standard, would each continue to provide 12 reports annually, for a total of 22,203 responses. Their reporting burden would not change.     The estimated average number of burden hours per response is 0.50, resulting in an estimated total of 11,101 burden hours.     However, a larger subset of 7,920 for-profit institutions, or about 80 percent of the 9,770 institution respondents, would meet the 50 percent standard.     Each respondent would be exempt from monthly verification and would provide only one report annually for a total of 7,920 responses. The number of estimated responses from each eligible institution would decrease from 12 responses to only one per ***year***. The estimated average number of burden hours per response is 0.50, resulting in an estimated total of 3,960 burden hours. The estimated total number of burden hours would be reduced by 43,559 hours, from 58,620 to 15,061.     This rule would not require any additional reporting of eligibility information from any for-profit institution, nor would it impose any changes in recordkeeping requirements. Although this rule would ease administrative burden for institutions that may have to report information requested by the State agency to support the eligibility determination, the collection of information under the Paperwork Reduction Act only addresses estimates of federally-imposed reporting or recordkeeping requirements. Due to rounding, our estimates may not match to totals. Here is a summary of our analysis:     Respondents: For-Profit Institutions.     Estimated Number of Respondents: 7,920.     Estimated Number of Responses per Respondent: 1.     Estimated Total Annual Responses: 7,920.     Estimated Time per Response: 0.50     Estimated Total Annual Burden: 3,960.     Current OMB Inventory (Reporting): 1,870,412.     Current OMB Inventory (Reporting and Recordkeeping): 2,481,136.     OMB Inventory with Proposed Rule (Reporting and Recordkeeping): 2,437,577.     Difference in Burden as a Result of the Proposed Rule: -43,559.

                                7 CFR Part 226 Child and Adult Food Care ***Program***                                  Sponsors and Institutions (Currently Approved) ----------------------------------------------------------------------------------------------------------------                                      Estimated       Number of                       Estimated            Requirement               number of     responses per   Total annual     total hours      Estimated                                     respondents     respondent       responses     per response    total burden ---------------------------------------------------------------------------------------------------------------- 226.10(c): All for-profit               9,770.00           12.00      117,240.00            0.50       58,620.00  institutions submit  documentation to verify for-  profit center eligibility...... Total Sponsor/Institution              21,052.00           31.88      671,048.00            0.92      616,697.18  reporting burden............... Total reporting burden for 0584-    2,828,158.00            2.57    7,276,600.84            0.26    1,870,411.75  0055........................... ---------------------------------------------------------------------------------------------------------------- \* Some totals may not add due to rounding.

                                7 CFR Part 226 Child and Adult Food Care ***Program***                                 Sponsors and Institutions (With Proposed Changes) ----------------------------------------------------------------------------------------------------------------                                      Estimated       Number of                       Estimated            Requirement               number of     responses per   Total annual     total hours      Estimated                                     respondents     respondent       responses     per response    total burden ---------------------------------------------------------------------------------------------------------------- 226.10(c): For-profit                   1,850.24           12.00       22,202.86            0.50       11,101.43  institutions that would not be  exempt from monthly  verification submit  documentation to verify for-  profit eligibility............. 226.10(c): For-profit                   7,919.76            1.00        7,919.76            0.50        3,959.88  institutions that would be  exempt from monthly  verification...................                                  -------------------------------------------------------------------------------     Total Sponsor/Institution          21,052.00           27.74      583,930.62            0.98      573,138.49      reporting burden........... ---------------------------------------------------------------------------------------------------------------- \* Some totals may not add due to rounding.

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 7 CFR Part 226 Increasing Flexibility for Verification of For-Profit Center Eligibility in the Child and Adult                                                 Care Food ***Program*** ----------------------------------------------------------------------------------------------------------------                                      Estimated       Number of                       Estimated          Affected public             number of     responses per   Total annual     total hours      Estimated                                     respondents     respondent       responses     per response    total burden ----------------------------------------------------------------------------------------------------------------                                                  Total Reporting ---------------------------------------------------------------------------------------------------------------- State Agency....................           56.00          552.16       30,921.00            0.14        4,200.92 Sponsor/Institution.............       21,052.00           27.74      583,930.62            0.98      573,138.49 Facilities......................      180,740.00           12.00    2,168,880.00            0.41      883,761.00 Household.......................    2,626,310.00            1.68    4,405,751.84            0.08      365,752.64                                  -------------------------------------------------------------------------------     Total reporting burden for      2,828,158.00            2.54    7,189,483.46            0.25    1,826,853.06      0584-0055.................. ----------------------------------------------------------------------------------------------------------------                                                Total Recordkeeping ---------------------------------------------------------------------------------------------------------------- State Agency....................           56.00           27.00        1,512.00            1.37        2,072.00 Sponsor/Institution.............       21,052.00            9.22      194,196.00            0.34       66,432.00 Facilities......................      180,740.00            3.00      542,220.00            1.00      542,222.00                                  -------------------------------------------------------------------------------     Total recordkeeping burden        201,848.00            3.66      737,928.00            0.83      610,724.00      for 0584-0055.............. ----------------------------------------------------------------------------------------------------------------                                       Total of Reporting and Recordkeeping ---------------------------------------------------------------------------------------------------------------- Reporting.......................    2,828,158.00            2.54    7,189,483.46            0.25    1,826,853.06 Recordkeeping...................      201,848.00            3.66      737,928.00            0.83      610,724.00                                  -------------------------------------------------------------------------------     Total.......................    3,030,006.00            2.62    7,927,411.46            0.31    2,437,577.06 ---------------------------------------------------------------------------------------------------------------- \* Some totals may not add due to rounding.

E-Government Act Compliance

    USDA is committed to complying with the E-Government Act of 2002, to promote the use of the internet and other information technologies to provide increased opportunities for citizen access to Government information and services, and for other purposes.

List of Subjects in 7 CFR Part 226

    Accounting, Day care, Food assistance ***programs***, Grant ***programs***, Grant ***programs***--health, Infants and children, Reporting and recordkeeping requirements.

    Accordingly, 7 CFR part 226 is proposed to be amended as follows:

PART 226--CHILD AND ADULT CARE FOOD ***PROGRAM***

0 1. The authority citation for 7 CFR part 226 continues to read as follows:

    Authority:  Secs. 9, 11, 14, 16, and 17, Richard B. Russell National School Lunch Act, as amended, 42 U.S.C 1758, 1759a, 1762a, 1765 and 1766. 0 2. In Sec.  [thinsp]226.6: 0 a. Add a new paragraph (f)(1)(x). 0 b. Remove paragraphs (f)(3)(iv)(D) and (E). 0 c. Redesignate paragraphs (f)(3)(iv)(F) and (G) as paragraphs (f)(3)(iv)(D) and (E).     The addition reads as follows:

Sec.  226.6  State agency administrative responsibilities.

\* \* \* \* \*     (f) \* \* \*     (1) \* \* \*     (x) Comply with the following requirements for determining the eligibility of for-profit centers:     (A) Require for-profit child care institutions to submit documentation on behalf of their centers of:     (1) Eligibility of at least 25 percent of children in care (enrolled or licensed capacity, whichever is less) for free or reduced- price meals; or     (2) Compensation received under title XX of the Social Security Act of nonresidential day care services and certification that at least 25 percent of children in care (enrolled or licensed capacity, whichever is less) were title XX beneficiaries during the most recent ***calendar*** month;     (B) Require for-profit adult care centers to submit documentation that they are currently providing nonresidential day care services for which they receive compensation under title XIX or title XX of the Social Security Act, and certification that not less than 25 percent of enrolled participants in each such center, during the most recent ***calendar*** month, were title XIX or title XX beneficiaries; \* \* \* \* \* 0 3. In Sec.  226.9: 0 a. Redesignate paragraphs (b)(1), (b)(2), and (b)(3), as paragraphs (b)(1)(i), (b)(1)(ii), and (b)(1)(iii), respectively. Redesignate the introductory text in paragraph (b) as paragraph (b)(1) and add the paragraph heading ``Reimbursement methods.'' 0 b. Add a new paragraph (b)(2).     The addition reads as follows:

Sec.  226.9  Assignment of rates of reimbursement for centers.

\* \* \* \* \*     (b) \* \* \*     (2) Options for for-profit centers.     (i) In States where the State agency has elected the methods described under paragraphs (b)(1)(ii) or (b)(1)(iii) of this section, the State agency uses the free and reduced-price counts that support each center's annual for-profit eligibility percentage, if it is 50 percent or greater, to assign an annual claiming percentage or an annual blended per-meal rate.     (ii) The State agency may require a for-profit center to submit information to recalculate the claiming percentage or blended rate more frequently than annually, as needed for proper administration of the ***Program***. \* \* \* \* \* 0 4. In Sec.  [thinsp]226.10: 0 a. In paragraph (a), remove the reference ``Sec.  226.6(f)(3)(iv)(F)'' and add in its place the reference ``Sec.  226.6(f)(3)(iv)(D)''. 0 b. Revise paragraph (c).     The revision reads as follows:

Sec.  226.10  ***Program*** ***payment*** procedures.

\* \* \* \* \*

[[Page 50046]]

    (c) Claims for reimbursement.     (1) Each institution must report information required by the State agency's financial management system. This information must have sufficient detail to justify the claim for reimbursement and enable the State agency to complete the final Report of the Child and Adult Care Food ***Program*** (FNS-44) required under Sec.  226.7(d) of this part.     (2) In submitting a claim for reimbursement, each institution must certify that the claim is correct and that records are available to support it.     (3) For each month in which reimbursement is claimed, each independent for-profit child care center, independent for-profit outside-school-hours care center, and sponsoring organization of for- profit centers must also certify that at least 25 percent of children in care (enrolled or licensed capacity, whichever is less) are eligible for free or reduced-price meals or receive title XX benefits.     (i) Claims for reimbursement may be submitted only for months in which the 25 percent standard for participation of eligible children is met.     (ii) Children who drop in only to participate in afterschool activities and receive at-risk afterschool meals or snacks must not be considered in determining this standard.     (iii) Reimbursement may not be claimed for any meals served at a for-profit center when less than 25 percent of children in care meet this standard.     (iv) If the center's annual for-profit eligibility percentage is less than 50 percent, as determined under Sec. Sec.  226.6(b)(1)(ix) and (f)(1)(x)(A) of this part, the center must report the percentage of children in care who meet this standard.     (v) If the center's annual for-profit eligibility percentage is 50 percent or greater, as determined under Sec. Sec.  226.6(b)(1)(ix) and (f)(1)(x)(A) of this part, the center does not need to report the percentage of children in care who meet this standard.     (vi) No additional submission of information to support the eligibility determination, such as attendance or title XX participation, is necessary if the center's annual for-profit eligibility percentage is 50 percent or greater.     (4) For each month in which reimbursement is claimed, each independent for-profit adult day care center and sponsoring organization of for-profit adult day care centers must also certify that at least 25 percent of enrolled adult participants received title XIX or title XX benefits.     (i) Claims for reimbursement may be submitted only for months in which the 25 percent standard for participation of eligible adult participants is met.     (ii) Reimbursement may not be claimed for any meals served at a for-profit center when less than 25 percent of enrolled adult participants meet this standard.     (iii) If the center's annual for-profit eligibility percentage is less than 50 percent, as determined under Sec. Sec.  226.6(b)(1)(ix) and (f)(1)(x)(B) of this part, the center must report the percentage of enrolled adult participants who meet this standard.     (iv) If the center's annual for-profit eligibility percentage is 50 percent or greater, as determined under Sec. Sec.  226.6(b)(1)(ix) and (f)(1)(x)(B) of this part, the center does not need to report the percentage of enrolled adult participants who meet this standard.     (v) No additional submission of information to support the eligibility determination, such as attendance or participation in title XIX or title XX, is necessary if the center's annual for-profit eligibility percentage is 50 percent or greater.     (5) For each month in which a for-profit center, described under paragraphs (c)(3)(v) or (c)(4)(iv) of this section, does not meet the 25 percent standard, the institution must notify the State agency that reimbursement will not be claimed.     (6) Prior to submitting its consolidated monthly claim to the State agency, each sponsoring organization must perform edit checks on each facility's meal claim. At a minimum, the sponsoring organization's edit checks must:     (i) Verify that each facility has been approved to serve the types of meals claimed; and     (ii) Compare the number of children or adult participants enrolled for care at each facility, multiplied by the number of days on which the facility is approved to serve meals, to the total number of meals claimed by the facility for that month. Discrepancies between the facility's meal claim and its enrollment must be subjected to more thorough review to determine if the claim is accurate. \* \* \* \* \* 0 5. In Sec.  226.11, revise paragraph (c)(4) to read as follows:

Sec.  226.11  ***Program*** ***payments*** for centers.

\* \* \* \* \*     (c) \* \* \*     (4) For-profit centers.     (i) For-profit child care centers, including for-profit at-risk and outside-school-hours care centers, must be reimbursed only for the ***calendar*** months during which at least 25 percent of the children in care (enrolled or licensed capacity, whichever is less) were eligible for free or reduced-price meals or were title XX beneficiaries. However, children who only receive at-risk afterschool meals or snacks must not be considered in determining this eligibility.     (ii) For-profit adult day care centers must be reimbursed only for the ***calendar*** months during which at least 25 percent of enrolled adult participants were beneficiaries of title XIX, title XX, or a combination of titles XIX and XX.     (iii) In States where the State agency has elected the methods described under paragraphs (c)(5)(ii) and (c)(5)(iii) of this section, the State agency uses the free and reduced-price counts that support each center's annual for-profit eligibility percentage, if it is 50 percent or greater, to assign an annual claiming percentage or an annual blended per-meal rate.     (iv) The State agency may require a for-profit center to submit information to recalculate the claiming percentage or blended rate more frequently than annually, as needed for proper administration of the ***Program***. \* \* \* \* \*

    Dated: June 28, 2018. Brandon Lipps, Acting Deputy Under Secretary, Food, Nutrition, and Consumer Services. [FR Doc. 2018-21445 Filed 10-3-18; 8:45 am]  BILLING CODE 3410-30-P

**Load-Date:** October 31, 2018

**End of Document**



[***FEDERAL REGISTER: National Flood Insurance Program (NFIP): Conforming Changes To Reflect the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) and the Homeowners Flood Insurance Affordability Act of 2014 (HFIAA), and Additional Clarifications for Plain Language Pages 32956 - 33015 [FR DOC # 2018-13292]***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5STM-6B61-F0YC-N2PP-00000-00&context=1516831)

Impact News Service

July 16, 2018 Monday

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**Body**

Washington: Office of the Federal Register has issued the following notice:

Department of Homeland Security ----------------------------------------------------------------------- Federal Emergency Management Agency ----------------------------------------------------------------------- 44 CFR Parts 59, 61, and 62 National Flood Insurance ***Program*** (NFIP): Conforming Changes To Reflect the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) and the Homeowners Flood Insurance Affordability Act of 2014 (HFIAA), and Additional Clarifications for Plain Language; Proposed Rules Federal Register / Vol. 83 , No. 136 / Monday, July 16, 2018 / Proposed Rules [[Page 32956]] ----------------------------------------------------------------------- DEPARTMENT OF HOMELAND SECURITY Federal Emergency Management Agency 44 CFR Parts 59, 61, and 62 [Docket ID FEMA-2018-0026] RIN 1660-AA95 National Flood Insurance ***Program*** (NFIP): Conforming Changes To Reflect the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) and the Homeowners Flood Insurance Affordability Act of 2014 (HFIAA), and Additional Clarifications for Plain Language AGENCY: Federal Emergency Management Agency, DHS.

ACTION: Notice of proposed rulemaking. ----------------------------------------------------------------------- SUMMARY: The National Flood Insurance ***Program*** (NFIP), established pursuant to the National Flood Insurance Act of 1968, as amended, is a voluntary ***program*** in which participating communities adopt and enforce a set of minimum floodplain management requirements to reduce future flood damages. This proposed rule would revise the NFIP's implementing regulations to codify certain provisions of the Biggert-Waters Flood Insurance Reform Act of 2012 and the Homeowner Flood Insurance Affordability Act of 2014 that FEMA has already implemented and to clarify certain existing NFIP rules relating to NFIP operations and the Standard Flood Insurance Policy. DATES: Submit comments on or before September 14, 2018. ADDRESSES: You may submit comments, identified by Docket ID: FEMA-2018- 0026, by one of the following methods: Federal eRulemaking Portal: [*http://www.regulations.gov*](http://www.regulations.gov) Follow the instructions for submitting comments. Mail/Hand Delivery/Courier: Regulatory Affairs Division, Office of Chief Counsel, Federal Emergency Management Agency, Room 8NE, 500 C Street SW, Washington, DC 20472-3100. To avoid duplication, please use only one of these methods. FEMA will post all comments received without change to   [*http://www.regulations.gov*](http://www.regulations.gov), including any personal information provided. For instructions on submitting comments, see the Public Participation portion of the SUPPLEMENTARY INFORMATION section. FOR FURTHER INFORMATION CONTACT: Kelly Bronowicz, Director, Policyholder Services Division, Federal Insurance and Mitigation Administration, Federal Emergency Management Agency, 400 C Street SW, Washington, DC 20472, (202) 557-9488. SUPPLEMENTARY INFORMATION: I. Public Participation The Federal Emergency Management Agency encourages the public to participate in this rulemaking by submitting comments and related materials. The Agency will consider all comments and material received during the comment period. When submitting a comment, identify the agency name and the docket ID for this rulemaking, indicate the specific section of this document to which each comment applies and give the reason for each comment. The public may submit comments and materials by electronic means, mail, or delivery to the address under the ADDRESSES section. Please submit comments and material by only one means. Regardless of the method used for submitting comments or material, all submissions will be posted without change to the Federal e- Rulemaking Portal at   [*http://www.regulations.gov*](http://www.regulations.gov) and will include any personal information the commenter provides. Therefore, submitting this information makes it public. Those considering commenting may wish to read the Privacy and Security notice that is available via a link on the homepage of   [*http://www.regulations.gov*](http://www.regulations.gov) Viewing comments and documents: For access to the docket to read background documents or comments received, go to the Federal e- Rulemaking Portal at   [*http://www.regulations.gov*](http://www.regulations.gov) Background documents and submitted comments may also be inspected at FEMA, Office of Chief Counsel, Room 8NE, 500 C Street SW, Washington, DC 20472-3100. Public Meeting: We do not plan to hold a public meeting, but you may submit a request for one at the address under the ADDRESSSES section explaining why one would be beneficial. If FEMA determines that a public meeting would aid this rulemaking, it will hold one at a time and place announced by a notice in the Federal Register. II. Background and Authorities A. National Flood Insurance ***Program*** Congress created the National Flood Insurance ***Program*** (NFIP) through enactment of the National Flood Insurance Act of 1968 (NFIA) (Title XIII of Pub. L. 90-448, 82 Stat. 476), found at 42 U.S.C 4001 et seq. The NFIP is a Federal ***program*** enabling property owners in participating communities to purchase insurance as a protection against flood losses in exchange for State and community floodplain management requirements that reduce the risk of future flood damages. Communities participate in the NFIP based on an agreement between the community and FEMA. If a community adopts and enforces a floodplain management ordinance to reduce future flood risk to new construction in floodplains, FEMA will make flood insurance available within the community as a financial protection against flood losses. Accordingly, the NFIP is comprised of three key activities: Flood insurance, floodplain management, and flood hazard mapping. 1. Flood Insurance The NFIP makes flood insurance available to property owners or lessees in communities that participate in the NFIP through the adoption and enforcement of community-wide floodplain management requirements. If a community adopts and enforces a floodplain management ordinance that meets certain minimum floodplain management requirements to reduce future flood risks within an area known as the Special Flood Hazard Area (SFHA) the Federal Government will make flood insurance available to property owners in that community. NFIP flood insurance indemnifies property owners from flood losses, reducing the need for Federal disaster assistance. NFIP floodplain management requirements reduce future flood damages, thus further reducing the need for Federal disaster assistance. In addition to providing flood insurance and reducing flood damages through floodplain management, the NFIP identifies and maps the nation's floodplains. FEMA disseminates maps depicting flood hazard information to create broad-based awareness of flood hazards, to provide data for rating flood insurance policies, and to apply the appropriate minimum floodplain management requirements for flood-prone areas. Prior to enactment of the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12), the NFIA made federally subsidized flood insurance available to property owners or lessees of buildings in NFIP- participating communities.\1\ Subsidized flood insurance rates were available for policies covering existing buildings or buildings built prior to the community's adoption of its initial Flood Insurance Rate Maps (FIRMs), [[Page 32957]] generally referred to as ``pre-FIRM buildings.'' Subject to certain short-term statutory exceptions, FEMA offers only actuarial rates to all buildings constructed, or substantially damaged or improved, on or after the effective date of the initial FIRM for the community or after December 31, 1974, whichever is later, generally referred to as ``post- FIRM buildings.'' See 42 U.S.C 4014(a)(1), 4015(b). In addition, building owners must purchase flood insurance as a condition of receiving federally-backed or federally-regulated loans and Federal assistance in SFHAs of participating communities. See Flood Disaster Protection Act of 1973, sec. 103 (Pub. L. 93-234, 87 Stat. 975 (codified as amended at 42 U.S.C 4001 et seq.)). --------------------------------------------------------------------------- \1\ Flood insurance is also available to cover the contents owned by tenants in a rental property. --------------------------------------------------------------------------- As discussed in more detail below, with the passage of BW-12, Congress mandated that FEMA phase out subsidies for certain pre-FIRM properties. These pre-FIRM properties include non-primary residences, business properties, severe repetitive loss properties, substantially damaged properties, substantially improved properties, and properties for which the cumulative claims ***payments*** exceed the fair market value of the property. The Homeowner Flood Insurance Affordability Act of 2014 (Pub. L. 113-89, 128 Stat. 1020) (HFIAA) requires a phase-out of subsidies on all pre-FIRM properties at a rate of no less than 5 percent and no more than 15 percent premium increases per ***year***, subject to certain exceptions established by statute (such as the BW-12 provisions) requiring a quicker phase-out for certain types of pre-FIRM properties. Accordingly, FEMA will likely phase out subsidies on all pre-FIRM properties within the next 12 to 17 ***years***. A prospective policyholder may purchase an NFIP flood insurance policy either: (1) Directly from the Federal Government through a direct servicing agent (referred to as ``NFIP Direct''), or (2) from a participating private insurance company through the Write Your Own (WYO) ***Program***. The Standard Flood Insurance Policy (SFIP) sets out the terms and conditions of insurance. See 44 CFR part 61, Appendix A. FEMA establishes terms, rate structures, and premium costs of SFIPs. The terms, coverage limits, and flood insurance premiums are the same whether purchased from the NFIP Direct or the WYO ***Program***. See 44 CFR 62.23(a). The SFIP is a single-peril (flood) policy that pays for direct physical damage to insured property. There are three forms of the SFIP: The Dwelling Form, the General Property Form, and the Residential Condominium Building Association Policy (RCBAP) Form. The Dwelling Form insures a one to four family residential building or a single-family dwelling unit in a condominium building. See 44 CFR part 61, Appendix A(1). Policies under the Dwelling Form offer coverage for building property, up to $250,000, and personal property up to $100,000. The General Property Form insures a five or more family residential building or a non-residential building. See 44 CFR part 61, Appendix A(2). The General Property Form offers coverage for building and contents up to $500,000 each. The RCBAP Form insures residential condominium association buildings and offers building coverage up to $250,000 multiplied by the number of units and contents coverage up to $100,000 per building. See 44 CFR part 61, Appendix A(3). RCBAP contents coverage insures property owned by the insured condominium association. Individual unit owners must purchase their own Dwelling Form policy in order to insure their own contents. In addition to coverage for building or contents losses, most NFIP policies also include Increased Cost of Compliance (ICC) coverage. ICC coverage applies when flood damages are so severe that the local government declares the building ``substantially damaged,'' thus requiring the building owner to bring the building up to current community standards. If a community has a repetitive loss ordinance, ICC coverage will also cover compliance requirements for a repetitive loss structure. ICC coverage provides up to $30,000 of the cost to elevate, demolish, floodproof, or relocate an insured building or any combination thereof. FEMA publishes a Flood Insurance Manual with detailed explanations of the terms and conditions of the SFIP and relevant ***program*** policies and procedures. The Flood Insurance Manual is primarily used by insurers and agents selling and servicing Federal flood insurance. FEMA normally publishes the Flood Insurance Manual twice a ***year*** and 6 months prior to a new manual version becoming effective. The current version became effective on October 1, 2017. The current flood insurance manual, as well as previous versions, is available at   [*https://www.fema.gov/flood-insurance-manual*](https://www.fema.gov/flood-insurance-manual). Page numbering restarts for each section of the Flood Insurance Manual, so FEMA cites to both the section and page number. For the purposes of this notice, all citations to the Flood Insurance Manual are to the version that became effective on October 1, 2017, which is available at   [*https://www.fema.gov/media-library/assets/documents/133846*](https://www.fema.gov/media-library/assets/documents/133846). Additionally, FEMA publishes policy statements and underwriting bulletins to further explain and clarify the coverage under the SFIP. These are available at   [*www.fema.gov/library*](http://www.fema.gov/library) and   [*www.nfipservice.com*](http://www.nfipservice.com) 2. Floodplain Management A local community with land use authority may elect to participate in the NFIP. Communities participate under a voluntary agreement with FEMA. In order to participate in the NFIP, a community must adopt and enforce floodplain management requirements that incorporate the NFIP minimum floodplain management requirements. See 44 CFR 59.2(b), 59.22(a)(3), 60.1(d). The intent of these standards is to reduce flood risk and prevent loss of life and property. Communities incorporate these requirements into their zoning codes, subdivision ordinances, and building codes, or they adopt special purpose floodplain management ordinances. These NFIP requirements apply to areas mapped as SFHAs. The community ordinances must also include effective enforcement provisions. 44 CFR 59.2(b). The NFIP will suspend a participating community from theNFIP if the community fails to adopt the minimum NFIP floodplain management requirements within 6 months from the date the NFIP provides the flood map. 44 CFR 59.24(a), 60.13 Moreover, the NFIP may suspend or put on probation any participating community that does not adequately enforce its floodplain management ordinance. 44 CFR 59.24(b)-(c). 3. Flood Hazard Mapping Through its Flood Hazard Mapping ***Program***, FEMA identifies flood hazards, assesses flood risks, and collaborates with States and communities to provide accurate flood hazard and risk data to guide them to mitigation actions. Congress requires FEMA to identify flood- prone areas and then subdivide them into flood risk zones. 42 U.S.C 4101(a). FEMA then uses this data to support community floodplain management requirements and rate flood insurance policies. Mapping of flood hazards also promotes public awareness of the degree of hazard within such areas and provides for the expeditious identification and dissemination of flood hazard information. FEMA maintains and updates data through FIRMs and Flood Insurance Studies (FISs). [[Page 32958]] B. Recent Legislative Changes 1. Biggert-Waters Flood Insurance Reform Act of 2012 Congress enacted BW-12 (Title II, Subtitle A of Pub. L. 112-141, 126 Stat. 405) to extend the NFIP's authorities through September 30, 2017, and to adopt significant ***program*** reform. The law requires changes to all major components of the ***program***, including flood insurance, flood hazard mapping, and the management of floodplains. The provisions of BW-12 relevant to this rulemaking include the following. First, BW-12 requires FEMA to increase the maximum coverage amount for multi-family properties to the same amount as that allowed for commercial properties. Second, BW-12 establishes a minimum deductible amount for NFIP polices. Third, BW-12 prohibits FEMA from denying ***payment*** to policyholders for damage or loss to a condominium unit under the Dwelling Form based solely on the fact that the condominium association has inadequate flood insurance coverage on the entire condominium. Fourth, BW-12 requires FEMA to review, among other things, the processes and procedures for making flood in progress determinations. See SFIP Article V.B FEMA implemented these requirements by updating the Flood Insurance Manual after BW-12's enactment. The NFIP described these ***program*** changes in WYO Bulletin W- 13070 (Dec. 16, 2013). FEMA also issued WYO Bulletin W-12045 (July 10, 2012), which implemented BW-12 section 100241's waiver of the standard 30-day waiting period for coverage of flood damage due to flood on Federal land caused, or exacerbated, by post-wildfire conditions. FEMA now proposes to codify these changes in the NFIP regulations. 2. Homeowner Flood Insurance Affordability Act of 2014 Congress enacted HFIAA to address flood insurance affordability concerns related to BW-12. Accordingly, HFIAA repealed some provisions of BW-12, mostly related to establishing premium rates. HFIAA also made a number of new ***program*** changes. The provisions of HFIAA relevant to this rulemaking include a requirement in Section 8 of HFIAA that FEMA offer a high deductible option of $10,000, which FEMA discusses below. III. Discussion of Proposed Rule FEMA proposes to amend parts 59, 61, and 62 of 44 CFR. These parts contain regulations implementing the NFIP. In addition, FEMA proposes to amend Appendices A(1)-A(3) of part 61, containing the three forms of the SFIP: The Dwelling Policy Form, the General Property Form, and the Residential Condominium Building Association Form. These forms are used in NFIP polices. FEMA proposes this rulemaking for three purposes. First, it intends to make several non-substantive changes designed to improve the readability, uniformity, and clarity of the NFIP regulations. Second, FEMA proposes to make several non-substantive updates to regulations to align with the requirements of BW-12 and HFIAA. Third, FEMA proposes two substantive, albeit miniminally so, changes to its regulations codifying the requirements of BW-12 and HFIAA. A. Part 59: General Provisions 1. Part 59 Authority Citation FEMA proposes to update the authority citation for Part 59 to reflect changes to FEMA's source of authority. Currently, the authority citation is 42 U.S.C 4001 et seq.; Reorganization Plan No. 3 of 1978, 43 FR 41943, 3 CFR, 1978 Comp., p. 329; E.O 12127 of Mar. 31, 1979, 44 FR 19367, 3 CFR 1979 Comp., p. 376. FEMA proposes to replace the citations to Reorganization Plan No. 3 and Executive Order 12127 with a citation to the current codification of the Homeland Security Act of 2002, 6 U.S.C 101 et seq. The authority citation would therefore read, ``42 U.S.C 4001 et seq.; 6 U.S.C 101 et seq.'' FEMA proposes this change because Reorganization Plan No. 3 and Executive Order 12127 originally created FEMA as an executive agency and provided the legal basis for FEMA's existence until the passage of the Post-Katrina Emergency Management Reform Act of 2006, Public Law 109-295, 120 Stat. 1394 (PKEMRA). PKEMRA amended the Homeland Security Act of 2002, Public Law 107-296, 116 Stat. 2135, to establish FEMA in statute and define the Agency's authorities and responsibilities. A citation to the codification of the Homeland Security Act after the citation to the NFIA is therefore more appropriate. 2. Section 59.1 Definitions 44 CFR part 59 contains general provisions applicable to the NFIP's regulations. Section 59.1 contains a list of definitions generally applicable throughout the NFIP regulations. FEMA proposes to add 13 new definitions and modify three definitions in this section to make this section consistent with its proposed rule changes to parts 61 and 62. First, FEMA proposes to revise the definition of ``act.'' Currently, the regulation defines ``act'' to mean ``statutes authorizing the National Flood Insurance ***Program*** that are incorporated in 42 U.S.C 4001-4128.'' However, the NFIA now extends to section 4131. Rather than revise the citation to ``42 U.S.C 4001-4131,'' FEMA proposes to change the citation to ``42 U.S.C 4001 et seq.'' As the NFIA is amended often, it makes more sense to use ``et seq.'' so that the citation stays current and FEMA will not have to revise it every time sections are added. Second, FEMA proposes to revise the definition of ``deductible.'' Currently, ``deductible'' is defined as ``the fixed amount or percentage of any loss covered by insurance which is borne by the insured prior to the insurer's liability.'' FEMA proposes to revise the definition of ``deductible'' to mean ``the amount of an insured loss that is the responsibility of the insured and that is incurred before any amounts are paid for the insured loss under the insurance policy.'' While there is no substantive difference between the two definitions, FEMA believes the proposed definition is clearer and more consistent with the language in Article VI.A of the SFIP, as well as the language in proposed section 61.5, which would provide guidance on deductibles available for NFIP policies (discussed in further detail below). Third, FEMA proposes to revise the definition of ``Emergency Flood Insurance ***Program*** or emergency ***program***.'' Currently, ``Emergency Flood Insurance ***Program*** or emergency ***program***'' is defined as ``the ***Program*** as implemented on an emergency basis in accordance with section 1336 of the Act. It is intended as a ***program*** to provide a first layer amount of insurance on all insurable structures before the effective date of the initial FIRM.'' FEMA proposes to remove ``Emergency Flood Insurance ***Program***'' so the term only reads ``Emergency ***Program***,'' and revise the definition to mean ``the initial phase of a community's participation in the National Flood Insurance ***Program***, as prescribed by Section 1306 of the Act.'' FEMA proposes this change because although the new definition is substantively the same as the current definition, it is clearer and more consistent with the definition of this term in the SFIP. FEMA also proposes to add definitions for several terms. These terms are: ``condominium building,'' ``mixed use building,'' ``multifamily building,'' ``non-residential building,'' ``non- residential property,'' ``other residential building,'' ``other residential property'' ``residential building,'' [[Page 32959]] ``residential property,'' ``single family dwelling,'' and ``two to four family building.'' The NFIP already uses these terms when describing the ***program*** to the public because they align with the terminology used in the private insurance industry and addresses important nuances not adequately addressed in statute and regulation. FEMA proposes defining these terms in regulation because they support the consistent interpretation and application of the NFIA and its regulations. Accordingly, codifying them in regulation will support greater uniformity and clarity for the public. FEMA provides further explanation of these definitions elsewhere in this preamble, under discussion of the relevant sections where these terms appear. B. Part 61: Insurance Coverage and Rates 1. Part 61 Authority Citation The current authority citation for part 61 is 42 U.S.C 4001 et seq.; Reorganization Plan No. 3 of 1978, 43 FR 41943, 3 CFR, 1978 Comp., p. 329; E.O 12127 of Mar. 31, 1979, 44 FR 19367, 3 CFR, 1979 Comp., p. 376. FEMA proposes to replace the citations to Reorganization Plan No. 3 and Executive Order 12127 with a citation to the current codification of the Homeland Security Act of 2002, 6 U.S.C 101 et seq. The authority citation would therefore read 42 U.S.C 4001 et seq.; 6 U.S.C 101 et seq. FEMA proposes this change because while Reorganization Plan No. 3 and Executive Order 12127 originally created FEMA as an executive agency, PKEMRA amended the Homeland Security Act of 2002, Public Law 107-296, by establishing the Agency in statute and defining the Agency's authorities and responsibilities. Accordingly, a citation to the codification of the Homeland Security Act is more appropriate. 2. Section 61.1 Purpose of Part Section 61.1 describes the overall purpose of part 61. It states that part 61 describes the types of properties eligible for flood insurance coverage under the NFIP, the limits of such coverage, and the premium rates actually to be paid by insureds. It states that the specific communities eligible for coverage are designated by the Federal Insurance Administrator from time to time as applications are approved under the Emergency ***Program*** and as ratemaking studies of communities are completed prior to the regular ***program***. Finally, it states that lists of such communities are periodically published under part 64 of this subchapter. FEMA proposes to remove the last two sentences of Section 61.1 addressing the specific communities eligible for coverage and publication of the list of communities because they provide information relevant to part 64, not part 61. Removing these sentences would therefore avoid possible confusion regarding the subjects covered in part 61. 3. Section 61.3 Types of Coverage Section 61.3 states that insurance coverage under the NFIP is available for structures and their contents, and that coverage for each may be purchased separately. FEMA proposes to change the title of this section from ``Types of coverage'' to ``Coverage and benefits provided under the Standard Flood Insurance Policy'' because this new title provides a more accurate description of the proposed revisions to this section. FEMA proposes to replace ``structure'' with ``building'' because in current practice the ***program*** uses the term ``building'' rather than ``structure'' throughout its guidance documents and other communications. The term ``building'' is a more precise and accurate term, because the SFIP insures buildings, not structures. While the term ``structure'' encompasses the term ``building,'' it also includes things that are not buildings, such as carports and gas or liquid storage tanks, and thus not insurable under the terms and conditions of the SFIP. Consistent use of this terminology will improve the overall clarity and accuracy of the regulation when viewed within the larger context of FEMA's communications and guidance documents regarding the NFIP, as ``building'' rather than ``structure'' is more commonly used outside of the CFR. FEMA proposes to add two new provisions to this section to provide a more accurate depiction of the coverages and benefits available under the SFIP and to improve the Section's overall clarity. First, FEMA proposes to add paragraph (b) stating that in addition to building and contents coverage, each form of the SFIP provides coverage for other flood-related expenses. The Dwelling Form of the SFIP covers debris removal, loss avoidance measures, and condominium loss assessments. The General Property Form of the SFIP covers debris removal, loss avoidance measures, and pollution damage. The Residential Condominium Policy Form of the SFIP covers debris removal and loss avoidance measures. Second, FEMA proposes to add paragraph (c) stating that with the purchase of building coverage, the SFIP also covers costs associated with bringing the building into compliance with local floodplain ordinances. FEMA believes this information may be useful to a reader of the CFR. 4. Section 61.4 Limitations on Coverage Section 61.4 provides that coverage obtained through the NFIP is subject to the NFIA, relevant regulations, the SFIP, and each individual policy's declaration page, and the maximum limits of coverage. FEMA proposes to remove this section because it duplicates the provisions of current section 61.5(e), which provide that the SFIP ``is authorized only under terms and conditions established by Federal statute, the ***program***'s regulations, the Administrator's interpretations and the express terms of the policy itself.'' As section 61.5(e) conveys the same information as section 61.4, FEMA finds that section 61.4 is not necessary. (Note that FEMA proposes to move 61.5(e) to proposed 61.13, discussed below.) 5. Section 61.5 Special Terms and Conditions Paragraph (a) of section 61.5 states that no new flood insurance or renewal of flood insurance policies shall be written for properties declared by a duly constituted State or local zoning or other authority to be in violation of any flood plain, mudslide (i.e , mudflow), or flood-related erosion area management or control law, regulation, or ordinance. FEMA proposes to change ``shall'' to ``will'' to avoid ambiguity. Paragraph (b) of section 61.5 states that to reduce the administrative costs of the NFIP, of which the Federal Government pays a major share, ***payment*** of the full policyholder premium must be made at the time of application. FEMA proposes to reword ``***payment*** of the full policyholder premium'' to state ``applicants must pay the full policy premium'' because premiums are associated with policies, not policyholders. No substantive change is intended. FEMA proposes to retain the substance of paragraphs (a) and (b), but proposes to move them to their own section (proposed 61.4) but retaining the current title of the section (``Special terms and conditions''). Paragraph (c) of section 61.5 states that because of the seasonal nature of flooding, refunds of premiums upon cancellation of coverage by the insured are permitted only if the insurer ceases to have an ownership interest in the [[Page 32960]] covered property at the location described in the policy. It further states that refunds of premiums for any other reason are subject to the conditions set forth in 62.5 of this subchapter. FEMA proposes to remove paragraph (c) and add the substance of it to paragraph (b) of proposed 62.5 (the proposed changes to which are discussed more fully later in this preamble). Section 62.5 addresses policy cancellations and nullifications, and thus the substance of current section 61.5(c) is more appropriate for section 62.5 Similar to current section 61.4, paragraph (e) of section 61.5 states that the SFIP is authorized only under terms and conditions established by Federal statute, the ***program***'s regulations, the Administrator's interpretations and the express terms of the policy itself. Section 61.5 also states that representations regarding the extent and scope of coverage which are not consistent with the NFIA or with NFIP regulations are void, and the duly licensed property or casualty agent acts for the insured and does not act as agent for the Federal Government, the Federal Emergency Management Agency, or the servicing agent. As noted above, FEMA proposes to move 61.5(e) to proposed 61.13 The provisions appear in proposed paragraph (e) of section 61.13 (``Authorized only under terms and conditions established by the Act and Regulation'') and paragraph (f) (``Agent acts only for policyholder''). These provisions are more appropriate for proposed section 61.13 because the section contains general provisions about the SFIP, and 61.5(e) also constitutes general provisions concerning the SFIP. These changes would improve the overall organization and cohesiveness of part 61. FEMA does not intend any substantive changes with these proposed revisions. 6. Proposed Section 61.5 Deductibles (Formerly Paragraph (d) of Current Section 61.5) Current paragraph (d) of section 61.5 states that optional deductibles are available in all zones for four categories of properties, and presents those categories as four tables. The Category One table lists some of the deductible options for one to four family building and contents coverage policies. The Category Two table lists some of the deductible options for one to four family building coverage only or contents coverage only policies. The Category Three table lists some of the deductible options for ``other residential'' (residential buildings with five or more units) and nonresidential policies. The Category Four table lists some of the deductible options for residential condominium building policies. A note to these tables indicates that policyholders may submit any other deductible combination for rating to the NFIP. This note allows FEMA to offer deductibles listed in the deductible tables in the Rating Section of Flood Insurance Manual, pages 17-18. FEMA proposes several revisions to paragraph (d). First, FEMA proposes to remove the number for the paragraph because, as noted above, paragraphs (a) and (b) would be moved to a new section 61.4 and paragraph (c) would be incorporated into section 62.5 As a result, paragraph (d) would be the only paragraph in the section, thus making the paragraph number unnecessary. FEMA proposes to replace the current contents of paragraph (d) (proposed unnumbered paragraph) with a requirement that FEMA must provide policyholders with deductible options in various amounts, up to and including $10,000, subject to certain minimum deductibles. FEMA proposes this change because the current regulation's listing of deductible options may give readers the impression that the list is exhaustive even though the note following the Category Four table allows for FEMA to offer deductible options not listed in the table. The proposed text would make clear that FEMA may offer various options, subject to other restrictions. The proposed text would require FEMA to offer deductible options up to and including $10,000 to comply with the requirements of Section 1306(d) of the NFIA, as amended by section 12 of HFIAA (42 U.S.C 4013(d)), which requires FEMA to offer deductibles up to $10,000 for residential properties. As previously explained, current regulations allow policyholders to request deductible amounts not currently listed in regulation (including the $10,000 deductible option required under HFIAA). Thus, this proposed change would clarify the regulatory text consistent with statutory requirements, but not expand or contract the deductible options offered by the NFIP under current regulations. FEMA also proposes to limit deductible options in accordance with section 1312(b) of the NFIA, as added by section 100210 of BW-12 (42 U.S.C 4019(b)). Per this provision, FEMA proposes to establish minimum deductibles as follows: (1) $1,500 for policies covering pre-FIRM buildings charged less than full-risk rates with building coverage amounts less than or equal to $100,000; (2) $2,000 for policies covering pre-FIRM buildings charged less than full risk rates with building coverage amounts greater than $100,000; (3) $1,000 for policies covering post-FIRM buildings and pre-FIRM buildings charged full risk rates with building coverage amounts equal to or less than $100,000; and (4) $1,250 for policies covering post-FIRM buildings and pre-FIRM buildings charged full risk rates with building coverage amounts greater than $100,000. Overall, the proposed deductible section would provide readers with a clear understanding of available deductible options, including minimum deductibles required under Section 1312(b) of the NFIA, as added by Section 100210 of BW-12 (42 U.S.C 4019(b)) and the $10,000 deductible option required by Section 1306(d) of the NFIA, as amended by Section 12 of HFIAA (42 U.S.C 4013(d)). However, it would not expand or contract the deductibles available to policyholders under current law. FEMA also proposes to rename the section heading of 61.5 to ``Deductibles'' because section 61.5 would only address deductible amounts. 7. Section 61.6 Maximum Amounts of Coverage Available Current section 61.6 details the maximum amounts of coverage available under the NFIA. See 42 U.S.C 4013(b). The current table shows varying coverage amounts available, depending on whether a policy is under the Emergency ***Program*** or the Regular ***Program***, the use and occupancy of the building, and the building's location. As provided under the NFIA, for residential occupancies, the table lists coverage limits of $250,000 for buildings and $100,000 for contents. See id. For nonresidential occupancies, the table lists coverage limits of $500,000 for buildings and $500,000 for contents. See id. FEMA proposes to revise the table to more closely conform it to the one currently in the Rating Section of the Flood Insurance Manual, page 1. The Manual more clearly describes the different coverage limits based on occupancy by using terminology that more accurately conveys relevant statutory requirements. In comparison, the current table in the CFR includes terminology and distinctions that are no longer programmatically relevant. i. Title of Table The current table does not have a title. FEMA proposes to entitle the table ``Maximum Amounts of Coverage Available.'' While the Flood Insurance Manual uses the title ``Amount of insurance available,'' FEMA proposes to use ``coverage'' instead of ``insurance'' to conform to the current section title of [[Page 32961]] section 61.6 There is no substantive difference between the two titles in this context. ii. Vertical Axis of Maximum Coverage Table The current table has one vertical axis that lists the different categories of occupancy applicable to both building and contents coverages. These categories are, in order: ``Single Family Residential,'' ``Other Residential,'' ``Nonresidential,'' and ``Contents.'' Although the table provides a ``contents'' heading on this axis, there is no corresponding label for the building coverages. FEMA proposes to add ``Building Coverage'' to the vertical axis to distinguish between ``building coverage'' and ``contents coverage.'' This ``Building Coverage'' category would encompass ``Single Family Residential,'' ``Other Residential,'' and ``Nonresidential.'' FEMA believes this change would prevent confusion by improving the table's overall clarity and internal consistency. As noted above, the current table lists the different categories of occupancy applicable to each coverage--``Single Family Residential,'' ``Other Residential,'' and ``Nonresidential.'' The current table further divides the ``Single Family Residential'' and ``Other Residential'' categories by whether or not a subject property is located within Hawaii, Alaska, Guam, or the U.S Virgin Islands. It divides the ``Nonresidential'' category into either ``Small business'' or ``Churches and other properties.'' Similarly, the ``Contents'' coverage category only distinguishes between ``Residential,'' Small business,'' and ``Churches, other properties.'' The proposed table would make several changes to the categorization to use standardized terminology, improve the overall design and readability of the table, and use occupancy categories that more accurately reflect statutory and ***program*** differences in available coverages. FEMA proposes to substitute the current use of ``Single Family Residential'' with ``Single Family Dwelling'' to describe a property. FEMA proposes this change because although the two terms (``dwelling'' and ``residential'') are interchangeable within the NFIP, ``Single Family Dwelling'' is the term used most often in the NFIP, as reflected in the Rating section of the Flood Insurance Manual. The Flood Insurance Manual has used this term for many ***years***. See Flood Insurance Manual (May 1, 2005).\2\ --------------------------------------------------------------------------- \2\   [*http://www.fema.gov/txt/nfip/manual200505.txt*](http://www.fema.gov/txt/nfip/manual200505.txt) --------------------------------------------------------------------------- Because ``single family dwelling'' is not currently defined, FEMA proposes to define ``single family dwelling'' in section 59.1 to mean ``either (a) a residential single-family building in which the total floor area devoted to non-residential uses is less than 50 percent of the building's total floor area, or (b) a single-family residential unit within a two to four family building, other residential building, business, or non-residential building, in which commercial uses within the unit are limited to less than 50 percent of the unit's total floor area.'' FEMA adopted this definition in the Flood Insurance Manual as early as 1978 to align with common industry practices in non-flood property insurance policies and it is the same definition found in the Definitions Section of the Flood Insurance Manual. This proposed definition reflects current NFIP practice and will not result in any substantive changes to the ***program***. FEMA proposes to add a new occupancy category, ``two to four family building.'' (The table would list the same maximum coverage amounts as those for a Single Family Dwelling, $35,000 for Emergency ***Program*** and $250,000 for the Regular ***Program***.) FEMA proposes to include this category because it would be clearer to provide the public with a complete spectrum of occupancy categories so that the coverage limits for all occupancy types are more transparent. This does not reflect a substantive change to the ***program***. Because ``two to four family building'' is not currently defined, FEMA proposes to define it in section 59.1 to mean ``a residential building, including an apartment building, containing two to four residential spaces and in which commercial uses are limited to less than 25 percent of the building's total floor area.'' FEMA proposes to define ``two to four family building'' in this manner because it is the same definition used in the Flood Insurance Manual. This definition supports the NFIA's distinctions between residential and non- residential properties. While FEMA proposes to maintain the ``Other Residential'' occupancy category that is in the current table, FEMA proposes to revise the category to read, ``Other Residential Building (including Multifamily Building).'' FEMA proposes to do this to make clear to the reader that ``Other Residential Building'' encompasses ``Multifamily Buildings,'' a term used in section 1305 of the NFIA, as added by section 100204 of BW-12 (42 U.S.C 4012(d)). Because neither ``other residential building'' nor ``multifamily building'' is defined, FEMA proposes to define these in section 59.1 It proposes to define ``other residential building'' to mean ``a residential building that is designed for use as a residential space for 5 or more families or a mixed use building in which the total floor area devoted to non-residential uses is less than 25 percent of the total floor area within the building.'' It proposes to define ``multifamily building'' to mean ``an Other Residential Building that is not a condominium building.'' FEMA proposes to define these terms in this manner because the ***program*** currently defines them as such; these definitions appear in the Definitions Section of the Flood Insurance Manual. FEMA believes this definition of ``Other Residential Building'' fairly distinguishes the term from the ``single family dwelling'' and ``two to four family building'' occupancy categories, in terms of either residential spaces or square-footage. Defining ``multifamily building'' this way enables easier reference to condominium-building specific policies that will be discussed below. FEMA proposes to add the ``Condominium Building'' occupancy category to the table (with maximum coverage amounts of ``$250,000 times the number of units in the building'' under the Regular ***Program***, and nothing available under the Emergency ***Program***). FEMA proposes this addition to integrate into the table information contained in current section 61.6(b). Section 61.6(b) states that ``[i]n the insuring of a residential condominium building in a regular ***program*** community, the maximum limit of building coverage is $250,000 times the number of units in the building (not to exceed the building's replacement cost).'' By adding the ``Condominium Building'' occupancy category to the table, FEMA plans to incorporate all the information in section 61.6(b) except the language in parentheses, ``not to exceed the building's replacement cost.'' FEMA proposes to omit this language because Article V of the RCBAP form (44 CFR 61, Appendix A(3)) already provides that FEMA will not pay beyond the replacement cost of the building. While FEMA proposes to maintain the ``Nonresidential'' occupancy category, FEMA proposes to revise the category to read ``Non- Residential Building.'' This category would continue to have building limits of $100,000 in the Emergency ***Program*** and $500,000 in the Regular ***Program***. In order to provide greater clarity, FEMA proposes to incorporate the existing definition of ``non-residential building'' into regulation. Current regulations and statute do not define the [[Page 32962]] extent of the term ``nonresidential'' used in maximum coverage limits found at NFIA 1306(b)(4) (42 U.S.C 4013(b)(4)) and 44 CFR 61.6(a). However, 42 U.S.C 4013(b)(3) does make clear that ``nonresidential building'' includes churches. Accordingly, FEMA has previously defined the term ``non-residential building'' as ``a commercial or mixed-use building where the primary use is commercial or non-habitational.'' Definitions Section of Flood Insurance Manual, page 7. FEMA proposes to incorporate this definition into regulation because it aligns with the common understanding of the term and encompasses churches and other houses of worship. FEMA proposes to adjust the occupancy categories under the ``Contents Coverage'' portion of the coverage limits table. Currently, the table at section 61.6(a) divides the contents coverage portion amongst three categories: ``Residential,'' ``Small business,'' and ``Churches, other properties.'' FEMA proposes to remove the distinction between ``Small business'' and ``Churches, and other properties,'' and divide contents coverage into just two categories: ``Residential Property'' and ``Non-Residential Property.'' FEMA proposes this change to reflect the current practice of the ***program***. Although NFIA section 1306(b)(1)(B) (42 U.S.C 4013(b)(1)) provides a specific method for determining the maximum coverage available to small businesses, FEMA has opted to provide all other non-residential properties with the same coverage limits available to small businesses. Accordingly, while the statute may still distinguish small businesses from all other properties, current NFIP practice does not. In addition to the adjustments to the categories of occupancy described above, FEMA proposes two changes to the footnotes. In the current table, there are two footnotes. Footnote 1 appends ``Emergency ***program***'' in ``Emergency ***Program*** first layer'' and provides that ``[o]nly [the] first layer [is] available under the emergency ***program***.'' Footnote 2 appends the ``Contents'' label and reads, ``Per unit.'' FEMA proposes to revise footnote 1 by appending it to the title of the table, ``Maximum Amount of Coverage Available,'' to describe the table generally. It would read, ``This Table provides the maximum coverage amounts available under the Emergency ***Program*** and the Regular ***Program***, and the columns cannot be aggregated to exceed the limits in the Regular ***Program***, which are established by statute. The aggregate limits for building coverage are the maximum coverage amounts allowed by statute for each building included in the relevant Occupancy Category.'' FEMA proposes this revision because, as described in greater detail below in subsection iv., Horizontal Axis of Maximum Coverage Table, the current footnote 1 is associated with the ``layer'' language FEMA proposes to remove, and the revised footnote's language more accurately reflects the NFIP's intent. FEMA proposes to leave footnote 2 in the same place (after ``Contents Coverage''--the term replacing ``Contents'' in the current table), but expand it from ``Per unit'' to instead read, ``The policy limits for contents coverage are not per building. Although a single insured may not have more than one policy covering contents in a building, several insureds may have separate policies of up to the policy limits.'' FEMA proposes this revision to footnote 2 to more clearly reflect the restriction that the current footnote 2 attempts to convey, which is that the coverage limits apply to each unit of the building. For instance, the tenants of a building with two independent living units may obtain separate contents policies for each unit. Each policy could have limits up to $100,000 and a contents claim for one unit would not affect the contents claim of the other unit. However, the existing NFIP rule--not reflected in the current footnote--is that the owner of the building cannot obtain two separate contents policies themselves. Instead, they could only obtain one contents policy with coverage up to $100,000. FEMA's proposed language in footnote 2 seeks to more clearly explain NFIP statutory authority that even though the contents coverage limits are per unit rather than per building, an insured cannot have more than one policy in a building. FEMA proposes to append a new footnote--footnote 3--to the ``Residential Property'' occupancy category under ``Contents Coverage.'' Footnote 3 would explain that ``[t]he Residential Property occupancy category includes the Single Family Dwelling, Two to Four Family Building, Other Residential Building, and Condominium Building occupancies categories.'' FEMA proposes appending this new footnote to help improve the overall clarity of the table by linking the building coverage occupancy categories with the contents coverage occupancy categories. iii. Special Provisions for Property in Hawaii, Alaska, Guam, and the U.S Virgin Islands The current maximum coverage table in section 61.6(a) lists separate increased limits in the Emergency ***Program*** within the ``Single Family Residential'' and ``Other Residential'' occupancy categories for residential structures located in Hawaii, Alaska, Guam, and the U.S Virgin Islands. This is because the NFIP provides increased building coverage to these structures pursuant to 42 U.S.C 4013(b)(1)(A)(iii). FEMA proposes to remove these lines referencing Hawaii, Alaska, Guam, and the U.S Virgin Islands and place them instead in asterisked footnotes. FEMA does not intend any substantive change in these limits, but believes this design will improve the overall readability of the table. iv. Horizontal Axis of Maximum Coverage Table FEMA also proposes to make several clarifying, nonsubstantive changes to the horizontal axis of the table in section 61.6(a). The current table's horizontal axis is one label, ``Regular ***program***.'' Under that label are three sub-labels: ``Emergency ***program*** first layer,'' ``Second layer,'' and ``Total amount available.'' As noted above, ``Emergency ***program*** first layer'' has a footnote (footnote 1) that reads, ``Only first layer available under emergency ***program***.'' FEMA's proposed replacement table would dispense with the ``layer'' language and use only two columns, ``Emergency ***Program***'' and ``Regular ***Program***.'' Each column would list the applicable coverage limit for each occupancy type under each type of ***program***. (The values under ``Emergency ***Program***'' and ``Regular ***Program***'' would be independent of each other and not subject to aggregation). FEMA proposes these simpler horizontal axis labels for two reasons. The first reason is to improve overall clarity, as the ``layer'' language is unclear and inaccessible to the reader. The second reason is to more accurately reflect the NFIP's intent. This is because the current table reflects a previous approach for describing the NFIP's coverage limits. The idea was that the NFIP divided the Regular ***Program***'s coverage limits into two layers. The first layer was available for all NFIP policies, whether under the Emergency ***Program*** or the Regular ***Program***. The NFIP only made the second layer of coverage available through the Regular ***Program***. The current table attempts to capture this by placing the ``Emergency ***program*** [[Page 32963]] first layer'' and ``Second layer'' under the ``Regular ***program***'' label. However, the table also combines the two layers under the ``Total amount available'' column, which is also under the ``Regular ***program***'' label. A person could read this formulation as indicating that the three sub-headings combined provided the maximum amount of coverage under the ``Regular ***program***.'' This is not FEMA's intent. The proposed replacement table conveys the same limits described in the current table, but it in a much clearer and concise way. Moreover, it is for this reason that FEMA proposes to revise footnote 1, as described above, to clarify that the maximum coverage amounts listed for the Emergency ***Program*** and the Regular ***Program*** are not cumulative. Rather, the maximum amounts listed under the Regular ***Program*** are the maximum amounts authorized under the NFIA and include the amounts for the Emergency ***Program***. (In other words, the amounts for the Emergency ***Program*** are not in addition to the amounts for the Regular ***Program***). v. Paragraph (b): Application of Limits to Additional Coverages As noted above, current paragraph (b) is being removed and its contents are being incorporated into the proposed table. FEMA proposes to add a new paragraph (b) that would state, ``[c]overage and benefits payable under the SFIP pursuant to sections 61.3(b) and 61.3(c) are included in, not in addition to, the coverage limits provided by the Act or stated in paragraph (a) of this section.'' The purpose of this new paragraph is to explain that the coverage limits described in the table in section 61.6(a) apply to all coverages payable under the SFIP, including mitigation, and debris removal coverage described in proposed section 61.3(b) and ICC coverage described in proposed section 61.3(c). This revision would not make any substantive change to NFIP policy, but rather would provide a clarifying link to the coverage and benefits listed in proposed section 61.3 and how coverage limits relate to those coverages and benefits. Overall, FEMA intends for the proposed changes to section 61.6 to improve the clarity of the Section and ensure that it uses terminology consistent with that currently used by the NFIP. The Agency does not intend for the proposed changes to 61.6 to modify the substance of the NFIP flood insurance policies or the maximum coverage limits available for buildings and contents covered under such policies. 8. Section 61.10 Requirements for Issuance or Renewal of Flood Insurance Coverage FEMA proposes to add a new section, 61.10, entitled ``Requirements for Issuance or Renewal of Flood Insurance Coverage.'' The proposed section would state that FEMA will not issue or renew flood insurance unless FEMA receives: (1) The full amount due (including applicable premiums, surcharges, and fees); and (2) a complete application, including the information necessary to establish a premium rate for the policy, or submission of corrected or additional information necessary to calculate the premium for the renewal of the policy. FEMA proposes this new section because these requirements are already implicitly indicated in current sections 61.5(b) and 61.11(b), but are nowhere explicitly stated. Pursuant to section 61.5(b), ``***payment*** of the full policyholder premium must be made at the time of application.'' Section 61.11(b) provides that coverage is effective at the time of loan closing, ``provided the written request for the coverage is received by the NFIP and flood insurance policy is applied for and the presentment of ***payment*** of premium is made at or prior to the loan closing.'' Further, the statutory 30-day waiting period begins on the ``date that all obligations for [flood insurance] coverage (including completion of the application and ***payment*** of any initial premiums owed) are satisfactorily completed.'' NFIA 1306(c)(1) (42 U.S.C 4013(c)(1)). FEMA believes that explicitly stating the requirements for issuance or renewal of a policy will provide policyholders with clearer descriptions of these requirements. 9. Section 61.11 Effective Date and Time of Coverage Under the Standard Flood Insurance Policy--New Business Applications and Endorsements Section 61.11 describes the methods for calculating the effective dates of new policies. In general, under current paragraph (c), the effective date and time of any new policy or added coverage is ``12:01 a.m (local time) on the 30th ***calendar*** day after the application date and the presentment of ***payment*** of premium.'' Current paragraphs (a) and (b) provide two exceptions to this 30-day waiting period. Section 61.11(a) provides for an effective date of 12:01 a.m on the first ***calendar*** day after application and ***payment*** for the initial purchase of flood insurance pursuant to a revision or update of floodplain areas or flood risk zones under section 1360(f) of the NFIA, if such purchase took place within 1 ***year*** of the notice of such revision or updating under section 1360(h). See also 42 U.S.C 4013(c)(2). Section 61.11(b) provides that for the initial purchase of flood insurance in connection with the making, increasing, extension, or renewal of a loan, coverage is effective as of the date of the loan closing as long as application and ***payment*** were made prior to that. See also 42 U.S.C 4013(c)(2)(A). FEMA does not propose any changes to these exceptions in current paragraphs (a) and (b), as neither BW-12 nor HFIAA made any changes to these exceptions. FEMA proposes to add a third exception to the 30-day waiting period relating to flooding linked to post-wildfire conditions in proposed paragraph (c), and proposes to redesignate current paragraph (c) as paragraph (d). The proposed provision would allow for a next-day effective date where (1) the FEMA Administrator determines that the property was affected by flooding on Federal land as a ``result of, or is exacerbated by, post-wildfire conditions,'' and (2) that coverage was purchased no later than 60 ***calendar*** days after the fire containment date of the wildfire relating to the post-wildfire conditions described in clause (1). FEMA proposes adding this exception pursuant to BW-12. See NFIA section 1306 (42 U.S.C 4013), as amended by BW-12 section 100241. FEMA has already implemented this provision, see the General Rules Section of the Flood Insurance Manual, and now proposes to codify the exception into regulation to provide a comprehensive list of effective date exceptions. As stated above, FEMA proposes to redesignate current paragraph (c) as paragraph (d). FEMA also proposes to make two minor changes to current paragraph (c). First, FEMA proposes to add a reference to new paragraph (c) to indicate that in addition to paragraphs (a) and (b), paragraph (c) is one of the exceptions to the 30-day waiting period. Second, FEMA proposes to change ``shall'' to ``will.'' FEMA proposes this change to incorporate plainer language. This change would not change the substantive meaning of the provision. Current paragraph (d) allows policyholders to add new coverage or increase the amount of coverage in force during the term of any policy. FEMA proposes to redesignate current paragraph (d) as paragraph (e), and proposes to add the language ``subject to any applicable waiting periods.'' FEMA proposes adding this language to make it clear that unless the policy change qualifies under one of the exceptions in [[Page 32964]] sections 61.11(a)-(c), such changes would be subject to the 30-day waiting period. This ensures that policyholders cannot suddenly expand their coverage immediately before needing it, for instance before a hurricane strikes. This requirement is already stated in current 61.11(c) (proposed 61.11(d)), but its inclusion in proposed 61.11(e) would add additional clarity to this provision and ensure that 61.11(e) will not be mistakenly read without the limitations imposed by proposed 61.11(d). FEMA also proposes to change ``shall'' to ``will.'' FEMA proposes this change to incorporate plainer language. Current paragraph (e) states that with respect to any submission of an application in connection with new business, the ***payment*** of the premium by an insured to an agent or the issuance of premium ***payment*** by the agent does not constitute ***payment*** to the NFIP. It further states that it is important that an application for flood insurance and its premium be mailed to the NFIP promptly to have the effective date of coverage based on the application date plus the waiting period. It states that if the application and the appropriate premium ***payment*** are received at the office of the NFIP within ten (10) ***calendar*** days from the date of application, the waiting period will be calculated from the date of application. FEMA proposes to revise this paragraph slightly to state that it is important that an application for flood insurance and the ``full amount due'' be mailed to the NFIP promptly. FEMA proposes to change ``premium'' to ``full amount due'' in the sentence following it as well. Making this change would make clear that the policyholder must pay the full amount due at that time (including any surcharges and fees), not just a portion thereof. FEMA proposes to redesignate current paragraph (e) as paragraph (f). Current paragraph (f) describes the method for determining the effective date when a WYO company receives a proper application, but decides to refer the application to the NFIP's Direct Servicing Agent rather than write the policy itself. FEMA proposes to remove this paragraph because it describes the business model of a WYO company that is no longer participating in the WYO ***Program***. FEMA is not aware of any other WYO company that is using this model, and therefore the provision is unnecessary. Any new companies entering the WYO ***Program*** would need to conform their practices to the resulting regulation. Accordingly, FEMA proposes to remove these provisions to avoid confusion. Because FEMA proposes to remove this paragraph, FEMA also proposes to remove the last two clauses of the first sentence of current paragraph (e) (proposed paragraph (f)) that addresses the application of applicable waiting periods for this model, as it too would no longer be necessary. Finally, FEMA proposes to make minor revisions to current paragraph (g) to reflect the removal of current paragraph (f). 10. Section 61.13 Standard Flood Insurance Policy Section 61.13 describes the applicable sources of terms and conditions associated with polices issued through the NFIP, including the SFIP forms, endorsements, and applications. FEMA proposes to add new paragraphs (e) and (f), and redesignate current paragraphs (e) and (f) as (g) and (h). FEMA's proposed new paragraph (e) would explain that flood insurance policies issued through the NFIP are subject to the NFIA, its regulations, and the terms and conditions of the SFIP. As discussed previously, similar language is in current sections 61.4(a) and (b), which FEMA proposes to remove. Moving this language into section 61.13 provides a more logical organization. Further, FEMA proposes to add additional language that any representations not consistent with these sources are void. While implicit in the current regulations, this explicit language would make clear the sources of law applicable to NFIP policies. FEMA's proposed new paragraph (f) would specify that the property or casualty agent acts on the behalf of the policyholder and never on behalf of the Federal Government, FEMA, or the WYO company. This language is similar to that which FEMA proposes to remove from 61.5(e), but would cover WYO companies as well. FEMA intends that the proposed provision would ensure that policyholders know that the representations of agents involved in the ***program*** do not bind the NFIP. Also, while current 61.5(e) uses the word ``insured,'' FEMA proposes to substitute the word with ``policyholder'' in proposed section 61.13(f). ``Policyholder'' refers specifically to the individual or business named in the policy itself, whereas the word ``insured'' can refer to the policyholder as well as anyone who submits ***payment*** on behalf of the policyholder and/or who has the right to a claim ***payment*** under the policy (e.g , the mortgagee). ``Policyholder'' is the more appropriate term in this context because FEMA is only referring to an agent's relationship with the policyholder specifically, not any other party who may be submitting ***payment*** on behalf of the policyholder and/or who has a right to claims ***payments*** under the policy. Current paragraph (f) (proposed paragraph (h)), provides that private sector WYO property insurance companies may issue SFIPs. FEMA proposes to revise proposed paragraph (h) to provide that WYO companies will issue NFIP policies in their own name, rather than the current language providing that WYO companies may issue NFIP policies in their own name. This change would conform to the current FEMA-WYO company relationship described in Article I of Appendix A of 44 CFR part 62. Further, FEMA proposes to add language at the end of the paragraph stating that the risk of loss is borne by the NFIP, rather than the WYO company. This language would further clarify the existing relationship between FEMA and WYO companies. Overall, the proposed changes to 61.13 would provide greater clarity to the public regarding the existing relationship between FEMA, policyholders, and WYO companies. C. Appendix A(1) to Part 61: Standard Flood Insurance Policy Dwelling Form Appendix A(1) to part 61 contains the Dwelling Form of the SFIP. This form, as well as the other two SFIP policy forms (the General Property Form and the RCBAP), defines the relationship between FEMA or the WYO company, as the insurers, and the insured. Throughout Appendix A(1), FEMA proposes to replace the word ``covered'' with the word ``insured'' because ``covered'' is a generic and undefined term that does not conform to common industry or Agency usage. The use of ``insured'' better conveys the application of the SFIP to property. 1. Prefatory Paragraph and Article I ``Agreement'' The prefatory paragraph states that the policy insures (1) a non- condominium residential building designed for principal use as a dwelling place of one to four families, or (2) a single-family dwelling unit in a condominium building. FEMA proposes to revise (1) to read ``a one to four family residential building, not under a condominium form of ownership'' because this language is clearer and more consistent with the wording used in the Definitions section for condominium buildings. FEMA proposes to add (3) ``personal property in a building'' to clarify that personal property is also insured under this policy. FEMA has always insured personal property under this policy, but [[Page 32965]] proposes to make this fact more explicit in this initial coverage statement. In the current policy, Article I ``Agreement'' begins after the prefatory paragraph. It states in the first paragraph that FEMA provides flood insurance under the terms of the NFIA, its amendments, and 44 CFR. It states in the second paragraph that FEMA will pay for direct physical loss by or from flood to the insured property if the insured has paid the correct premium, complied with all terms and conditions of the policy, and furnished accurate information and statements. It states in the last paragraph that FEMA has the right to review the information provided by the insured at any time and to revise the policy based on this review. FEMA proposes to begin Article I before the prefatory paragraph, and to relabel the prefatory paragraph as Section A, current Article I's first paragraph as Section B, the second paragraph as Section C, and the third paragraph as Section D. This is to clarify that the prefatory paragraph, which is actually an initial coverage statement, is part of the policy and not just an introduction to the policy. FEMA also proposes to modify proposed Section C (currently the second paragraph in Article I) and add three new sections to Article I (proposed sections E, F, and G) to clarify existing rules and limitations under the SFIP. i. Proposed Section C As previously described, FEMA proposes to renumber the second paragraph in Article I as Section C of Article I. This provision currently states that FEMA will pay for direct physical loss by or from flood to the insured property if (1) the insured has paid the correct premium; (2) complied with all terms and conditions of the policy; (3) and furnished accurate information and statements. FEMA proposes to modify the first prong of this statement by stating that coverage is contigent on the policyholder paying the ``full amount due (including applicable premiums, surcharges, and fees)'' instead of ``the correct premium.'' FEMA proposes this change to make clear that policyholders must pay any applicable surcharges, such as the one required under 42 U.S.C 4015a, in addition to applicable premiums. ii. Proposed Section E Proposed Section E would state that the policy insures only one building. If the insured owns more than one building, coverage will apply to the single building specifically described in the Flood Insurance Application. While the SFIP's limitation on coverage to one dwelling is already implied by current Article III.A, FEMA proposes to clarify this limitation here to allow policyholders to better understand the extent of coverage, particularly where an insured may own more than one building on the same land. iii. Proposed Section F Proposed Section F would state that multiple policies with building coverage cannot be issued to insure a single building to one insured or to different insureds, even if separate policies were issued through different NFIP insurers. It would also state that ***payment*** for damages may only be made under a single policy for building damages under Coverage A--Building Property. This proposed section would incorporate current Article VII.U's general language stating that there may not be more than one NFIP policy on a property. Proposed section F would be subject to the exception in proposed Section G involving condominiums, which provides that a condominium unit may be covered by an RCBAP policy and a dwelling policy. FEMA proposes this clarification because there have been several instances where multiple persons have taken out multiple, overlapping building policies. This in turn may leave policyholders to believe they have more coverage than is allowed by the NFIA. This is most common in instances where both a building owner and a tenant obtain building policies. As described in WYO Bulletin W-15001 (Jan. 13, 2015),\3\ FEMA has taken steps to identify such instances and inform policyholders as needed. FEMA believes that the language in proposed Section F would help avoid such situations. --------------------------------------------------------------------------- \3\ Available at   [*http://bsa.nfipstat.fema.gov/wyobull/2015/w-15001.pdf*](http://bsa.nfipstat.fema.gov/wyobull/2015/w-15001.pdf) --------------------------------------------------------------------------- iv. Proposed Section G FEMA proposes to add Section G, which would define the relationship between a Dwelling Form policy and an RCBAP policy that insures the same condominium unit. Section G would state that a Dwelling Form policy with building coverage may be issued to a unit owner in a condominium building that is also insured under an RCBAP. However, no more than $250,000 may be paid in combined benefits for a single unit under the Dwelling Form policy and the RCBAP. This would explicitly state FEMA's application of the statutory maximum coverage limits for one to four family residential buildings, found at 42 U.S.C 4013(b)(2), as applied to condominium units. FEMA proposes this section to clarify instances where a condominium unit is covered by both a Dwelling Form policy and an RCBAP policy, and to codify its current practice (pursuant to BW-12) of waiving the requirement found in current regulation to limit ***payments*** to affected policyholders. Current Article VII (``Coinsurance'') of the RCBAP policy (Appendix A(3) to Part 61) restricts ***payments*** for damage to condominium associations that insure less than 80 percent of the full replacement cost of the RCBAP insured condominium building, or less than the maximum amount of insurance available. In turn, current Article III.C.3.b.4 of the Dwelling Form policy precludes ***payment*** for a loss assessment if the reason for the shortage is application of the RCBAP's coinsurance penalty provision. Current Article VII.C.2 of the Dwelling Form policy provides that where a condominium unit is covered by both the Dwelling Form policy and an RCBAP (or other flood insurance coverage purchased by the condominium association), the Dwelling Form policy will be in excess over the RCBAP (or other insurance). Since 2007, FEMA has issued individual waivers of these provisions' requirements to limit ***payments*** to affected policyholders. Section 100214 of BW-12 (42 U.S.C 4019(c)) validated this policy by prohibiting FEMA from limiting ***payments*** pursuant to Article III.C.3.b.4 FEMA implemented this prohibition through a general waiver. See WYO Bulletin W-16024 (April 7, 2016).\4\ Accordingly, FEMA now seeks to codify this change in the SFIP by adding Section G. --------------------------------------------------------------------------- \4\ Available at   [*https://bsa.nfipstat.fema.gov/wyobull/2016/w-16024.pdf*](https://bsa.nfipstat.fema.gov/wyobull/2016/w-16024.pdf) --------------------------------------------------------------------------- Proposed Section G would also state that FEMA will only pay for damage once, and items of damage paid for under an RCBAP cannot also be claimed under the Dwelling Form policy. FEMA proposes to add this language to clarify the existing rule under current Article VII.C.2 that if a single property is insured by both policies forms, the Dwelling Form will only pay what is not covered under the RCBAP policy. 2. Article II Definitions i. General Changes FEMA proposes to remove the last sentence of the second paragraph in Article II.A which states, ``The precise definitions are intended to protect you.'' FEMA proposes removal of this sentence because it is an incorrect statement of the purpose of providing the definitions. The definitions are to provide clarity to the language of the [[Page 32966]] Dwelling Form policy so that both FEMA and the policyholder will know the terms and conditions under which ***payments*** will be made under the policy. FEMA also proposes to move the definition of ``flood,'' which is currently in the third paragraph of Article II.A, to a separate Section B. Accordingly, FEMA also proposes to redesignate current Section B as Section C. ii. Proposed Removal of Definition FEMA proposes to remove one definition, ``expense constant,'' from the Dwelling Form. The term describes a flat charge assessed on all policies to defray expenses to the Federal Government related to flood insurance. FEMA proposes to remove this definition because FEMA no longer charges an expense constant and FEMA does not use this term in the Dwelling Form. iii. Proposed Addition of Definitions FEMA proposes to add a definition of ``condominium building'' to mean a type of building for which the form of ownership is one in which each unit owner has an undivided interest in common elements of the building. FEMA intends for this addition to conform with the addition of the definition to 44 CFR 59.1 FEMA proposes to add this definition because it is used throughout the Dwelling Form. FEMA also proposes to define the term ``deductible'' as ``the fixed amount of an insured loss that is your responsibility and that is incurred by you before any amounts are paid for the insured loss under this policy.'' This definition aligns with the definition of ``deductible'' currently proposed for 44 CFR 59.1 FEMA proposes to include this definition in the SFIP to support related provisions in Article VI. iv. Proposed Changes to Existing Definitions FEMA proposes to modify several definitions currently in the Dwelling Form. First, FEMA proposes to revise the definition of ``application'' by striking the last sentence. FEMA proposes this change because the last sentence is not a definition, but rather a separate requirement. Further, the sentence does not align with proposed Article I.C, which states that policyholders must submit ``the full amount due'' which includes applicable premiums, surcharges, and fees. FEMA proposes to revise the definition of the term ``basement.'' Currently, ``basement'' is defined as ``any area of the building, including any sunken room or sunken portion of a room, having its floor below ground level (subgrade) on all sides.'' FEMA proposes to replace the word ``the'' before the word ``building'' with the word ``a'' to correct a grammar error in the current Dwelling Form SFIP. FEMA also proposes to remove the word ``subgrade'' because, due to the many and varying definitions of this word, its use is causing confusion. Removal of the term ``subgrade'' is not intended to have any substantive effect. FEMA proposes to revise the term ``condominium.'' Currently, ``condominium'' is defined as ``that form of ownership of real property in which each unit owner has an undivided interest in common elements.'' FEMA proposes to replace the term ``real property'' with the phrase ``one or more buildings'' because FEMA believes that this nonsubstantive change uses plainer language that the public can more easily understand. Similarly, FEMA proposes to adjust the definition of ``condominium association.'' Currently, this term is defined as the entity made up of the unit owners responsible for the maintenance and operation of (a) common elements owned in undivided shares by unit owners; and (b) other real property in which the unit owners have use rights; where membership in the entity is a required condition of unit ownership. FEMA proposes to replace the term ``real property'' with ``buildings'' because FEMA believes that this change uses plainer language that the public can more easily understand while maintaining the substantive meaning of the definition. FEMA proposes to revise the definition of ``dwelling.'' Currently, ``dwelling'' is defined as ``a building designed for use as a residence for no more than four families or a single-family unit in a building under a condominium form of ownership.'' FEMA proposes to replace the phrase ``building under a condominium form of ownership'' with ``condominium building'' to integrate the defined term ``condominium building'' while maintaining the substance of the current definition. FEMA proposes to revise the definition of ``emergency ***program***.'' Currently, ``emergency ***program***'' is defined as the initial phase of a community's participation in the National Flood Insurance ***Program***. The definition also states that during this phase, only limited amounts of insurance are available under the NFIA. FEMA proposes to retain this definition but add at the end the phrase ``and the regulations prescribed pursuant to the Act.'' FEMA proposes to add this phrase to align the SFIP definition of this term with its definition at 44 CFR 59.1 FEMA proposes minor revisions to the definition of ``improvements.'' Currently, this term is defined as ``fixtures, alterations, installations, or additions comprising a part of the insured dwelling or the apartment in which you reside.'' FEMA proposes to remove the word ``insured'' because it is not necessary. It proposes to remove the word ``the'' from before the word ``apartment'' for readability. FEMA proposes to move the definition of ``principal residence'' from Art. VII.V.1.a.1 (``Loss Settlement'') of the Dwelling Form to the Definitions Section (Article II). Currently, under Article VII.V.1 a principal residence means the single-family dwelling where the policyholder or the policyholder's spouse has lived for at least 80 percent of (a) the 365 days immediately preceding the time of loss; or (b) the period of ownership, if either the policyholder or policyholder's spouse owned the dwelling for less than 365 days immediately preceding the time of loss. FEMA proposes to move the substantively unchanged definition to the Definitions Section of Article II because that is the more appropriate place to define terms used in the Dwelling Form. FEMA proposes to revise the definition for ``probation premium'' by replacing the defined term ``probation premium'' with the term ``probation surcharge.'' ``Probation surcharge'' would retain the same definition as the current definition for ``probation premium,'' which is a flat charge the policyholder must pay on each new or renewal policy issued covering property in a community the NFIP has placed on probation under the provisions of 44 CFR 59.24 FEMA proposes this revision because there is no such thing as a ``probation premium;'' this incorrect term was intended to reference the probation surcharge that is applied to policies in NFIP communities that have been placed on suspension from the NFIP. FEMA proposes to amend the definition of ``regular ***program***.'' Currently, ``regular ***program***'' is defined as the final phase of a community's participation in the National Flood Insurance ***Program***. In this phase, a Flood Insurance Rate Map is in effect and full limits of coverage are available under the NFIA. FEMA proposes to add the phrase ``and the regulations prescribed pursuant to the Act'' at the end to clarify, without changing the substance of the definition, that the coverage amounts for NFIP policies are [[Page 32967]] subject to the rules established in both statute and regulation, not just statute. FEMA also proposes to modify the definition of ``Special Flood Hazard Area'' to include the appropriate acronym, ``SFHA.'' FEMA proposes to revise the term ``unit.'' Currently, ``unit'' is defined as ``a single-family unit you own in a condominium building.'' FEMA proposes to replace the word ``unit'' with ``residential space'' so that the word ``unit'' would not be used to define itself. 3. Article III Property Covered Article III of the Dwelling Form (``Property Covered'') is divided into four sections, each addressing different types of property: Section A, ``Coverage A--Building Property,'' Section B, ``Coverage B-- Personal Property,'' Section C, ``Coverage C--Other Coverages,'' and Section D, ``Coverage D--Increased Cost of Compliance.'' i. Coverage A--Building Property Article III.A.5.b.2 describes the zones above which the lowest floor of a non-walled or roofed building under construction, alteration, or repair must be to be covered. FEMA proposes to replace ``levels are'' with ``level is'' to improve readability. FEMA also proposes to replace ``and'' with ``or,'' also to improve readability. No substantive changes are intended. In Article III.A.6, FEMA proposes to replace the reference to ``II.B.6.b and II.B.6.c'' with a reference to ``II.C.6'' to reflect the renumbering proposed for Article II. Article III.A.7 provides a list of items of property covered under Coverage A only. FEMA proposes to replace ``covered'' with ``insured'' because ``covered'' is a generic and undefined term that does not conform to common industry or Agency usage. The use of ``insured'' better conveys the application of the SFIP to property. Article III.A.8 limits coverage on items of property in a building enclosure below the lowest elevated floor of an elevated post-FIRM building in specified zones. FEMA proposes to remove the phrase ``in a building enclosure'' to clarify that the section only insures items of property that are below the lowest elevated floor, not the building enclosure itself. This has always been the case, but removing this language would make this clearer. Removing the language would also clarify that FEMA insures any property identified in Article III.A.8 that is below the lowest elevated floor within the footprint of the building, regardless of whether such property is located in a building enclosure. ii. Coverage B--Personal Property Article III.B.1 describes the conditions under which the policy covers personal property inside a building. Current Article III.B.1.b contains two unnumbered paragraphs. FEMA proposes to number these two unnumbered paragraphs as ``1.'' and ``2.'' respectively, and to renumber subsequent paragraphs accordingly, to improve readability and organization. Article III.B.3 (renumbered B.5.in the proposed text) limits coverage for items of property in a building enclosure below the lowest elevated floor of an elevated post-FIRM building located in specified zones or a basement. FEMA proposes to remove the phrase ``in a building enclosure'' to clarify that the section only insures items of property that are below the lowest elevated floor, not the building enclosure itself. While FEMA has always interpreted this provision this way, removing this language would make this clearer to policyholders. In addition, this proposed change would also clarify that FEMA insures certain property identified in Article III.B.3 (proposed B.5) that is below the lowest elevated floor within the footprint of the building, regardless of whether such property is located in a building enclosure. iii. Coverage C--Other Coverages Article III.C describes other coverages under the SFIP, including for debris removal, property relocation, and condominium loss assessments. In III.C.2.b, FEMA proposes to number the currently unnumbered paragraphs immedietly following III.C.2.b.2 as III.C.2.b.3 and III.C.2.b.4, respectively, to improve organization and readability. Article III.C.3.a describes the terms of coverage for condominium loss assessments. FEMA proposes to revise the first sentence of Article III.C.3.a to add the phrase ``Subject to III.C.3.b below'' to the beginning of the sentence to clarify that the general statement in III.C.3.a that FEMA would pay for condominium loss assessments would be limited by the restrictions established in III.C.3.b FEMA also proposes to add ``condominium'' before ``unit'' in that sentence, for the sake of clarity. The second sentence in Article III.C.3.a states that the assessment must be made as a result of direct physical loss by or from flood during the policy term, to the building's common elements. FEMA proposes to replace ``as a result of'' with ``because of'' and ``to the building's common elements'' with ``to the unit or to the common elements of the NFIP insured condominium building in which this unit is located.'' FEMA proposes to revise this language for greater clarity and consistency with the ``condominium building'' definition added in Article II. Article III.C.3.b describes scenarios where FEMA will not pay any loss assessment charged against the policyholder. Article III.C.3.b.1 provides that FEMA will not pay any loss assessment charged against the policyholder ``and the condominium association by any governmental body.'' FEMA proposes to relocate the phrase ``charged against you'' from III.C.3.b to III.C.3.b.1 to improve the sentence structure of the provision. Article III.C.3.b.4 states that the NFIP would not insure any loss assessments on units in a condominium building that were underinsured as described in this paragraph. FEMA proposes to remove this paragraph, as these restrictions were superseded by section 100214 of BW-12, which prohibits FEMA from denying coverage for a condominium unit under a Dwelling Form policy based solely, or in part, on the flood insurance coverage of the condominium association or others on the overall property insured by the condominium association. Accordingly, to implement this requirement, FEMA proposes to remove Article III.C.3.b.4 as it prevents unit owners from recovering under the Dwelling Form policy for loss assessments charged against them because the condominium building in which the unit is located is underinsured. FEMA has waived this provision in current practice for affected individual policies. The proposed change would conform the language of the Dwelling Form to FEMA's current practice and allow FEMA to discontinue use of the individual waiver process. Current Article III.C.3.b.5 provides that FEMA will not pay for loss assessments to the extent that ***payment*** under this policy for a condominium loss, in combination with ***payments*** under any other NFIP policies for the same building loss, exceeds the maximum amount of insurance permitted under the NFIA for that kind of building. Similarly, current section III.C.3.b.6 provides that FEMA will not pay for loss assessments to the extent that ***payment*** under this policy, in combination with any recovery available to the tenant in common under any NFIP condominium association policies for the same building loss, exceeds the amount of insurance permitted under the NFIA for a single family dwelling. FEMA proposes to renumber these subsections as (4) and [[Page 32968]] (5) respectively due to FEMA's proposed removal of current subsection (4). In addition, FEMA proposes to revise current subsection (5) (proposed subsection (4)) to state ``[i]n which the total ***payment*** combined under all policies exceeds the maximum amount of coverage available under the Act for a single unit in a condominium building where the unit is insured under both a Dwelling Policy and a RCBAP.'' FEMA also proposes to revise current subsection (6) (proposed subsection (5)) to state ``[o]n any item of damage that has already been paid under a RCBAP where a single unit in a condominium building is insured by both a Dwelling Policy and a RCBAP.'' FEMA proposes this revised language to streamline these provisions and to make the same points more clearly. The last sentence of current III.C.3.b.6 states that ``[l]oss assessment coverage does not increase the Coverage A Limit of Liability.'' FEMA proposes to renumber this sentence as III.C.3.c FEMA also proposes to revise the language so that it reads ``Condominium Loss Assessment coverage does not increase the Coverage A Limit of Liability and is subject to the maximum coverage limits available for a single family dwelling under the Act, payable between all policies issued and covering the unit, under the Act.'' This would clarify that the combined ***payments*** under the Dwelling Form and the RCBAP, or any other ***payment*** issued under the Dwelling Form to a unit owner where there is also an RCBAP that covers the property, are subject to the $250,000 coverage limit on the combined ***payments*** under both policies. Congress only authorized a maximum coverage of $250,000 on a single dwelling, and both the RCBAP and Dwelling Forms rely upon that single authority for establishing the available policy limits. As such, the unit owner and the condominium association each filing separate claims under their separate policies cannot circumvent the limit imposed by Congress. FEMA proposes to add this language to emphasize the point that even though a condominium unit may be insured by both a Dwelling Form policy and an RCBAP, this fact does not alter the statutory coverage limits. iv. Coverage D--Increased Cost of Compliance Article III.D (``Increased Cost of Compliance'') describes the terms of coverage for costs associated with complying with State or local floodplain management laws or ordinances affecting repair or reconstruction of a structure suffering flood damage. FEMA proposes to revise the language in this section so that the word ``structure'' is replaced by the word ``building'' throughout the section. The reason for this change is the NFIP insures SFIP defined ``buildings,'' not structures. FEMA also proposes to replace the phrase ``this coverage'' with the phrase ``Coverage D in III.D.3.d and III.D.3.e'' to clarify that the coverage referred to in these provisions is Coverage D. 4. Article V Exclusions Article V of the Dwelling Form (``Exclusions'') provides the terms and conditions of the SFIP relating to what losses are excluded from coverage under the SFIP. Article V.B excludes coverage for losses resulting from a flood that began prior to the effective date of a policy; this is referred to as the ``flood in progress'' exclusion. If the SFIP covered losses for policies obtained after a flood became imminent, people could avoid paying for insurance during the times they did not need to make a claim. FEMA would then have to increase rates to compensate for the lost premiums and higher losses. This would in turn drive more people out of the ***program***, which would require higher rates. Currently, the exclusion specifies that FEMA will not pay for a loss that was ``directly or indirectly caused by a flood that is already in progress'' prior to the effective date of the policy. FEMA is proposing changes to Article V because the current language does not describe how a policyholder could determine when a flood was in progress. This ambiguous provision has historically caused significant confusion among the public. As a result, FEMA made several attempts to clarify the provision and apply it to the specific attributes of certain floods. See WYO Bulletin W-11030 (May 17, 2011); WYO Bulletin W-11034 (June 6, 2011); WYO Bulletin W-11045 (June 30, 2011); Definitions Section of the Flood Insurance Manual, page 4. While these clarifications provided workable guidance on the issue, BW-12 directed the FEMA Administrator to review ``the processes and procedures for determining that a flood event has commenced or is in progress for purposes of flood insurance coverage made available under the National Flood Insurance ***Program***.'' BW-12 section 10227(a)(1)(A) (42 U.S.C 4011 note). Accordingly, FEMA now proposes to modify the Flood in Progress Exclusion to maintain its practical impact, but to provide clearer terms for its application. FEMA proposes to revise the language of Article V.B to allow for two separate exclusions for floods in progress, depending on how the policyholder applied for the policy. If the policy became effective at the time of a loan closing, as provided by 44 CFR 61.11(b), then FEMA would not pay for losses caused by a flood that is a continuation of a flood that existed prior to coverage becoming effective. In all other circumstances, FEMA would not pay for a loss caused by a flood that is a continuation of a flood that existed on or before the day the policyholder submitted the application for coverage and paid the full amount due. This exclusion would apply to new policies subject to the 30-day waiting period, as well as those for which the overnight waiting period is applied, as provided by 42 U.S.C 4013(c)(2)(b). FEMA believes the proposed formulation provides a more thorough understanding of what constitutes a flood in progress, providing greater clarity to policyholders, without altering the actual effect of the provision because the proposed language captures the principles underlying the previous agency guidance. FEMA also believes the proposed language would successfully prevent a policyholder from waiting until flooding becomes imminent to apply for coverage, as well as prevent a person facing imminent flooding from obtaining a small mortgage to avoid the otherwise 30-day effective date waiting period required by 42 U.S.C 4013(c)(1). In article V.C.6, regarding gradual erosion, FEMA proposes to replace ``insured'' with ``covered'' because ``covered'' is a generic and undefined term that does not conform to common industry or Agency usage. The use of ``insured'' better conveys the application of the SFIP to property. Also in article V.C.6, FEMA proposes to update the reference to the definition of flood to articles II.B.1.c and II.B.2 5. Article VII General Conditions Article VII (``General Conditions'') provides the general terms and conditions of the Dwelling Form SFIP, such as provisions related to other insurance; amendments, waivers, and assignments; policy reformation; policy renewal; requirements if there is a loss; and loss ***payments***. i. Section B--Concealment or Fraud and Policy Avoidance Article VII.B (``Concealment or Fraud and Policy Avoidance'') provides the general terms and conditions of the Dwelling Form SFIP related to concealment or fraud and policy avoidance. FEMA proposes to move Article VII.B to a new Article VIII.A (``Policy Nullification for Fraud, [[Page 32969]] Misrepresentation, or Making False Statements'') and make some revisions, which are explained in the discussion of new Article VIII below. ii. Section C--Other Insurance Article VII.C (``Other Insurance'') discusses terms related to instances where property is covered by more than one insurance policy with flood coverage. FEMA proposes to redesignate Article VII.C as Article VII.B due to FEMA's proposed removal of VII.B Current Article VII.C.2 (proposed VII.B.2) states that where there is other insurance in the name of the policyholder's condominium association covering the same property covered by this policy, then this policy will be in excess over the other insurance. FEMA proposes to replace the word ``covered'' with ``insured.'' FEMA proposes to replace the word ``covered'' with the word ``insured'' because ``covered'' is a generic and undefined term that does not conform to common industry or Agency usage. The use of ``insured'' better conveys the application of the SFIP to property. FEMA also proposes to add the phrase ``issued under the Act'' directly following the phrase ``other insurance'' to clarify that the language referring to other insurance is referring to other NFIP insurance, not other non-NFIP insurance. FEMA proposes to add language to Article VII.C.2 (proposed VII.B.2) to provide that the section does not apply where a condominium loss assessment to the unit owner results from a loss sustained by the condominium association that was not reimbursed under an RCBAP because the building was not insured for an amount equal to the lesser of: (a) 80 percent or more of its full replacement cost; or (b) the maximum amount of insurance permitted under the NFIA. FEMA proposes to add this exception to codify the existing implemention of section 100214 of BW- 12. Under the terms and conditions of the Dwelling Form policy and the RCBAP, the RCBAP is primary, and the Dwelling Form policy acts as an excess flood insurance policy. In order to allow the Dwelling Form to respond as if the RCBAP coverage has in fact been exhausted, FEMA must revise Article VII.C.2 (proposed VII.B.2) so that it does not apply in those situations in which the coinsurance provision of the RCBAP has been triggered. FEMA also proposes to add language to proposed Article VII.B.2 clarifying that even when a condominium unit is insured by two policies, the maximum statutory coverage limit available under the NFIA of $250,000 still applies. FEMA proposes to add this language to emphasize that the fact that a condominium unit is insured by both a Dwelling Form policy and an RCBAP does not alter or permit ***payments*** to exceed the statutory coverage limits. iii. Section D--Amendments, Waivers, Assignment Article VII.D ('' Amendments, Waivers, Assignment'') provides that any amendments or waivers to the policy require express written consent of the Federal Insurance Administrator. It allows a policyholder to assign this policy when ***transferring*** title of his or her property except when the policy (1) covers only personal property, or (2) covers a structure during the course of construction. FEMA proposes to redesignate Article VII.D as Article VII.C due to the proposed removal of VII.B and subsequent renumbering discussed above. FEMA proposes to replace the phrase ``structure during the course of construction'' with ``building under construction'' both to correspond with the replacement of the word ``structure'' with ``building'' throughout Article V of the policy, and also because ``building under construction'' is the proper term of art, as used in Article III.A.5.a and Article VI.A Also, FEMA proposes to replace ``covers'' with ``insures'' because ``covered'' is a generic and undefined term that does not conform to common industry or Agency usage. The use of ``insured'' better conveys the application of the SFIP to property. iv. Section E--Cancellation of the Policy by You Article VII.E (``Cancellation of the Policy by You'') authorizes a policyholder to cancel the policy in accordance with the applicable rules and regulations of the NFIP and provides that a policyholder who cancels may be entitled to a full or partial refund of premium. FEMA proposes to move Article VII.E to a new Article VIII discussing policy nullifications, cancellations, and non-renewals. The new Article VIII is discussed below. v. Section F--Non-Renewal of the Policy by Us Article VII.F (``Non-Renewal of the Policy by Us'') states that a policy will not be renewed if the community where the covered property is located stops participating in the NFIP, or the building has been declared ineligible under section 1316 of the NFIA. FEMA proposes to move Article VII.F to a new Article VIII discussing policy nullifications, cancellations, and non-renewals. The new Article VIII is discussed below. vi. Section G--Reduction and Reformation of Coverage Article VII.G (``Reduction and Reformation of Coverage'') describes the terms and conditions of the policy related to situations in which it is discovered that the premium paid on an annual policy, or the information used to rate the policy, is insufficient. Specifically, this section details how coverage under the policy would be reformed in such situations and the policyholder's options upon reformation. FEMA proposes to redesignate Article VII.G as Article VII.D to conform to the relocation and redesignation of preceding sections described above. FEMA proposes to change the title of the section from ``Reduction and Reformation of Coverage'' to ``Insufficient Premium or Rating Information.'' FEMA proposes this change to the title because it is clearer than the current section title. Additionally, FEMA proposes to add the term ``insufficient'' before ``rating information'' to make it clear that this provision applies to both cases: Where the information needed to rate the policy is incomplete and where it is incorrect. With respect to the premium, the term ``insufficient'' applies to situations in which the premium paid is incorrect. With respect to the rating information, the term ``insufficient'' applies to situations in which the rating information provided for determining the premium rate is incomplete, such as when an elevation certificate is not provided or is incorrect. FEMA proposes to make corresponding language changes throughout this section to ensure that the provisions of this section are applied in both of these situations. FEMA proposes to add a new Article VII.D.1, entitled ``Applicability.'' The proposed Article would state that the provisions in proposed Article VII.D, Insufficient Premium or Rating Information, apply to all instances where the premium paid on a policy is insufficient or where the rating information is insufficient, such as where an Elevation Certificate is not provided. This change reflects FEMA's current policies and would not substativently impact the NFIP. Current Article VII.G.1 provides that if the premium received was not enough to buy the kind and amount of coverage requested, FEMA will provide only the amount of coverage that can be purchased for the premium ***payment*** received. FEMA proposes to redesignate [[Page 32970]] this section as Article VII.D.2 to correspond to the redesignations described above, and add a title, ``Reforming the Policy with Reduced Coverage,'' for improved clarity. FEMA proposes to add the phrase ``Except as otherwise provided in VII.D.1'' at the beginning of the paragraph. FEMA proposes this change to correspond to the exception established in the new proposed language at VII.D.1 FEMA also proposes to replace the phrase ``not enough'' with the phrase ``not sufficient,'' the word ``amount'' to ``amounts,'' and replace ``only the amount of coverage'' with ``only the kinds and amounts of coverage.'' FEMA believes that these non-substative changes would improve readability. FEMA proposes to add three paragraphs to this section. Proposed paragraph D.2.a clarifies that, for determining whether the premium is sufficient to buy the kinds and amounts of coverage requested, FEMA will first deduct all applicable fees and surcharges. Proposed paragraph D.2.b clarifies that if the amount paid, after deducting the costs of all applicable fees and surcharges, is not sufficient to buy any amount of coverage, the ***Program*** will refund the policyholder's ***payment*** and there will be no coverage under the policy. FEMA proposes to add these clarifications because they are not explicitly stated in the current regulations, although FEMA has previously interpreted regulations to require this. Thus this is not a substantive change but merely reflects existing practice. Proposed paragraph D.2.c states that ``[c]overage limits on the reformed policy will be based upon the amount of premium submitted per type of coverage, but will not exceed the amount originally requested.'' FEMA proposes this paragraph to codify its current practice. When FEMA calculates the total policy cost, it knows how much of the total cost will be allocated to premium, surcharges, fees, etc. Under FEMA's current practice, it tries to preserve the ratio of building coverage to contents coverage, regardless of how much premium the policyholder intended to allocate to each type of coverage. For example, if a policyholder originally requested $200,000 in building coverage and $100,000 in contents, FEMA would try to preserve the 2 to 1 ratio when reducing the coverage through reformation. The proposed rule seeks to clarify that FEMA's practice is to reflect the policyholder's intent by considering the amount of premium the policyholder intended to allocate to each type of coverage. Using the example above, therefore, if the policyholder paid a total of $600 premium, wishing to allocate $500 for the $200,000 in building coverage and $100 for the $100,000 in contents, FEMA would provide the amount of building coverage that $500 would purchase under the reformed rate, and the amount of contents coverage that $100 would purchase under the reformed rate. Current Article VII.G.2 discusses how a policy can be reformed to increase the amount of coverage where insufficient premium or incomplete rating information is discovered before a loss (current paragraph (a)), and where insufficient premium or incomplete rating information is discovered after a loss (current paragraph (b)). FEMA proposes to redesignate current Article VII.G.2 as VII.D.3 and to restructure it to improve organization and readability. Specifically, FEMA proposes to combine the provisions on discovery of insufficient premium or rating information before a loss and discovery of insufficient premium or rating information after a loss. To that end, the Agency proposes to title proposed Article VII.D.3 as ``Discovery of Insufficient Premium or Rating Information.'' The proposed subsection would state that if the ***Program*** discovers that the premium or rating information is insufficient, the ***Program*** would reform the policy as described in proposed Article VII.D.2 The proposed subsection also gives policyholders the option of increasing the amount of coverage resulting from the reformation to the amount he or she requests in accordance with the rest of the section. This does not constitute a substantive change from the current regulations and procedure; rather, it is a streamlining of the current regulations without altering the substance. Proposed Article VII.D.3.a would be entitled ``Insufficient Premium'' and would address situations where FEMA discovers that the premium is insufficient. This section would retain the first sentence in current VII.G.2.a.1 providing that where FEMA discovers the policyholder has not paid enough premium, the policyholder, and any mortgagee or trustee of which the insurer has written notice, will be sent a bill for the required additional premium for the current policy term (or that portion of the current policy term following any endorsement changing the amount of coverage). From the current language, FEMA proposes to replace ``enough'' with ``sufficient'' to align with current ***program*** usage and proposes to add commas after ``you'' and ``us'' to improve readability. The last sentence in current VII.G.2.a.1 provides that where the policyholder pays the additional premium within 30 days from the date the bill is sent, the ***Program*** will reform the policy to the originally requested amount of coverage. FEMA proposes to relocate this last sentence to its own separate subsection (proposed VII.D.3.a.1) and replace it with language stating that if it is discovered that the initial amount charged for any fees or surcharges is incorrect, the difference will be added or deducted, as applicable, to the total amount in this bill. FEMA proposes this sentence because in addition to the premium, policyholders must pay additional fees and surcharges, which can vary based on the characteristics of the property and its use; this language reflects its existing practice that FEMA adjusts the total bill for overpayment or underpayment of fees and surcharges. As mentioned above, FEMA proposes to relocate the last sentence in current Article VII.G.2.a.1 to its own separate subsection (proposed VII.D.3.a.1). Because this language only addresses what happens if the policyholder pays the additional premium within 30 days from the date the bill is sent, FEMA proposes to add additional language (proposed VII.D.3.a.2) clarifying that if the policyholder does not pay the premium within 30 days from the date of the bill, the ***Program*** would settle any flood insurance claim based on the reduced amount of coverage (as reduced pursuant to Article VII.D.2). This is already implicitly in the current regulation and FEMA's current practice, but FEMA proposes to add it to improve the clarity of the regulation. FEMA proposes to add a third subsection (proposed VII.D.3.a.3) allowing the policyholder the option of paying all or part of the amount due out of a claim ***payment*** based on the originally requested amount of coverage. Though not explicitly anticipated in the SFIP, FEMA currently provides this option to policyholders through coordination of disbursement of claim proceeds and additional premium collections with the insurer. FEMA proposes to incorporate this option into the SFIP to provide policyholders with a comprehensive understanding of their options after FEMA discovers a misrating after a loss. Proposed Article VII.D.3.b would be entitled ``Insufficient Rating Information'' and would address situations where it is discovered that the rating information is insufficient. This section would retain the substance of the first sentence in VII.G.2.a stating that if it is determined that the rating [[Page 32971]] information for the policy is insufficient and prevents the insurer from calculating the additional premium, the policyholder would be required to provide this information within 60 days of a request by the insurer. The last sentence in current VII.G.2.a.2 provides that once the amount of additional premium for the current policy term is determined, the procedures outlined in G.2.a.1 will be followed. FEMA proposes to relocate this sentence to its own subsection (proposed VII.D.3.b.1) and revise it to state that where information is received within 60 days, the amount of additional premium for the current policy term would be determined and the procedures in VII.D.3.a would be followed. Current VII.G.2.a.3 and G.2.b.3 address situations where the additional premium or information is not received by the date it is due. FEMA proposes to replace these sections with proposed VII.D.3.b.2 to state that where information is not received within 60 days of the request, no claims would be paid until the requested information is provided. Coverage would be limited to the amount of coverage that could be purchased for the ***payments*** received, as determined when the requested information is provided. The proposed provision reflects FEMA's existing interpretation of the SFIP, as reflected in the General Rules Section of the Flood Insurance Manual, page 13. FEMA proposes this provision to clearly reflect FEMA's policy. FEMA proposes to add a new Article VII.D.4, entitled ``Coverage Increases,'' which would incorporate the language in current Articles VII.G.2.a.3 and VII.G.2.b.3 The proposed language states that if the policyholder does not submit the amounts requested in Article VII.D.3.a or the additional information requested in Article VII.D.3.b by the date it is due, the amount of coverage could only be increased by endorsement subject to the appropriate waiting period. However, no coverage increases would be allowed until the information requested in Article VII.D.3.b is provided. FEMA proposes this additional language to explicitly state the currently implied consequence of not providing the necessary ***payment*** or information. Finally, FEMA proposes to redesignate current Article VII.G.3 as Article VII.D.5, which would be entitled ``Falsifying Information.'' Currently, this paragraph states that if the policyholder or their agent intentionally did not tell FEMA about, or falsified, any important fact or circumstance or did anything fraudulent relating to this insurance, the provisions allowing policy cancellations for fraud will apply. FEMA proposes to update the references to other policy provisions to align with the citations as revised under this proposed rule. In section J (proposed section G) (``Requirements in Case of Loss''), section L (proposed section I) (``No Benefit to Bailee''), and section T (propsed section Q) (``Continious Lake Flooding''), FEMA proposes to replace ``covers'' with ``insures'' because ``covered'' is a generic and undefined term that does not conform to common industry or Agency usage. The use of ``insured'' better conveys the application of the SFIP to property. As a consequence of the changes proposed above, FEMA also proposes to renumber sections H through T as sections E through Q. No other changes were made to these sections other than conforming cross- references. vii. Section U--Duplicate Policies Not Allowed Article VII.U (``Duplicate Policies Not Allowed'') currently describes restrictions on insuring property with more than one NFIP policy. FEMA proposes to remove the Section and incorporate the language into the new language at Articles I.F and VIII.D (discussed in III.C.1.ii and III.C.6.iv of this document, respectively). FEMA further proposes to redesignate all subsequent sections in Article VII, starting with section ``VII.V'' as ``VII.R '' viii. Section V--Loss Settlement Current Article VII.V (``Loss Settlement'') (proposed VII.R) describes the three methods for settling losses under the SFIP: Replacement cost loss settlement, special loss settlement, and actual cash value loss settlement. Article VII.V.1.a.1 (proposed VII.R.1.a.1) provides that replacement cost loss settlement applies to a single- family dwelling provided that it is the policyholder's principal residence within the meaning described further in the paragraph. As discussed in III.C.2, FEMA proposes to remove the definition of ``principal residence'' currently embedded in this provision and move it to the Definitions article of the SFIP. This change would improve readability of the provision without substantive impact. Throughout proposed section VII.R, FEMA proposes to update internal references to this section (i.e , replacing ``V'' with ``R''). ix. Internal Citation Updates Within Article VII FEMA proposes to redesignate the letter identifiers for the following sections due to the resdesignation of earlier sections of Article VII. The changes are as follows: Current Article VII.J (proposed VII.G), Requirements in Case of Loss; current Article VII.M (proposed VII.J), Loss ***Payment***; current Article VII.T (proposed VII.Q), Continuous Lake Flooding; and current Article VII.V (proposed VII.R), Loss Settlement. 6. Article VIII Policy Nullification, Cancellation, and Non-Renewal As discussed above, FEMA proposes to add a new Article VIII (``Policy Nullification, Cancellation, and Non-Renewal''), which would address in one place all the current reasons for which a policy may be nullified, cancelled, or non-renewed. This would consolidate the policy nullification, cancellation, and non-renewal reasons currently in the Dwelling Form at Article VII.B (``Concealment or Fraud and Policy Voidance''), VII.E (``Cancellation of the Policy by You''), and VII.F (``Non-Renewal of the Policy by Us''), and VII.U (``Duplicate Policies Not Allowed''). It would also incorporate the reasons that are being codified into regulation at 44 CFR 62.5 (discussed below). This consolidation would improve the organization and structure of the document. This new article would also improve transparency to the policyholder regarding the reasons for which a policy may be nullified, cancelled, or non-renewed. i. Section A--Policy Nullification for Fraud, Misrepresentation, or Making False Statements Current Article VII.B.1-3 provides that a policy is void, has no legal force or effect, cannot be renewed, and cannot be replaced by a new NFIP policy if the policyholder (or another insured or agent) has intentionally concealed or misrepresented any material fact or circumstance, engaged in fraudulent conduct, or made false statements related to this or any other NFIP policy. It also provides that the policy would be void as of the date the wrongful acts were committed, and that fines, civil penalties, and imprisonment may also apply. FEMA proposes to move these sections to Article VIII.A, rename it ``Policy Nullification for Fraud, Misrepresentation, or Making False Statements,'' and reorganize it without substantive change for greater clarity. ii. Section B--Policy Nullification for Reasons Other Than Fraud Current Article VII.B.4 provides that the policy is void and has no legal force where the property is located in a community not participating in the NFIP on the policy's inception date and [[Page 32972]] did not join or reenter the ***program*** during the policy term and before the loss occurred, or if the property is not otherwise eligible for NFIP coverage. FEMA proposes to establish a new Article VIII.B, entitled ``Policy Nullification for Reasons Other Than Fraud'' which would incorporate the provisions of current VII.B.4 but add additional reasons that a policy may be void. These are: (1) The applicant or policyholder never had an insurable interest (proposed VIII.B.1.c); (2) the policyholder provided an agent with an application and ***payment***, but the ***payment*** did not clear (proposed VIII.B.1.d); and (3) the insurer received notice from the policyholder, prior to the policy effective date, that the policyholder has decided not to take the policy and the policyholder is not subject to a requirement to obtain and maintain flood insurance pursuant to any statute, regulation, or contract. These added reasons for policy voidance reflect current agency interpretations and practices, as reflected in the Cancellation/ Nullification Section of the Flood Insurance Manual. FEMA proposes to add Article VIII.B to state that the applicant or policyholder would be entitled to a full refund of all premium, fees, and surcharges received, but if a claim was paid for a policy that is void, the claim ***payment*** must be returned to FEMA or offset from the premiums to be refunded before the refund will be processed. This reflects current agency interpretations and procedures, as reflected in the Cancellation/Nullification Section of the Flood Insurance Manual. iii. Section C--Cancellation of the Policy by You Current Article VII.E (``Cancellation of the Policy by You'') provides that a policyholder may cancel the policy in accordance with the NFIP's rules and regulations, in which event they may be entitled to a full or partial refund of premium under those same rules and regulations. FEMA proposes to incorporate the provisions of current Article VII.E into a new Article VIII.C, entitled ``Cancellation of the Policy by You.'' The proposed section C would retain the same language except for two changes. First, instead of stating ``in accordance with the applicable rules and regulations of the NFIP,'' it would state ``in accordance with the terms and conditions of this policy and the applicable rules and regulations of the NFIP.'' Second, it would replace the phrase ``premium also under the applicable rules and regulations of the NFIP'' with ``premium, surcharges, or fees under the terms and conditions of this policy and the applicable rules and regulations of the NFIP.'' No substantive change is intended. iv. Section D--Cancellation of the Policy by Us FEMA proposes to establish a new Article VIII.D, entitled ``Cancellation of the Policy by Us,'' which would state four reasons for which a policy may be cancelled by the insurer: 1. Cancellation for underpayment of amounts owed on the policy, 2. cancellation due to lack of an insurable interest, 3. cancellation of duplicate policies, and 4. cancellation due to physical alteration of property. The first reason for which the insurer may cancel a policy is in proposed Article VIII.D.1, entitled ``Cancellation for Underpayment of Amounts Owed on Policy.'' This provision would state that the insurer may cancel the policy if, pursuant to VII.D.2, it is determined that the amounts paid by the policyholder were not sufficient to buy any amount of coverage, and the policyholder did not pay the additional amount of premium owed to increase the coverage to the originally requested amount within the required time period. FEMA proposes to add this cancellation reason to align with current practice, as reflected in proposed VII.D.2, that FEMA will cancel a policy where the policyholder has paid a premium that is insufficient to buy a policy with the lowest available coverage limits. FEMA proposes to add the second reason for which the insurer may cancel a policy in proposed Article VIII.D.2, entitled ``Cancellation Due to Lack of an Insurable Interest.'' Proposed Article VIII.D.2.a would state that if the policyholder no longer has an insurable interest in the insured property, the insurer will cancel the policy, and that the policyholder would cease to have an insurable interest if (1) for building coverage, the building was sold, destroyed, or removed, and (2) for contents coverage, the contents were sold or ***transferred*** ownership, or the contents were completely removed from the described location. Proposed Article III.D.2.b would state that if a policy is cancelled for these reasons, the policyholder may be entitled to a partial refund of premium under the applicable rules and regulations of the NFIP. This reflects FEMA's current practice and interpretations, as shown in the Cancellation/Nullification section of the Flood Insurance Manual, pages 1-2 (``1. Building Sold or Removed, Destroyed or Physically Altered to no Longer Meet the Definition of an Eligible Building''). FEMA proposes to add the third reason for which the insurer may cancel a policy in proposed Article VIII.D.3, entitled ``Cancellation of Duplicate Policies.'' Article VIII.D.3 would have three subsections. Subsection (a) would state that except as allowed under Article I.G (i.e , for a Dwelling Form policy on a condominium unit that is also insured by an RCBAP policy), property may not be insured by more than one NFIP policy. This would incorporate the language in the current Article VII.U, stating that duplicate policies are not allowed under the NFIP, as well as the exception to that rule created in Article I.G FEMA also proposes to add that ***payment*** for damages will only be made under one policy. This would align with current Article VII.U, which prevents coverage under more than one NFIP policy and VII.U.2, which states which one policy will pay for a loss in the case of duplicate policies. This proposed language would improve the clarity of the policy by explicitly stating what is currently strongly implied in the SFIP. Subsection (b) would state that except as allowed under Article I.G, if the property is insured by more than one NFIP policy, all but one of the policies will be cancelled, and that the policy, or policies, will be selected for cancellation in accordance with 44 CFR 62.5 and the applicable rules and guidance of the NFIP. FEMA proposes to add this provision in conjunction with its proposed revisions to the cancellation provisions at 44 CFR 62.5 (discussed below). Subsection (c) would state that if a policy is cancelled pursuant to VIII.D.4.b, the policyholder may be entitled to a full or partial refund of premium, surcharges, or fees. FEMA proposes to add the third subsection in conjunction with the refund rules proposed at 44 CFR 62.5 FEMA proposes to add the fourth reason for which the insurer may cancel a policy in proposed Article VIII.D.4, entitled ``Cancellation Due to Physical Alteration of Property.'' The proposed provision states that the insurer may cancel the policy if the insured building has been physically altered in such a manner that it is no longer eligible for flood insurance coverage, and that if the policy is cancelled for this reason, the policyholder may be entitled to a partial refund of premium under the terms and conditions of the policy and the applicable regulations of the NFIP. This reflects current agency practice and interpretations, as shown in the Cancellation/Nullification section of the Flood Insurance Manual, pages 1-2. [[Page 32973]] v. Section E--Non-Renewal of the Policy by Us Current Article VII.F (``Non-Renewal of the Policy by Us'') provides that a policy will not be renewed if the community where the covered property is located stops participating in the NFIP, or if the building has been declared ineligible under the section 1316 of the NFIA. FEMA proposes to incorporate these provisions into proposed Article VIII.E, entitled ``Non-Renewal of the Policy by Us.'' FEMA proposes to retain both provisions stating that the property is located in a suspended or non-participating community and the building is ineligible for NFIP coverage, but proposes to move the words ``if'' from the beginning of each subsection and instead put the word ``if'' directly after the phrase ``will not be renewed''; to replace the word ``covered'' with ``insured,'' and replace the phrase ``has been declared'' with the phrase ``is otherwise.'' FEMA proposes these revisions to improve the language. FEMA also proposes to add a new provision stating that the policy will not be renewed if the policyholder has not provided the information necessary to rate the policy within the required deadline. FEMA proposes to add this third reason for which a policy will not be renewed to clarify that a policyholder has an obligation to provide the information needed to rate the policy and that failure to provide this information within the required deadline will result in that policy not being renewed. This is implicit in the language of Article I of the SFIP and reflects FEMA's current practices, but the proposed language is a more explicit statement needed to increase the transparency and clarity of the policy. FEMA further proposes to renumber current Articles VIII and IX as IX and X, respectively, due to the renumbering of prior articles. 7. Article IX What Law Governs Current Article IX (``What Law Governs'') describes which law applies to the SFIP. FEMA proposes to redesignate current Article IX as Article X and to add ``the insurer's policy issuance'' and ``policy administration'' to the list of insurer activities taken under the NFIP that must be governed exclusively by the National Flood Insurance Act of 1968, the regulations prescribed pursuant to the Act, and Federal common law. FEMA proposes this change to clarify that the NFIP insurer's policy issuance and policy administration operations are also governed solely by the Act, the NFIP's regulations, and Federal common law. 8. Signing Statement The Dwelling Form of the Standard Flood Insurance Policy concludes with a signing statement that references the ``Federal Insurance Administration.'' FEMA proposes to changes this to the ``Federal Insurance and Mitigation Administration'' to align with the current organizational title. D. Appendix A(2) to Part 61: General Property Form FEMA proposes to revise the General Property Form of the SFIP in a manner consistent with the revisions to the Dwelling Form of the SFIP described above. Except as indicated in the sections below, the changes FEMA is proposing to the General Property Form are identical to those in the Dwelling Form. 1. Article I Agreement In the current General Property Form, the first paragraph is a prefatory statement regarding what the policy does not cover, and it is outside of Article I. As FEMA proposed above in Article I of the Dwelling Form of the SFIP, FEMA proposes to move this statement so that it is included in Article I and labeled section ``A.'' FEMA proposes to further revise this section in the General Property Form to include a statement about what the General Property Form does cover. FEMA proposes to add language stating that except as provided in Article I.A.2 (the current language stating what the policy does not cover), ``this policy provides coverage for multifamily buildings (residential buildings designed for use by 5 or more families that is not a condominium building), non-residential buildings, and their contents.'' This clear statement would help differentiate the General Property Form from the other SFIP policy forms. In addition, the proposed General Property Form would not include the proposed Dwelling Form's Art. I.G, which provides that a building may be covered under both a Dwelling Form policy and a RCBAP. General Property Form policies may only insure non-residential buildings, while RCBAP may only insure residential condominium buildings. Accordingly, Art. I.G would not apply similarly in the General Property Form. 2. Article II Definitions The definitions FEMA proposes to add, delete, or revise in Article II of the General Property Form of the SFIP, ``Definitions,'' would be the same as those in the Dwelling Form of the SFIP, insofar as those terms are also defined in the General Property Form, with one exception. FEMA proposes to revise the definition of ``unit'' in the General Property form to mean ``a single-family residential or non- residential space you own in a condominium building.'' Although this is different from the definition used in the Dwelling Form (the Dwelling Form covers only residential properties, whereas the General Property Form covers both residential and non-residential properties), the reason for this proposed revision is the same--to remove the word ``unit'' within the definition of ``unit.'' 3. Article III Property Covered Article III.A describes the conditions under which the policy covers building property. Article III.A.2 provides that the policy covers building property at a location other than the one described on the Declarations Page according to certain conditions. FEMA proposes to replace the phrase ``We also insure building property . . .'' with ``Building property located at another location . . .'' to reduce redundancy and improve readability with the first sentence of the paragraph, which states ``We insure against direct physical loss by or from flood to:''. Article III.A.6.a provides the conditions for coverage where the structure is not yet walled or roofed as described in the definition for ``building.'' The subsection erroneously cites to ``II. 6.a '' rather than to ``II.B.6.a '' as the location for the definition of ``building.'' FEMA proposes to add ``B'' to the citation to correct the typographical error. Article III.B.1 describes the conditions under which the policy covers personal property inside a building. Current Article III.B.1.b contains an unnumbered paragraph after paragraph B.1.b FEMA proposes to number this unnumbered paragraphs as ``2'', and to renumber subsequent paragraphs accordingly, to improve readability and organization. E. Appendix A(3) to Part 61: Residential Condominium Building Association Policy FEMA proposes to amend the Residential Condominium Building Association Policy (RCBAP) Form of the SFIP in a manner consistent with the revisions to the Dwelling Form of the SFIP. The changes made to the RCBAP Form would be identical to those in the Dwelling Form for all provisions that these two forms have in common. Additionally, FEMA proposes to replace reference to the ``FEMA Regional [[Page 32974]] Director'' with ``FEMA Regional Administrator'' in current VIII.T.2.h (proposed VIII.Q.2.h) to align with the current organizational title. F. Part 62: Sale of Insurance and Adjustment of Claims Part 62 sets forth the manner in which NFIP flood insurance is made available to the public in participating communities, prescribes the general method by which FEMA exercises its responsibility regarding the manner in which claims for losses are paid, and states reasons for which a policy may be nullified or cancelled and the associated refunds. 1. Part 62 Authority Citation The current authority citation for part 62 is 42 U.S.C 4001 et seq.; Reorganization Plan No. 3 of 1978, 43 FR 41943, 3 CFR, 1978 Comp., p. 329; E.O 12127 of Mar. 31, 1979, 44 FR 19367, 3 CFR, 1979 Comp., p. 376. FEMA proposes to replace the citations to Reorganization Plan No. 3 and Executive Order 12127 with a citation to the codification of the Homeland Security Act of 2002, 6 U.S.C 101 et seq. The authority citation would therefore read 42 U.S.C 4001 et seq.; 6 U.S.C 101 et seq. FEMA proposes this change because while Reorganization Plan No. 3 and Executive Order 12127 originally created FEMA as an executive agency, PKEMRA amended the Homeland Security Act of 2002, Public Law 107-296, by establishing the Agency in statute and defining the Agency's authorities and responsibilities. Accordingly, a citation to the codification of the Homeland Security Act is more appropriate. 2. Section 62.3 Servicing Agent Section 62.3 currently describes the Flood Insurance Administrator's authority to enter into an agreement with a servicing agent that can service policies and claims on behalf of the Agency. Paragraph (a) currently states that the Federal Insurance Administrator ``has entered into the Agreement'' with a servicing agent. Section 62.3(b) currently names National Con-Serv, Inc. (NCSI) as FEMA's servicing agent for its direct side policies. FEMA proposes to make a change to paragraphs (a), remove paragraph (b), and renumber paragraph (c) as paragraph (b) to better describe the present status of the direct servicing agent. In section 62.3(a), FEMA proposes to replace the words ``has entered into the Agreement'' with the words ``may enter into an agreement.'' The current formulation states a current fact, rather than defining the Agency's powers and duties, which is a traditional role of a rule. Further, the use of ``the Agreement'' seems to imply that a particular agreement must be entered into with the servicing agent. However, no such standard agreement exists in regards to contracting with a direct servicing agent. FEMA contracts with servicing agents in accord with the Federal Acquisition Regulations.\5\ This adjustment better describes the Administrator's authority to decide whether or not to use the services of a servicing agent, and if choosing to do so, the terms of the agreement. --------------------------------------------------------------------------- \5\ See 48 CFR part 37. --------------------------------------------------------------------------- FEMA proposes to remove section 62.3(b) because the current regulation lists NCSI as the NFIP Direct Servicing Agent even though this is not accurate and it is uncessary to name a government contractor in the Code of Federal Regulations. Contact information for the Direct Servicing Agent is provided to each policyholder sold NFIP flood insurance through the Direct Servicing Agent. FEMA also provides this information on its website.\6\ Removing this from regulation would reduce the burden on FEMA to undertake a rulemaking each time the Direct Servicing Agent changes, while not materially impacting the public. After removing current paragraph (b), FEMA proposes to renumber current paragraph (c) as paragraph (b). With respect to section 62.3(b), FEMA proposes to remove the paragraph because the named servicing agent is no longer accurate--NCSI is no longer FEMA's direct servicing agent. FEMA proposes to add a new paragraph (b) stating that FEMA will provide public notice of the name of the servicing agent in the Federal Register. This change will allow the agency greater flexibility in providing public notice of the identity of its direct servicing agent without having to undertake a full rulemaking to do so. 3. Section 62.5 Premium Refund Section 62.5 describes reasons for which FEMA will allow cancellation of a policy. Section 62.5 currently allows a policyholder to cancel a policy for two reasons. First, the policyholder may cancel a policy that covers property for which the policyholder is no longer required to maintain flood insurance because a Letter of Map Amendment issued under part 70 has determined that the property is not located in an SFHA. Second, the policyholder may cancel a policy that is a three- ***year*** policy where the policyholder has either obtained a replacement flood insurance policy or the lender has provided the NFIP with actual notice that the mortgage has been paid off and/or the lender no longer requires the policyholder to maintain flood insurance. In addition to section 62.5, section 61.5(c) and certain sections of the SFIP also describe the reasons for which FEMA will allow cancellation of a policy. FEMA proposes to remove current section 62.5 and replace these various regulatory provisions with a comprehensive new section 62.5 codifying all the reasons for which FEMA allows a policyholder to cancel or nullify a policy, as well as the handling of associated premium refunds. FEMA proposes to entitle section 62.5 ``Nullifications, Cancellations, and Premium Refunds.'' In this new section 62.5, FEMA proposes to incorporate the first policy cancellation reason (e.g , the property is no longer in a SFHA), discussed in more detail below. FEMA proposes to remove the second reason because it refers to a three-***year*** insurance policy the NFIP no longer uses. FEMA proposes to consolidate the remaining reasons for which the NFIP may nullify or cancel a policy in section 62.5 i. Paragraph (a): Nullification Paragraph (a) of this new section, entitled ``Nullification,'' would describe all the reasons for which FEMA may terminate a policy. Subparagraph (1), entitled ``Property Ineligible at Time of Application,'' would state that a policy for a property that was not eligible for coverage at the time of the initial application will be considered void from commencement. This paragraph would also provide the rules and limitations governing the applicability of this nullification reason, as well as the associated premium refunds. FEMA has previously handled situations where property was ineligible for flood insurance at the time of application via NFIP procedures. FEMA proposes to codify existing practice, found at Reason Code 6 from the Nullification/Cancellation section of the Flood Insurance Manual, into regulation to ensure consistent application of the procedures and to provide a comprehensive nullification section in regulation. Subparagraph (2), entitled ``Property Later Becomes Ineligible,'' would state that a policy for a property that was eligible for coverage at the time of the initial application, but later became ineligible for coverage, may not be renewed and will be void from the first renewal date after the property became ineligible. This paragraph would also [[Page 32975]] provide the rules and limitations governing the applicability of this nullification reason, as well as the associated premium refunds. This would further codify Reason Codes 1 and 6 from the Nullification/ Cancellation section of the Flood Insurance Manual into regulation. Paragraph (3), entitled ``Nullification Prior to Policy Effective Date,'' would clarify that in cases where a policy is nullified before it becomes effective, the NFIP will void the policy from the beginning of the policy term. Such a situation may arise where a policyholder's premium ***payment*** check is returned for insufficient balance or where a policyholder cancels his or her policy before it becomes effective. The provision would also clarify that in the rare instance where the NFIP pays a claim for a policy that was actually nullified before the policy's effective date, the policyholder would have to either return the claim ***payment*** or pay the premium using the claim ***payment***. This paragraph would also provide the rules and limitations governing the applicability of this nullification reason, as well as the associated premium refunds. Overall, this provision will codify existing Reason Codes 5, 7, and 13 from the Nullification/Cancellation section of the Flood Insurance Manual into regulation. These reason codes are based on basic principles of insurance that the ***program*** has applied with regulatory instruction. FEMA proposes to codify these cancelation/ nullification reasons in regulation to provide stakeholders with a comprehensive regulatory basis for nullification. ii. Section 62.5(b): Cancellation Due to Lack of an Insurable Interest Section (b), entitled ``Cancellation Due to Lack of an Insurable Interest,'' would be taken from the current 61.5(c) and would allow policy cancellations when a policyholder ceases to have an insurable interest in the insured property (i.e , because the property was sold, destroyed, or removed). This subsection would state that for building coverage, a policyholder ceases to have an insurable interest if the building has been sold, destroyed, or removed. This subsection would further state that for contents coverage, a policyholder ceases to have an insurable interest if the contents were sold, ***transferred*** ownership, or have been removed from the described location. This paragraph would also provide the rules and limitations governing the applicability of this cancellation reason, as well as the associated premium refunds. This will codify Reason Codes 1 and 2 from the Nullification/ Cancellation section of the Flood Insurance Manual into regulation. Reason Codes 1 and 2 are necessitated by basic principles of insurance that prevent an insurer from insuring property in which the policyholder does not have an insurable interest. FEMA proposes to codify these cancelation/nullification reasons in regulation to provide stakeholders with a comprehensive regulatory basis for nullification. iii. Section 62.5(c): No Insurance Coverage Requirement Paragraph (c), entitled ``No Insurance Coverage Requirement,'' would allow cancellation in cases where the policyholder is no longer required to maintain flood insurance on the property. The new paragraph would state that a policyholder may cancel a policy if there was a requirement by a lender, loss payee, or other Federal agency to obtain and maintain flood insurance pursuant to statute, regulation, or contract, but there no longer is such a requirement. Such situatons would include where (i) the policyholder has paid off his or her mortgage, (ii) the policy was required by the mortgagee in error, or (iii) the property has been removed from the SFHA, and accordingly from the mandatory purchase requirement, through a revision or amendment to the FIRM, including the issuance of a Letter of Map Amendment (LOMA) removing a property from an SFHA. The paragraph will further state that in such instances, FEMA would only provide a pro rata refund of the premium for the current policy ***year***, as calculated from the date of the cancellation request. Surcharges or other fees would not be refunded. This will codify into regulation FEMA's interpretation of 44 CFR 62.5, which is currently found in Reason Codes 9, 12, 15, 18, and 19 from the Nullification/ Cancellation section of the Flood Insurance Manual. iv. Subsection 62.5(d): Establishment of a Common Expiration Date Subsection (d), entitled ``Establishment of a Common Expiration Date,'' would codify parts of current Article VII.U of the SFIP. The provision would allow policyholders to create duplicate policies, and then cancel the policy with the earlier effective date, to establish common expiration dates with other coverage. This paragraph would also provide the rules and limitations governing the applicability of this nullification reason, as well as the associated premium refunds. This would codify into regulation the NFIP's existing cancellation reason found under Reason Code 3 in the Nullification/Cancellation section of the Flood Insurance Manual. v. Subsection 62.5(e): Cancellation or Nullification of Duplicate NFIP Policies Subsection (e) would be entitled ``Cancellation or Nullification of Duplicate NFIP Policies.'' The subsection would incorporate provisions of current Article VII.U, which allow for cancellation of duplicate NFIP policies. The proposed subsection would include two paragraphs. Paragraph (1), entitled ``Generally,'' would have two paragraphs. Paragraph (i) would state that if more than one policy covers the same building not in accordance with applicable regulation and SFIP terms and conditions, FEMA must nullify the policy with the later effective date. This paragraph would also provide the rules and limitations governing the applicability of this nullification reason, as well as the associated premium refunds. Paragraph (ii) would state that if both policies have the same effective date, the policyholder may choose which policy will remain in effect, at which point the same refund rules laid out in paragraph (i) apply. This paragraph would also provide the rules and limitations governing the applicability of this nullification reason. Paragraph (2), entitled ``Exceptions,'' would establish the exceptions to Paragraph (1) and would state that in certain cases, the policy with the earlier effective date may be cancelled instead of the policy with the later effective date. The first exception, contained in paragraph (i) and entitled ``Earlier Policy Expired'' would allow the policy with the earlier effective date to be cancelled where that policy has expired for more than 30 days. The second exception, in paragraph (ii) entitled ``Group Flood Insurance Policy (GFIP)'' would provide that the policy with the earlier effective date may be cancelled if that policy is a GFIP. The third exception, in paragraph (iii) entitled ``Cancellations to Establish a Common Expiration Date'' would provide that the policy with the earlier effective date may be cancelled pursuant to paragraph (d) of this proposed section (i.e , to establish a common expiration date). The fourth exception, in paragraph (iv) entitled ``Force-Placed Policy'' would allow the policy with the earlier effective date to be cancelled if the the mortgagee buys a flood insurance policy through the Mortgage Portfolio Protection ***Program*** after the property owner fails to obtain a flood insurance policy on their own. This is often [[Page 32976]] refered to as ``force placing'' a policy. The last exception, in paragraph (v) entitled ``Condominium Unit Covered by a Dwelling Form Policy and an RCBAP'' would provide that if the policy with the earlier effective date is a Dwelling Form policy with building coverage on a condominium unit that is also covered by an RCBAP with coverage that equals the statutory maximum building coverage limit, the Dwelling Form Policy may be cancelled. Each paragraph establishing an exception would also provide the premium refunds associated with cancellations falling under the exception. This proposed section would clarify, in regulation, how FEMA has interpreted Article VII.U of the SFIP in practice. This cancellation reason is currently found in Reason Code 4 in the Nullification/Cancellation section of the Flood Insurance Manual. vi. Subsection 62.5(f): Other Cancellations and Nullifications Subsection (f) would be entitled ``Other Cancellations and Nullifications,'' and clarify the other current reasons for which a policy may be cancelled. This section would also state that the policyholder will not receive a refund of any premium, fees, or surcharges for policies cancelled pursuant to this section. Paragraph (1), entitled ``Fraud,'' would state that FEMA will cancel a policy for fraud committed by the policyholder or agent and may cancel a policy for misrepresentation of a material fact by the policyholder or agent. In either case, the cancellation would take effect as of the date of the fraudulent act or material misrepresentation of fact. This is taken from current Article VII.B of the SFIP, which states that fraud by the agent or the insured voids a policy. This nullification reason may be found under Reason Code 23 in the Nullification/Cancellation section of the Flood Insurance Manual. Paragraph (2), entitled ``Administrative Cancellation,'' would allow a policy to be cancelled and rewritten to correct an administrative error, such as when the policy is written with the wrong effective date, and any excess premium, fees, or surcharges would be refunded. This cancellation reason may be found under Reason Code 20 in the Nullification/Cancellation section of the Flood Insurance Manual. Paragraph (3), entitled ``Nullification for Properties Ineligible Due to Physical Alteration of Property,'' would state that a policy insuring a building or its contents, or both, may be cancelled if the building has been physically altered so that the building and its contents are no longer eligible for flood insurance coverage. This paragraph would also provide the rules and limitations governing the applicability of this nullification reason, as well as the associated premium refunds. This nullification may be found under Reason Codes 1 and 2 in the Nullification/Cancellation section of the Flood Insurance Manual. 4. Section 62.6 Minimum Commissions Current section 62.6 contains provisions applicable to insurance agents and brokers writing NFIP policies through the NFIP Direct Services Agent. It does not apply to agents or brokers associated with WYO companies. FEMA proposes several nonsubstantive changes designed to clarify the existing section. i. Section Heading Currently, section 62.6 is titled, ``Minimum Commissions.'' FEMA proposes to revise the title of section 62.6 to ``Brokers and Agents Writing NFIP Policies through the NFIP Direct Servicing Agent'' because the section covers more than just commissions. FEMA believes the proposed title better reflects the contents of the section. ii. Paragraph (a): Agent and Broker Licensing Requirements Currently, section 62.6(a) defines the commissions paid to agents and brokers participating in the Direct Servicing Agent (DSA) portion of the NFIP. However, it also includes a requirement that such agents and brokers are ``duly licensed by a state insurance regulatory authority.'' FEMA proposes to move this important requirement from within the minimum commission provision and set it out in its own paragraph. Accordingly, FEMA proposes to add a new paragraph (a) that only includes the requirement and to redesignate current paragraphs (a) and (b) as paragraphs (b) and (c), respectively. Accordingly, FEMA also proposes to make corresponding changes to proposed paragraph (b) by removing the existing references to state licensing requirements. FEMA does not intend to substantively change the licensing requirements of DSA agents, but rather intends to separate this requirement from other subject matter to improve overall clarity of the section. FEMA also proposes to change the uses of ``shall'' to ``will'' to incorporate plainer language without making substantive change. 5. Section 62.22 Judicial Review Section 62.22 provides that actions for disallowed claims must be instituted in the U.S District Court for the district in which the insured property was situated and describes service of process requirements. FEMA proposes to revise section 62.22 to replace references to the ``Federal Insurance Administration'' with the current organizational title, ``Federal Insurance and Mitigation Administration.'' IV. Regulatory and Economic Analysis A. Executive Order 12866, Regulatory Planning and Review & Executive Order 13563, Improving Regulation and Regulatory Review Executive Orders 13563 (``Improving Regulation and Regulatory Review'') and 12866 (``Regulatory Planning and Review'') direct agencies to assess the costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). Executive Order 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. Executive Order 13771 (``Reducing Regulation and Controlling Regulatory Costs'') directs agencies to reduce regulation and control regulatory costs and provides that ``for every one new regulation issued, at least two prior regulations be identified for elimination, and that the cost of planned regulations be prudently managed and controlled through a budgeting process.'' The Office of Management and Budget (OMB) has not designated this rule a ``significant regulatory action'' under section 3(f) of Executive Order 12866. Accordingly, OMB has not reviewed it. As this rule is not a significant regulatory action, this rule is exempt from the requirements of Executive Order 13771. See OMB's Memorandum ``Guidance Implementing Executive Order 13771, titled `Reducing Regulation and Controlling Regulatory Costs' '' (April 5, 2017). In this rule, FEMA proposes to make several nonsubstantive changes to the National Flood Insurance ***Program***'s (NFIP) regulations at Parts 59, 61, and 62, as well as the Appendices to Part 61. FEMA proposes to codify in regulation certain provisions of the Biggert Waters Flood Insurance Reform Act of 2012 (BW-12) and the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA) that have already been [[Page 32977]] implemented. FEMA implemented these changes via the Flood Insurance Manual or other related guidance documents as they were unambiguous changes that left no discretion on the part of the agency to implement. Now FEMA proposes to update the regulations accordingly. FEMA also proposes to clarify certain existing NFIP regulations relating to NFIP operations and the Standard Flood Insurance Policy unrelated to recent legislation by consolidating and stylistically updating the regulatory text and standardizing key terminology. Overall, there are 34 identified proposed regulatory changes in this rule (itemized in Table 1 below). The vast majority of these changes are limited to nonsubtantive clarifications. The remaining provisions are considered ``Codifications,'' that codify in regulation either an existing practice or policy, or a process heretofore requiring special waiver by FEMA. Following guidance in OMB Circular A-4, FEMA assesses the impacts of this rule against the no-action baseline as well as a pre-statutory baseline. The no action baseline is an assessment against what the world would be like if the proposed rule is not adopted. The pre- statutory baseline is an assessment against what the world would be like if the relevant statute(s) had not been adopted. By considering both baselines we are able to consider full costs of the action. Under a no-action baseline, this proposed rule would carry no ***transfers*** or quantifiable costs. The proposed rulemaking would make material improvements to the language and organization of the NFIP's regulations, but such clarifications and codifications would not result in any quantifiable burden or benefit. The proposed rule also would codify certain changes pursuant to BW-12 and HFIAA that FEMA has already implemented via the Flood Insurance Manual or other related guidance documents. WYO companies would, however, incur opportunity costs as they spend time becoming familiar with the proposed changes. The proposed rule would result in cost savings associated with no longer requiring individual waivers for condominium loss assessment restrictions. The below analysis adopts a consistent pre-statutory baseline of 2012 in order to capture the effects of the proposed rule, including those of modifications already implemented through interim actions. The summary table below (Table 1) presents the proposed rule's components based on the two categorizations above, including the related statutory mandates (BW-12, HFIAA or both), a description of their effects and their likely impact. Table 1--Summary of Proposed Changes ---------------------------------------------------------------------------------------------------------------- Current section No./ subject Mandatory or matter Proposed change discretionary action Impact ---------------------------------------------------------------------------------------------------------------- Nonsubstantive Clarifications & Consolidations ---------------------------------------------------------------------------------------------------------------- 1. Sec. 59 Definitions.......... FEMA proposes to add Discretionary.......... No change in compliance and revise definitions burden. to support clarifications and codificatons described below. This is a nonsubstantive change that clarifies existing definitions and does not alter the administration of the ***program***. 2. Sec. 61.1 Purpose of part.... FEMA proposes to remove Discretionary.......... No change in compliance irrelevant second burden. sentence that does not relate to the substantive content of part 61. This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. 3. Sec. 61.3 Coverage and FEMA proposes to Discretionary.......... No change in compliance benefits provided under the SFIP. clarify language to burden. provide a more complete statement of coverage and benefits provided by the SFIP. The coverage and benefits provided under the SFIP are already stated in regulations; this is just a consolidated, unified statement of coverage and benefits under the SFIP. This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. 4. Sec. 61.5 Deductibles........ An application of BW-12 Mandatory.............. No change in compliance section 100210 and burden. HFIAA section 12, that would clarify existing policy/practice by moving content of 61.5 to new unified cancellation/ nullification section in 44 CFR 62.5 (discussed below). FEMA also proposes to replace the current deductible tables with provisions describing the minimum deductibles required by BW-12 section 100210 and the $10,000 deductible option required by HFIAA section 12. This is a nonsubstantive change because FEMA has always had this authority and has always made these deductible options available to policyholders despite not being explicitly provided for in the CFR. 5. Sec. 61.6 Maximum amounts of FEMA proposes to Discretionary.......... No change in compliance coverage available. clarify the maximum burden. coverage limit tables in section 61.6 with nonsubstantive changes to improve readability and conformance with standard ***program*** terminology and terminology introduced by BW-12. This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. 6. Sec. 61.10 Requirements for FEMA proposes to Discretionary.......... No change in compliance Issuance or Renewal of Flood clarify/consolide burden. Insurance Coverage. existing regulation language. This new provision would clarify that no flood insurance coverage will be issued unless there is (a) receipt of full amount due and (b) submission of a complete application with all the required rating information. Although this has always been the case, and these concepts are covered in sections 61.5 and 61.11, FEMA believes that increased clarity is needed by adding a consolidated statement in the regulations. This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. [[Page 32978]] 7. Sec. 61.13 Standard Flood This provision would Discretionary.......... No change in compliance Insurance Policy. clarify that SFIP is burden. authorized only under terms and conditions established by Act, regulations, SFIP, and Administrator interpretations. FEMA also proposes to clarify that the agent acts only for policyholder and that the risk of loss is borne by the National Flood Insurance Fund, not the WYO company. This does not represent a substantive change in policy or terms and conditions of the SFIP, but instead would make terms clearer. 8. Sec. 62.5 Policy FEMA proposes to make Discretionary.......... No change in compliance Nullification and Cancellation. changes that would burden. clarify and consolidate the existing reasons for which a policy may be cancelled or nullified. The current reasons for which a policy may be cancelled or nullified are spread throughout the regulations and FEMA's interpretations of those regulations in the Flood Insurance Manual. This would consolidate those reasons into one section for greater clarity and transparency to the public. This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. 9. Sec. 62.6 Broker and Agents This provision would Discretionary.......... No change in compliance for Servicing Agent. clarify FEMA's burden. existing policy by adding it to regulation that a broker or agent selling NFIP policies must be licensed in the state in which the property is located. This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. 10. SFIP Article I................ FEMA proposes changes Discretionary.......... No change in compliance to SFIP Article I that burden. would clarify the types of property covered by the SFIP. Proposed clarifications are about coverage limits and multiple policies covering one building. This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. 11. SFIP Article II-Definitions... FEMA proposes to revise Discretionary.......... No change in compliance and add some burden. definitions for clarity. In particular, the proposed changes would clarify that the named insured must also include the building owner if building coverage is purchased. This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. 12. SFIP Article III.............. FEMA proposes to Discretionary.......... No change in compliance clarify that burden. references to insured property do not extend coverage to any type or item of property not otherwise insured in accordance with the terms and conditions of SFIP. This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. 13. SFIP Article III.A ........... FEMA proposes minor Discretionary.......... No change in compliance nonsubstantive changes burden. to Article III.A.5.b.2 to improve the grammar of the section; revise Article III.A.8 to remove the phrase ``in a building enclosure.'' This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. 14. SFIP Article III.B ........... FEMA proposes to revise Discretionary.......... No change in compliance the numbering in this burden. section to improve readability and organization; revise Article III.B.3 by removing the phrase ``in a building enclosure.'' This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. 15. SFIP Article III.D ........... FEMA proposes to revise Discretionary.......... No change in compliance the language in this burden. section so that the word ``structure'' is replaced by the word ``building'' throughout the section except at III.D.5.c The reason for this change is the NFIP insures SFIP defined ``buildings,'' not any structure that does not meet the definition of ``building'' as defined in the SFIP. FEMA also proposes to improve the language in III.D.3.d and III.D.3.e by replacing the phrase ``this coverage'' with the phrase ``Coverage D'' to clarify that the coverage referred to in these provisions is Coverage D. This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. 16. SFIP Article V.B ............. FEMA proposes a Discretionary.......... No change in compliance nonsubstantive, burden. clarifying adjustment to the Flood in Progress Exclusion at SFIP Art. V.B to align with reports required by BW-12 section 100227. This change does not impact the application of the exclusion, but will help support more consistent reading of the provison. 17. SFIP Article VII.B ........... FEMA proposes to move Discretionary.......... No change in compliance the provision on burden. concealment of fraud and policy voidance for consolidation into unified section on policy cancellations and nullifications (discussed below). This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. 18. SFIP Article VII.E ........... FEMA proposes to remove Discretionary.......... No change in compliance Article VII.E, burden. Cancellation of the Policy by You, and incorporate the language into a new consolidated section on policy nullifications, cancellations, and non- renewals. This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. [[Page 32979]] 19. SFIP Article VII.F ........... FEMA proposes to remove Discretionary.......... No change in compliance Article VII.F, Non- burden. Renewal of the Policy by Us, and incorporate the language into a new Article VIII discussing policy nullifications, cancellations, and non- renewals. This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. 20. SFIP Article VII.G ........... This provision would Discretionary.......... No change in compliance revise the reformation burden. section for clarity/ readability. This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. 21. SFIP Article VII.U ........... FEMA proposes to move Discretionary.......... No change in compliance the provision on burden. duplicate policies for consolidation into unified section on policy cancellations and nullifications (discussed below). This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. 22. SFIP Article VII.V ........... FEMA proposes to revise Discretionary.......... No change in compliance Article VII.V.1.a.1 of burden. the current policy to remove all the language after ``It is your principal residence.'' The reason for this proposed change is that this language, which is essentially a definition of the term ``principal residence,'' has been incorporated into the new definition of ``principal residence'' being added to Definitions section in Article II. This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. 23. SFIP Article VIII............. FEMA proposes to Discretionary.......... No change in compliance clarify the existing burden. reasons for which a policy may be cancelled, nullified, or not renewed. This would mirror similar section being established at 44 CFR 62.5 (discussed above). This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. 24. SFIP Article IX............... FEMA proposes to Discretionary.......... No change in compliance clarify that the SFIP burden. and all disputes arising from the insurer's policy issuance, policy administration, or the handling of any claim under the SFIP are governed by the National Flood Insurance Act and the regulations. This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. 25. Entire SFIP--Global Language FEMA proposes to Discretionary.......... No change in compliance Replacements. replace the word burden. ``covered'' with the word ``insured'' because the word ``covered'' does not conform to common industry or Agency usage. This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. 26. 62.22 Judicial Review FEMA proposes to Discretionary.......... No change in compliance (preamble sec. III.F.5). replace references to burden. the ``Federal Insurance Administration'' with the current organizational title, ``Federal Insurance and Mitigation Administration.'' This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. 27. SFIP Article VII.D ........... FEMA proposes to Discretionary.......... No change in compliance redesignate Article burden. VII.D as Article VII.C Replaces the phrase ``structure during the course of construction'' in Article VII.D.2 of the current rule with ``building under construction,'' which is the proper term of art, as used in Article III.A.5.a and Article VI.A This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. 28. Sec. 61.4 Limitations on FEMA proposes to delete Discretionary.......... No change in compliance Coverage. this provision because burden. some of the language is duplicative with language in other sections, and the rest of the language is more appropriately moved to other sections of the regulation. Move 61.5(a) and (b) to become a new 44 CFR 61.4 This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. 29. Sec. 62.3 Servicing agent... FEMA proposes to remove Discretionary.......... No change in compliance the name of specific burden. direct servicing agent. This is a nonsubstantive change that codifies current practices that began more than a decade before the baseline regarding the public announcement of the direct servicing agent. 30. Part 59 Authority Citation.... FEMA proposes to Discretionary.......... No change in compliance replace the citations burden. to Reorganization Plan No. 3 and Executive Order 12127 with a citation to the codification of the Homeland Security Act of 2002, 6 U.S.C 101 et seq. This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. 31. Part 61 Authority Citation.... FEMA proposes to update Discretionary.......... No change in compliance authority citations to burden. reflect changes to FEMA's source of authority from Executive orders to statute. This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. 32. Part 62 Authority Citation.... FEMA propose to update Discretionary.......... No change in compliance authority citations to burden. reflect changes to FEMA's source of authority from Executive orders to statute. This is a nonsubstantive change that does not alter the administration of the ***program*** but rather provides greater clarity for the reader. ---------------------------------------------------------------------------------------------------------------- [[Page 32980]] Codification of Existing Policy and Practice ---------------------------------------------------------------------------------------------------------------- 33. Sec. 61.11 Effective date FEMA proposes to codify Mandatory.............. No change in compliance and time of coverage under the BW-12's addition of burden. Standard Flood Insurance Policy-- the Post-Wildfire New Business Applications and Exception to the 30- Endorsements. day waiting period required by 42 U.S.C 4013(c). This change does not alter the current administration of the ***program*** because FEMA immediately complied with the law. FEMA also proposes a clarification by removing the second clause of the first sentence of 61.11(e) and 61.11(f) because thse clauses accommodate a business model that the WYO companies no longer use. This change does not alter the current administration of the ***program*** but rather provides greater clarity for the reader. 34. SFIP Article III.C ........... FEMA proposes to codify Mandatory.............. Cost savings of $2,048 BW-12 section 100214, over 10 ***years*** ($1,799 at which prohibits the 3 percent and $1,539 at 7 application of SFIP percent discount rates). Article III.C.3.b.4 (disallowing the ***payment*** of a condominium loss assessment on a unit policy if the condominium building is underinsured). Prior to BW-12, FEMA issued individual waivers of this provision as the need arose. The proposed changes would delete Article III.C.3.b.4, thus no longer requiring FEMA to issue individual waivers. ---------------------------------------------------------------------------------------------------------------- 1. Costs of Rulemaking While the proposed rulemaking would make material improvements to the language and organization of the NFIP's regulations, such changes would not result in any quantifiable burden or benefit. WYO companies would, however, incur opportunity costs as they spend time becoming familiar with the proposed changes. FEMA proposes to revise section 61.11 to codify an additional exception to the 30-day waiting period before coverage on a flood insurance policy takes effect. Prior to BW-12, there were only two exceptions to this 30-day waiting period. The first exception was for the initial purchase of flood insurance in connection with the making, increasing, extension, or renewal of a loan. The second exception was for the initial purchase of flood insurance pursuant to a revision or updating of floodplain areas or flood risk zones, if such purchase took place within one ***year*** of the notice of such revision. The proposed rule would codify in regulation Section 100241 of BW- 12, which amended Section 1306(c) of the NFIA (42 U.S.C 4013(c)), by placing a third exception to the 30-day new policy waiting period in regulation. This new exception applies to situations where the flooding to an insured privately owned property is the result of flooding on Federal land that was caused or exacerbated by post-wildfire conditions, also on Federal land. FEMA implemented this new exception via bulletin. See WYO Bulletin W-12045 (July 10, 2012) (announcing the implementation of Section 100241), see also, WYO Bulletin W-18001 (Jan. 16, 2018) (replacing WYO Bulletin W-12045). To date, circumstances have not existed requiring FEMA to apply this exception. The proposed change updates the regulations to reflect the revised statutory language and existing Agency practice. When looking at the NFIP claim data from FEMA, since implementation of this exception in July 2012, no parties have made claims that would apply to this provision. Additionally, due to both the brief window of applicability (the 30-day waiting period after initial enrollment in the NFIP) and the narrow circumstances to which this exception applies (flood damage due to flood on Federal land caused, or exacerbated, by post-wildfire conditions), FEMA believes the exception would continue to be rarely invoked. This provision serves as an added enticement to potential enrollees of the NFIP to join the NFIP if they believe that a wildfire on Federal land may cause, or exacerbate, flooding on their property. This provision serves mostly as an added comfort to potential enrollees of the NFIP. In accordance with the data examined, there has not been and FEMA estimates that there would continue to be no additional burden on any party. This provision would ensure that FEMA's regulation concerning the application of the 30-day waiting period includes all statutory exceptions. FEMA requests comments regarding this assumption and estimated frequency of applicable occurrence. 2. Benefits of Rulemaking The vast majority of provisions represent clarifications to the regulation or ***program*** documents, or remove regulations that are no longer applicable. The few non-clarifying provisions reflect in regulations certain provisions that have already been implemented through policy that streamline operations, or meet greater potential needs of policyholders (codifications). It is only with codifications where any quantifiable impacts appear. This analysis considers the following as possible benefits of this rule: i. Clarification of NFIP Terms and Conditions This analysis looks at the many efficiencies of the proposed rule, however, the bulk of these benefits are unquantifiable. Although they have not been quantified, they are essential to the justification of the proposed rule and should be considered as they provide significant benefits that will be seen for all stakeholders involved. Under current conditions, the NFIP-related sections of the CFR contain inconsistencies or vague language that may cause confusion to stakeholders. The following are selected examples of proposed changes presented in Table 1 that would be introduced by the rule: a. Making Explicit the Implicit The NFIP deductible charts currently in the regulations at 44 CFR 61.5(d) show several possible deductible options, but not all the deductible options available under the ***program***. A note to these tables indicates that policyholders may submit any other other deductible amounts not currently listed in this chart (including the $10,000 deductible option required under HFIAA). Notwithstanding this note, the current regulation's listing of [[Page 32981]] deductible options may give readers the impression that the list is exhaustive. FEMA proposes to remove the deductible charts and replace them with a requirement that FEMA must provide policyholders with deductible options in various amounts, up to and including $10,000, subject to certain minimum deductibles. This change would not expand or contract the deductible options offered by the NFIP under current regulations; rather, it would clarify that FEMA offers various options, including the $10,000 deductible, subject to other restrictions. FEMA also proposes to change the language in Appendix A(1) of Part 61 to clarify that personal property is also insured under this policy. FEMA has always insured personal property under this policy, but the proposed change will make this more explicit in the initial coverage statement. Also under Appendix A(2) to Part 61, FEMA would state that the policy will only cover one building and that the building covered is the one specifically described in the Flood Insurance Application. Coverage under the SFIP has always been limited to one building, but FEMA is proposing that this language be clearly stated at the very beginning of the SFIP. b. Modifying, Adding or Removing Definitions FEMA proposes to revise definitions such as ``deductible,'' ``emergency ***program***,'' ``act,'' or ``basement.'' FEMA believes these non-substantive changes will be clearer and more consistent with the language in the Articles of the SFIP. The same can be said of the proposed changes to add acronyms for ease of repetitive use (such as that for the Special Flood Hazard Area as ``SFHA'') or to remove a term or definition that is no longer used (e.g , ``Expense Constant'' which no longer applies, or ``Probation Premium'' which is better changed to ``Probation Surcharge''). FEMA believes that this increased precision and consistent use of terms would increase clarity of FEMA's NFIP regulations for the insurance companies, flood insurance policyholders, academic researchers, and private citizens. This improved accuracy will help to minimize confusion. ii. Codification of Dwelling Policy Underinsurance Exception Presently, Article III.C.3.b.4 of the SFIP, found in Appendix A(1) to Part 61, prevents ***payment*** of condominium loss assessments on a unit policy if the condominium building itself is underinsured. The SFIP also requires the coverage limits of the RCBAP policy (the primary policy) to be exhausted before the Dwelling Policy (the secondary policy). This poses a challenge in the event the primary policy was disallowed in the above circumstance. Since 2007, policyholders facing such a predicament were required to obtain a waiver from FEMA to process such claims. As directed by Section 100214 of BW-12, the proposed changes would delete Article III.C.3.b.4 of the SFIP, which would otherwise prohibit such claim ***payments*** and necessitate the submission and processing of waivers. As a result, waivers for this prohibition would no longer be required. To estimate the cost savings that would result from omitting this process, FEMA considered the frequency these specific circumstances have occurred. Between 2007, when FEMA began issuing the waivers, and 2013 when FEMA terminated the waiver process (following the passage and FEMA's provisional implementation of BW-12), there have been four occurrences of the aforementioned conditions. The applicable cases were reported twice in Illinois, once in Texas and once in Tennessee. Four occurrences over six ***years*** equate to an estimated frequency of 0.667 instances each ***year***, assuming that the rate remains consistent in the future. The reported time required for FEMA to process the resulting waiver requests is around three hours per wavier. This process is undertaken by two General Schedule (GS) Federal employees in the National Capital Region, at the GS-14 and GS-15 levels, in equal proportion. Obtaining 2018 GS scale \7\ published hourly wage rates from the Office of Personnel Management (OPM) for the midpoint (step 5) of these grade levels produces fully loaded \8\ wage rates of $90.85 and $106.87 per hour, respectively. At approximately 90 minutes per officer for each expected waiver, the subtotal is $136.28 \9\ and $160.30,\10\ respectively. The waivers also require concurrence, cleared by the appropriate Assistant Administrator. This review and approval takes approximately five minutes at the estimated midpoint in the Senior Executive Service (SES).\11\ FEMA estimates that a fully loaded SES hourly rate is $126.66 per hour.\12\ The subtotal of the SES time is $10.56 \13\ The total opportunity cost of FEMA processing each wavier is $307.16 \14\ --------------------------------------------------------------------------- \7\ GS Scale based on 2018 OPM tables, hourly basic wage rates by grade and step for the locality pay area of Washington-Baltimore- Arlington, DC-MD-VA-WV-PA Accessed March 1st, 2018.   [*https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/18Tables/html/DCB\_h.aspx*](https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/18Tables/html/DCB_h.aspx) \8\ Bureau of Labor Statistics, Employer Cost for Employee Compensation News Release, Table 1. Employer costs per hour worked for employee compensation and costs as a percent of total compensation; civilian workers, by major occupational and industry group, December 2017.   [*https://www.bls.gov/news.release/archives/ecec\_03202018.htm*](https://www.bls.gov/news.release/archives/ecec_03202018.htm) The per hour benefits multiplier is calculated by dividing total compensation for all workers ($35.87) by wages and salaries for all workers ($24.49), which yields a per hour benefits multiplier of 1.46 ($35.87 / $24.49 = 1.46468). Fully-loaded wage rates are calculated by multiplying the per hour benefits multiplier by the applicable wage rate. GS-14: $62.23 x 1.46 = $90.85 and GS-15: $73.20 x 1.46 = $106.87 \9\ $90.85 (hourly wage rate of $62.23 x 1.46) \* 1.5 hours = $136.28 \10\ $106.87 (hourly wage rate of $73.20 x 1.46) \* 1.5 hours = $160.30 \11\ FEMA bases SES salary estimates on OPM's Senior Executive Service Report. The latest report available is for 2016. Across all agencies the median SES pay is $173,882 (see table 13 at the following link)   [*https://www.opm.gov/policy-data-oversight/data-analysis-documentation/federal-employment-reports/reports-publications/ses-summary-2016.pdf*](https://www.opm.gov/policy-data-oversight/data-analysis-documentation/federal-employment-reports/reports-publications/ses-summary-2016.pdf) Accessed June 4, 2018. \12\ $173,882 annual wage/2087 annual hours = $83.32 hourly wage rate x 1.46 benefits multiplier = $121.65 fully loaded hourly wage x 1.04115 inflation adjustment = $126.66 fully loaded $2018 hourly wage. We calculated the inflation adjustment by subtracting the July 2016 CPI-U (240.6) from the April 2018 CPI-U (250.5). We divided the result (9.9) by the July 2016 CPI-U (240.0). Calculation: (250.5- 240.6)/240.6 = 0.04115 BLS CPI-U data is available at   [*http://data.bls.gov/cgi-bin/surveymost?bls*](http://data.bls.gov/cgi-bin/surveymost?bls). Select CPI for All Urban Consumers (CPI-U) 1982-84 = 100 (Unadjusted) - CUUR0000SA0 and click the Retrieve data button. Accessed June 8, 2018. \13\ $126.96 \* 5 minutes = $10.56 \14\ $136.28 + $160.30 + $10.56 = $307.14 --------------------------------------------------------------------------- [[Page 32982]] [GRAPHIC] [TIFF OMITTED] TP16JY18.000 Applying this cost to the estimated frequency of occurrence of 0.67 waivers per ***year*** and extending the avoided costs over a ten-***year*** period would project a total undiscounted cost savings of $2,048. The ten-***year*** total would equate to $1,799 and $1,539, when discounted at three percent and seven percent respectively. 3. Alternatives Considered Given that this rule has no direct compliance costs, no less burdensome alternatives to the proposed rule are available. In the absence of this proposed rule, stakeholders would continue to experience the negative repercussions of inconsistences between the statutes, regulations, and agency policy documents. FEMA invites all interested parties to submit data and information regarding the potential economic impact that would result from adoption of the proposals in this NPRM. FEMA will consider all comments received in the public comment process. 4. Summary For the 10-***year*** period analyzed, FEMA does not anticipate any costs resulting from the selected provisions of BW-12 and HFIAA that the rule is implementing. During that same period analyzed, the estimated quantified benefits total $2,048. The present value, discounted at 7 percent, of the estimated quantified benefits is approximately $1,539 and $1,799 discounted at 3 percent. FEMA's ability to administer the NFIP in a more streamlined manner, and the public's enhanced understanding of the terms and conditions of the ***program*** would justify the proposed rule, compliant with the respective Congressional mandates. B. Regulatory Flexibility Act The Regulatory Flexibility Act of 1980 (5 U.S.C 601 et seq.) requires agency review of proposed and final rules to assess their impact on small entities. When an agency is required by 5 U.S.C 553, or any other law, to publish a general notice of proposed rulemaking for any proposed rule, the agency must prepare an initial regulatory flexibility analysis (IRFA) or have the head of the agency certify pursuant to 5 U.S.C 605(b) that the rule will not, if promulgated, have a significant economic impact on a substantial number of small entities. FEMA believes this proposed rule, if promulgated, will not have a significant economic impact on a substantial number of small entities. However, FEMA is publishing this IRFA to aid the public in commenting on the potential impacts of the proposed requirements in this NPRM on small entities. FEMA invites all interested parties to submit data and information regarding the potential economic impact on small entities that would result from the adoption of this NPRM. FEMA will consider all comments received in the public comment process when making a final determination. In accordance with the Regulatory Flexibility Act, an IFRA must contain: (1) A description of the reasons why the action by the agency is being considered; (2) A succinct statement of the objectives of, and legal basis for, the proposed rule; (3) A description--and, where feasible, an estimate of the number--of small entities to which the proposed rule will apply; (4) A description of the projected reporting, recordkeeping, and other compliance requirements of the proposed rule, including an estimate of the classes of small entities that will be subject to the requirements and the types of professional skills necessary for preparation of the report or record; (5) An identification, to the extent practicable, of all relevant Federal rules that may duplicate, overlap, or conflict with the proposed rule; and (6) A description of significant alternatives to the rule. 1. A Description of the Reasons Why Action by the Agency Is Being Considered The proposed rule would revise the NFIP implementing regulations at parts 59, 61, and 62, as well as the Appendices to part 61, to codify in regulation certain provisions of the Biggert-Waters Flood Insurance Reform Act of 2012 and the Homeowner Flood Insurance Affordability Act of 2014 that FEMA has already implemented and to clarify certain existing NFIP rules relating to NFIP operations and the SFIP. 2. A Succinct Statement of the Objectives of, and Legal Basis for, the Proposed Rule The proposed changes to the regulation would codify FEMA's implementation of the legislative requirements of the Biggert-Waters Flood Insurance Reform Act of 2012 and the Homeowner Flood Insurance Affordability Act of 2014, and clarify existing rules. These required changes have already been implemented and this rule would conform NFIP regulations with existing policies and practices. FEMA anticipates that this rulemaking will result in a more streamlined operation of the NFIP and enhance customer service because of greater information and clarity for policyholders and all stakeholders. The NFIA authorizes FEMA to ``enter into any contracts, agreements, or other arrangements'' with private insurance companies to utilize their facilities and services in administering the NFIP, and on such terms and conditions as may be agreed upon. See 42 U.S.C 4081. Pursuant to this authority, FEMA enters into a standard Financial Assistance/Subsidy Arrangement with private sector property insurers, also known as the WYO companies. Under this [[Page 32983]] arrangement, WYO companies sell NFIP flood insurance policies under their own names and adjust and pay claims arising under the policy. It is in reference to these specific authorities to administer the NFIP, and the WYO ***program*** that is encompassed within it, that FEMA is proposing to continue to streamline operations and remove confusing obsolete or redundant language that may confuse stakeholders, including its policyholders, the WYO companies, and FEMA. 3. A Description of and, Where Feasible, an Estimate of the Number of Small Entities to Which the Proposed Rule Will Apply ``Small entity'' is defined in 5 U.S.C 601. The term ``small entity'' can have the same meaning as the terms ``small business,'' ``small organization'' and ``small governmental jurisdiction.'' Section 601(3) defines a ``small business'' as having the same meaning as ``small business concern'' under Section 3 of the Small Business Act. This includes any small business concern that is independently owned and operated, and is not dominant in its field of operation. Section 601(4) defines a ``small organization'' as any not-for-profit enterprises that are independently owned and operated, and are not dominant in their field of operation. Section 601(5) defines ``small governmental jurisdictions'' as governments of cities, counties, towns, townships, villages, school districts, or special districts with a population of less than 50,000. No small organization or governmental jurisdiction is a party to the WYO ***program*** and therefore would be affected. The SBA stipulates in its size standards the largest business may be and still be classified as a ``small entity.'' \15\ The small business size standard for North American Industry Classification System (NAICS) code 524126 (direct property and casualty insurance carriers) is 1,500 employees. The size standard for 524210 (Insurance Agencies and Brokerages) is $7.5 million, and $32.5 million for 524292 (Third Party Administration of Insurance and Pension Funds). For the two remaining applicable codes of 524113 (Direct Life Insurance Carriers), and 524128 (Other Direct Insurance), the threshold is $38.5 million in revenue as modified by the SBA, effective October 1, 2017. --------------------------------------------------------------------------- \15\ U.S Small Business Administration Table of Small Business Size Standards Matched to North American Industry Classification System Codes effective October 1, 2017. Available at   [*https://www.sba.gov/content/small-business-size-standards*](https://www.sba.gov/content/small-business-size-standards). --------------------------------------------------------------------------- There are currently 67 companies \16\ participating in the WYO ***Program***. These 67 companies are subject to the terms of the Arrangement and the standards and requirements in the Financial Control Plan. FEMA researched each WYO company to determine the NAICS code, number of employees, and revenue for the individual companies. FEMA used the open-access database,   [*www.manta.com*](http://www.manta.com), as well as   [*www.cortera.com*](http://www.cortera.com) to find this information for the size determination. The database was used to help determine the metric of company size, compliant with the SBA thresholds based on the assigned NAICS code. Of the 67 WYO companies, we found a majority of 46 firms were under code 524210 (Insurance Agencies and Brokerages), of which 17 firms, or 37 percent, were small (with only one lacking full data but presumed to be small). The second largest contingent of 16 firms were under 524126 (direct property and casualty insurance carriers), of which 10 firms, or 63 percent, were small (with only one missing data points but presumed to be small). Of the other three aforementioned industry codes, 524113, 524292 and 524128, there was one firm under each and none were small. Finally, two firms were missing industry classifications, and FEMA assumes these are small firms. In total, we found that 29 of the 67 companies are below this maximum, and therefore would be considered small entities. Consequently, small entities comprise 43 percent of participating companies. --------------------------------------------------------------------------- \16\ Number of firms participating in the WYO ***Program*** as of May 2018.   [*https://www.fema.gov/wyo\_company*](https://www.fema.gov/wyo_company). --------------------------------------------------------------------------- 4. A Description of the Projected Reporting, Recordkeeping, and Other Compliance Requirements of the Proposed Rule, Including an Estimate of the Classes of Small Entities Which Will Be Subject to the Requirement and the Types of Professional Skills Necessary for Preparation of the Report or Record FEMA believes that the rule would impose no burdens on any participating company because it does not consist of any substantive policy changes, but instead would make changes for clarity and to accurately reflect current FEMA policies and practices. There may be familiarization costs incurred by WYO companies as they review these changes, despite the lack of any substantive changes that would ultimately affect them. Therefore, FEMA anticipates that the rule would not have a significant economic impact on a substantial number of small entities. 5. An Identification, to the Extent Practicable, of All Relevant Federal Rules Which May Duplicate, Overlap, or Conflict With the Proposed Rule There are no relevant Federal rules that may duplicate, overlap, or conflict with the proposed rule. 6. A Description of Any Significant Alternatives to the Proposed Rule Which Accomplish the Stated Objectives of Applicable Statutes and Which Minimize Any Significant Economic Impact of the Proposed Rule on Small Entities Given that this rule has no direct compliance costs, no less burdensome alternatives to the proposed rule are available. In the absence of this proposed rule, small entities would continue to experience the negative repercussions of inconsistences between the statutes, regulations and agency policy documents. FEMA invites all interested parties to submit data and information regarding the potential economic impact that would result from adoption of the proposals in this NPRM. FEMA will consider all comments received in the public comment process. C. Unfunded Mandates Reform Act Pursuant to section 201 of the Unfunded Mandates Reform Act of 1995 (Pub. L. 104-4, 2 U.S.C 1531), each Federal agency ``shall, unless otherwise prohibited by law, assess the effects of Federal regulatory actions on State, local, and Tribal governments, and the private sector (other than to the extent that such regulations incorporate requirements specifically set forth in law).'' Section 202 of the Act (2 U.S.C 1532) further requires that ``before promulgating any general notice of proposed rulemaking that is likely to result in the promulgation of any rule that includes any Federal mandate that may result in expenditure by State, local, and Tribal governments, in the aggregate, or by the private sector, of $100 million or more (adjusted annually for inflation) in any one ***year***, and before promulgating any final rule for which a general notice of proposed rulemaking was published, the agency shall prepare a written statement'' detailing the effect on State, local, and Tribal governments and the private sector. The proposed rule would not result in such an expenditure, and thus preparation of such a statement is not required. [[Page 32984]] D. National Environmental Policy Act of 1969 (NEPA) Section 102 of the National Environmental Policy Act of 1969 (NEPA), 83 Stat. 852 (Jan. 1, 1970) (42 U.S.C 4321 et seq.) requires agencies to consider the impacts of their proposed actions on the quality of the human environment. The Council on Environmental Quality's procedures for implementing NEPA, 40 CFR 1500 et seq., require Federal agencies to prepare Environmental Impact Statements (EIS) for major Federal actions significantly affecting the quality of the human environment. Each agency can develop categorical exclusions to cover actions that have been demonstrated to not typically trigger significant impacts to the human environment individually or cumulatively. Agencies develop environmental assessments (EA) to evaluate those actions that do not fit an agency's categorical exclusion and for which the need for an EIS is not readily apparent. At the end of the EA process, the agency will determine whether to make a Finding of No Significant Impact (FONSI) or whether to initiate the EIS process. Rulemaking is a major Federal action subject to NEPA. The List of exclusion categories at DHS Instruction Manual 023-01-001-01, Appendix A excludes the promulgation of rules that are of a strictly administrative or procedural nature and rules that implement, without substantive change, statutory or regulatory requirements from the preparation of an EA or EIS. (Catex A3(a) and (b)). The purpose of this rule is to implement some statutory requirements of BW-12 and HFIAA, along with making non-substantive clarifications designed to improve overall clarity and readability. These changes are administrative- related changes that are categorically excluded under Catex A3(a) and (b) of DHS Instruction Manual 023-01-001-01, Appendix A. No extraordinary circumstances exist that will trigger the need to develop an EA or EIS. See DHS Instruction Manual 023-01-001-01 V(B)(2). An EA will not be prepared because a categorical exclusion applies to this rulemaking action and no extraordinary circumstances exist. E. Privacy Act/E-Government Act Under the Privacy Act of 1974, 5 U.S.C 552a, an agency must determine whether implementation of a proposed regulation will result in a system of records. A ``record'' is any item, collection, or grouping of information about an individual that is maintained by an agency, including, but not limited to, his/her education, financial transactions, medical history, and criminal or employment history and that contains his/her name, or the identifying number, symbol, or other identifying particular assigned to the individual, such as a finger or voice print or a photograph. See 5 U.S.C 552a(a)(4). A ``system of records'' is a group of records under the control of an agency from which information is retrieved by the name of the individual or by some identifying number, symbols, or other identifying particular assigned to the individual. An agency cannot disclose any record that is contained in a system of records except by following specific procedures. The E-Government Act of 2002, 44 U.S.C 3501 note, also requires specific procedures when an agency takes action to develop or procure information technology that collects, maintains, or disseminates information that is in an identifiable form. This Act also applies when an agency initiates a new collection of information that will be collected, maintained, or disseminated using information technology if it includes any information in an identifiable form permitting the physical or online contacting of a specific individual. In accordance with DHS policy, FEMA has completed a Privacy Threshold Analysis (PTA) for this proposed rule. DHS/FEMA has determined that this proposed rulemaking does not affect the 1660-0006 OMB Control Number's current compliance with the E-Government Act of 2002 or the Privacy Ac of 1974, as amended. As a result, DHS/FEMA has concluded that the 1660-0006 OMB Control Number is covered by the DHS/ FEMA/PIA-011--National Flood Insurance ***Program*** Information Technology Systems (NFIP ITS) Privacy Impact Assessment (PIA). Additionally, DHS/ FEMA has decided that the 1660-0006 OMB Control Number is covered by the DHS/FEMA-003 National Flood Insurance ***Program*** Files, 79 FR 28747, May 19, 2014 System of Records Notice (SORN). F. Paperwork Reduction Act of 1995 Under the Paperwork Reduction Act of 1995 (PRA), as amended, 44 U.S.C 3501-3520, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the agency obtains approval from the Office of Management and Budget (OMB) for the collection and the collection displays a valid OMB control number. See 44 U.S.C 3506, 3507. This proposed rulemaking does not call for a new collection of information under the PRA. There is an existing collection of information, 1660-0006, the National Flood Insurance ***Program*** Policy Forms, Public Law 90-448 (1968) (expanded by Pub. L. 93-234 (1973)) included in this rulemaking. BW-12 and HFIAA require modifications to the NFIP. ***Program*** changes resulting from BW-12 and HFIAA necessitated revision of the NFIP Policy Forms to assure proper classification of properties for rating purposes and to rate and issue the policies in accordance with the provisions of BW-12 and HFIAA. However, this proposed rule will not impact this collection because the forms have already been updated as needed. G. Executive Order 13175 Consultation and Coordination With Indian Tribal Governments Executive Order 13175, ``Consultation and Coordination with Indian Tribal Governments,'' 65 FR 67249 (Nov. 9, 2000), applies to agency regulations that have Tribal implications, that is, regulations that have substantial direct effects on one or more Indian Tribes, on the relationship between the Federal Government and Indian Tribes, or on the distribution of power and responsibilities between the Federal Government and Indian Tribes. Under this Executive Order, to the extent practicable and permitted by law, no agency shall promulgate any regulation that has Tribal implications, that imposes substantial direct compliance costs on Indian Tribal governments, and that is not required by statute, unless funds necessary to pay the direct costs incurred by the Indian Tribal government in complying with the regulation are provided by the Federal Government or the agency consults with Tribal officials. Nor, to the extent practicable by law, may an agency promulgate a regulation that has Tribal implications and preempts Tribal law, unless the agency consults with Tribal officials. This proposed rule involves no policies that have Tribal implications under Executive Order 13175. This rulemaking makes limited changes to the comprehensive, longstanding National Flood Insurance ***Program*** regulations applicable to communities, including participating Indian Tribal governments and Tribes, which voluntarily choose to participate in the ***program***. Because these ***program*** updates are limited, they will not have substantial direct effects on Indian Tribes, on the relationship between the national government and Indian Tribes, or the distribution of power between the Federal Government and Indian Tribes. [[Page 32985]] H. Executive Order 13132 Federalism Executive Order 13132, ``Federalism,'' 64 FR 43255 (Aug. 10, 1999), sets forth principles and criteria that agencies must adhere to in formulating and implementing policies that have federalism implications, that is, regulations that have ``substantial direct effects on the States, on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government.'' For the purposes of this Executive Order, the term States also includes local governments or other subdivisions established by the States. Under this Executive Order, Federal agencies must closely examine the statutory authority supporting any action that would limit the policymaking discretion of the States. Further, to the extent practicable and permitted by law, no agency shall promulgate any regulation that has federalism implications, that imposes substantial direct compliance costs on State and local governments, and that is not required by statute, unless the Federal Government provides funds necessary to pay the direct costs incurred by the State and local governments in complying with the regulation, or the agency consults with State and local officials. Nor, to the extent practicable by law, may an agency promulgate a regulation that has federalism implications and preempts State law, unless the agency consults with State and local officials. FEMA has reviewed this proposed rule under Executive Order 13132 and has determined that does not have substantial direct effects on the States, on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government, and therefore does not have federalism implications as defined by the Executive Order. This rulemaking makes limited changes to the comprehensive, longstanding National Flood Insurance ***Program*** regulations governing the communities' participation in the ***program***. Because these ***program*** updates are limited, they will not have substantial direct effects on the States or participating communities, on the relationship between the national government and the States or participating communities, or the distribution of power among the various levels of government. I. Executive Order 11988 Floodplain Management Pursuant to Executive Order 11988, ``Floodplain Management,'' 42 FR 26951 (May 24, 1977), each agency must provide leadership and take action to reduce the risk of flood loss, to minimize the impact of floods on human safety, health and welfare, and to restore and preserve the natural and beneficial values served by floodplains in carrying out its responsibilities for (1) acquiring, managing, and disposing of Federal lands and facilities; (2) providing Federally undertaken, financed, or assisted construction and improvements; and (3) conducting Federal activities and ***programs*** affecting land use, including but not limited to water and related land resources planning, regulating, and licensing activities. In carrying out these responsibilities, each agency must evaluate the potential effects of any actions it may take in a floodplain; ensure that its planning ***programs*** and budget requests reflect consideration of flood hazards and floodplain management; and prescribe procedures to implement the policies and requirements of the Executive Order. Before promulgating any regulation, an agency must determine whether the proposed regulations will affect a floodplain(s), and if so, the agency must consider alternatives to avoid adverse effects and incompatible development in the floodplain(s). If the head of the agency finds that the only practicable alternative consistent with the law and with the policy set forth in Executive Order 11988 is to promulgate a regulation that affects a floodplain(s), the agency must, prior to promulgating the regulation, design or modify the regulation in order to minimize potential harm to or within the floodplain, consistent with the agency's floodplain management regulations. It must also prepare and circulate a notice containing an explanation of why the action is proposed to be located in the floodplain. The purpose of this proposed rule is to implement insurance-related administrative changes to clarify coverage, rates, and terms and conditions. The changes proposed in this rule would not have an effect on land use, floodplain management, or wetlands. J. Executive Order 11990 Protection of Wetlands Executive Order 11990, ``Protection of Wetlands,'' 42 FR 26961 (May 24, 1977) sets forth that each agency must provide leadership and take action to minimize the destruction, loss or degradation of wetlands, and to preserve and enhance the natural and beneficial values of wetlands in carrying out the agency's responsibilities. These responsibilities include (1) acquiring, managing, and disposing of Federal lands and facilities; and (2) providing Federally undertaken, financed, or assisted construction and improvements; and (3) conducting Federal activities and ***programs*** affecting land use, including but not limited to water and related land resources planning, regulating, and licensing activities. Each agency, to the extent permitted by law, must avoid undertaking or providing assistance for new construction located in wetlands unless the head of the agency finds (1) that there is no practicable alternative to such construction, and (2) that the proposed action includes all practicable measures to minimize harm to wetlands which may result from such use. In making this finding, the head of the agency may take into account economic, environmental and other pertinent factors. In carrying out the activities described in Executive Order 11990, each agency must consider factors relevant to a proposal's effect on the survival and quality of the wetlands. These include public health, safety, and welfare, including water supply, quality, recharge and discharge; pollution; flood and storm hazards; sediment and erosion; maintenance of natural systems, including conservation and long term productivity of existing flora and fauna, species and habitat diversity and stability, hydrologic utility, fish, wildlife, timber, and food and fiber resources. They also include other uses of wetlands in the public interest, including recreational, scientific, and cultural uses. The purpose of this proposed rule is to implement insurance-related administrative changes to clarify coverage, rates, and terms and conditions. The changes proposed in this rule would not have an effect on land use, floodplain management, or wetlands. K. Executive Order 12898 Environmental Justice Under Executive Order 12898, ``Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations,'' 59 FR 7629 (Feb. 16, 1994), as amended by Executive Order 12948, 60 FR 6381, (Feb. 1, 1995), FEMA incorporates environmental justice into its policies and ***programs***. The Executive Order requires each Federal agency to conduct its ***programs***, policies, and activities that substantially affect human health or the environment in a manner that ensures that those ***programs***, policies, and activities do not have the effect of excluding persons from participation in ***programs***, denying [[Page 32986]] persons the benefits of ***programs***, or subjecting persons to discrimination because of race, color, or national origin. This rulemaking will not have a disproportionately high or adverse effect on human health or the environment, nor will it exclude persons from participation in FEMA ***programs***, deny persons the benefits of FEMA ***programs***, or subject persons to discrimination because of race, color, or national origin. L. Congressional Review of Agency Rulemaking Before a rule can take effect, the Congressional Review of Agency Rulemaking Act (CRA), 5 U.S.C 801-808, requires the Federal agency promulgating the rule to submit to Congress and to the Government Accountability Office (GAO) a copy of the rule, a concise general statement relating to the rule, including whether it is a major rule, the proposed effective date of the rule, a copy of any cost-benefit analysis, descriptions of the agency's actions under the Regulatory Flexibility Act and the Unfunded Mandates Reform Act, and any other information or statements required by relevant Executive orders. FEMA will send this rule to the Congress and to GAO pursuant to the CRA if the rule is finalized. This proposed rule is not a ``major rule'' within the meaning of the CRA. It will not have an annual effect on the economy of $100,000,000 or more or result in a major increase in costs or prices for consumers, individual industries, Federal, State, or local government agencies, or geographic regions. Nor will it have significant adverse effects on competition, employment, investment, productivity, innovation, or on the ability of United States-based enterprises to compete with foreign-based enterprises in domestic and export markets. List of Subjects 44 CFR Parts 59 and 61 Flood insurance, Reporting and recordkeeping requirements. 44 CFR Part 62 Claims, Flood insurance, Reporting and recordkeeping requirements. For the reasons stated in the preamble, FEMA proposes to amend 44 CFR Chapter I as follows: PART 59--GENERAL PROVISIONS 0 1. Revise authority citation for part 59 to read as follows: Authority: 42 U.S.C 4001 et seq.; 6 U.S.C 101 et seq. 0 2. In section 59.1, add definitions, in alphabetical order, for ``Condominium Building,'' ``Mixed Use Building,'' ``Multifamily Building,'' ``Non-Residential Building,'' ``Non-Residential Property,'' ``Other Residential Building,'' ``Other Residential Property,'' ``Residential Building,'' ``Residential Property,'' ``Single Family Dwelling,'' and ``Two to Four Family Building'' and revise the definitions for ``Act,'' ``Deductible,'' and ``Emergency ***Program***'' to read as follows: Sec. 59.1 Definitions. \* \* \* \* \* Act means the statutes authorizing the National Flood Insurance ***Program*** that are incorporated in 42 U.S.C 4001--et seq. \* \* \* \* \* Condominium Building means a type of building in the form of ownership in which each unit owner has an undivided interest in common elements of the building. \* \* \* \* \* Deductible means the amount of an insured loss that is the responsibility of the insured and that is incurred before any amounts are paid for the insured loss under the insurance policy. \* \* \* \* \* Emergency ***Program*** means the initial phase of a community's participation in the National Flood Insurance ***Program***, as prescribed by Section 1306 of the Act. \* \* \* \* \* Mixed Use Building means a building that has both residential and non-residential uses. \* \* \* \* \* Multifamily Building means an other residential building that is not a condominium building. \* \* \* \* \* Non-Residential Building means a commercial or mixed-use building where the primary use is commercial or non-habitational. Non-Residential Property means either a non-residential building, the contents within a non-residential building, or both. \* \* \* \* \* Other Residential Building means a residential building that is designed for use as a residential space for 5 or more families or a mixed use building in which the total floor area devoted to non- residential uses is less than 25 percent of the total floor area within the building. Other Residential Property means either an other residential building, the contents within an other residential building, or both. \* \* \* \* \* Residential Building means a non-commercial building designed for habitation by one or more families or a mixed use building that qualifies as a single-family, two to four family, or other residential building. Residential Property means either a residential building or the contents within a residential building, or both. \* \* \* \* \* Single Family Dwelling means either (a) a residential single-family building in which the total floor area devoted to non-residential uses is less than 50 percent of the building's total floor area, or (b) a single-family residential unit within a two to four family building, other-residential building, business, or non-residential building, in which commercial uses within the unit are limited to less than 50 percent of the unit's total floor area. \* \* \* \* \* Two to Four Family Building means a residential building, including an apartment building, containing two to four residential spaces and in which commercial uses are limited to less than 25 percent of the building's total floor area. \* \* \* \* \* PART 61--INSURANCE COVERAGE AND RATES 0 3. Revise the authority citation for part 61 to read as follows: Authority: 42 U.S.C 4001 et seq.; 6 U.S.C 101 et seq. 0 4. Revise Sec. 61.1 to read as follows: Sec. 61.1 Purpose of part. This part describes the types of properties eligible for flood insurance coverage under the ***Program***, the limits of such coverage, and the premium rates actually to be paid by insureds. 0 5. Revise Sec. 61.3 to read as follows: Sec. 61.3 Coverage and benefits provided under the Standard Flood Insurance Policy. (a) Insurance coverage under the ***Program*** is available for buildings and their contents. Coverage for each may be purchased separately. (b) In addition to building and contents coverage, the Dwelling Form of the Standard Flood Insurance Policy (SFIP) covers debris removal, loss avoidance measures, and condominium loss assessments. The General Property Form of the SFIP covers debris removal, loss avoidance measures, and pollution damage. The Residential Condominium Policy Form of the SFIP covers debris removal and loss avoidance measures. [[Page 32987]] (c) With the purchase of building coverage, the Standard Flood Insurance Policy covers the costs associated with bringing the building into compliance with local floodplain ordinances. 0 6. Revise Sec. 61.4 to read as follows: Sec. 61.4 Special terms and conditions. (a) No new flood insurance or renewal of flood insurance policies will be written for properties declared by a duly constituted State or local zoning or other authority to be in violation of any flood plain, mudslide (i.e , mudflow), or flood-related erosion area management or control law, regulation, or ordinance. (b) In order to reduce the administrative costs of the ***Program***, of which the Federal Government pays a major share, applicants must pay the full policy premium at the time of application. 0 7. Revise Sec. 61.5 to read as follows: Sec. 61.5 Deductibles. FEMA must provide policyholders with deductible options in various amounts, up to and including $10,000, subject to the following minimum deductible amounts: (a) The minimum deductible for policies covering pre-FIRM buildings charged less than full-risk rates with building coverage amounts less than or equal to $100,000 is $1,500. (b) The minimum deductible for policies covering pre-FIRM buildings charged less than full-risk rates with building coverage amounts greater than $100,000 is $2,000. (c) The minimum deductible for policies covering post-FIRM buildings and pre-FIRM buildings charged full risk rates, with building coverage amounts equal to or less than $100,000 is $1,000. (d) The minimum deductible for policies covering post-FIRM buildings and pre-FIRM buildings charged full risk rates, with building coverage amounts greater than $100,000 is $1,250 0 8. Revise Sec. 61.6 to read as follows: Sec. 61.6 Maximum amounts of coverage available. (a) Pursuant to section 1306 of the Act, the following are the limits of coverage available under the emergency ***program*** and under the regular ***program***. Maximum Amounts of Coverage Available 1 ------------------------------------------------------------------------ Emergency ***program*** Regular ***program*** Occupancy ------------------------------------------ Amount Amount ------------------------------------------------------------------------ Building Coverage: Single Family Dwelling... \* $35,000 $250,000. Two to Four Family \* 35,000 $250,000. Building. Other Residential \*\* 100,000 $500,000. Building (including N/A $250,000 times Multifamily Building). \*\* 100,000 the number of Condominium Building..... units in the Non-Residential Building. building. $500,000. Contents Coverage: \2\ Residential Property \3\. 10,000 100,000. Non-Residential Property. $100,000 $500,000. ------------------------------------------------------------------------ \1\ This Table provides the maximum coverage amounts available under the Emergency ***Program*** and the Regular ***Program***, and the columns cannot be aggregated to exceed the limits in the Regular ***Program***, which are established by statute. The aggregate limits for building coverage are the maximum coverage amounts allowed by statute for each building included in the relevant Occupancy Category. \2\ The policy limits for contents coverage are not per building. Although a single insured may not have more than one policy covering contents in a building, several insureds may have separate policies of up to the policy limits. \3\ The Residential Property occupancy category includes the Single Family Dwelling, Two to Four Family Building, Other Residential Building, and Condominium Building occupancies categories. \* In Alaska, Guam, Hawaii, and U.S Virgin Islands, the amount available is $50,000. \*\* In Alaska, Guam, Hawaii, and U.S Virgin Islands, the amount available is $150,000. (b) Coverage and benefits payable under the SFIP pursuant to Sec. 61.3(b) and Sec. 61.3(c) are included in, not in addition to, the coverage limits provided by the Act or stated in paragraph (a) of this section. 0 9. Add Sec. 61.10 to read as follows: Sec. 61.10 Requirements for issuance or renewal of flood insurance coverage. FEMA will not issue or renew flood insurance unless FEMA receives: (a) The full amount due (including applicable premiums, surcharges, and fees); and (b) A complete application, including the information necessary to establish a premium rate for the policy, or submission of corrected or additional information necessary to calculate the premium for the renewal of the policy. Sec. 61.11 Effective date and time of coverage under the Standard Flood Insurance Policy--New Business Applications and Endorsements. 0 10. Amend Sec. 61.11 by revising paragraphs (c) through (g) to read as follows: \* \* \* \* \* (c) Where the following conditions are met, the effective date and time of any initial purchase of flood insurance coverage for any privately-owned property will be 12:01 a.m (local time) on the first ***calendar*** day after the application date and the presentment of ***payment*** of premium or initial installment ***payment***: (1) The Administrator has determined that the property is affected by flooding on Federal land that is a result of, or is exacerbated by, post-wildfire conditions, after consultation with an authorized employee of the Federal agency that has jurisdiction of the land on which the wildfire that caused the post-wildfire conditions occurred; and (2) The flood insurance coverage was purchased not later than 60 ***calendar*** days after the fire containment date, as determined by the appropriate Federal employee, relating to the wildfire that caused the post-wildfire conditions described in clause (1). (d) Except as provided by paragraphs (a), (b), and (c) of this section, the effective date and time of any new policy or added coverage or increase in the amount of coverage will be 12:01 a.m (local time) on the 30th ***calendar*** day after the application date and the presentment of ***payment*** of premium; for example, a flood insurance policy applied for with the ***payment*** of the premium on May 1 will become effective at 12:01 a.m on May 31. (e) Adding new coverage or increasing the amount of coverage in force is permitted during the term of any policy, [[Page 32988]] subject to any applicable waiting periods. The additional premium for any new coverage or increase in the amount of coverage will be calculated pro rata in accordance with the rates currently in force. (f) With respect to any submission of an application in connection with new business, the ***payment*** by an insured to an agent or the issuance of premium ***payment*** by the agent does not constitute ***payment*** to the NFIP. Therefore, it is important that an application for flood insurance, as well as the full amount due, be mailed to the NFIP promptly in order to have the effective date of the coverage based on the application date plus the waiting period. If the application and the full amount due are received at the office of the NFIP within ten (10) ***calendar*** days from the date of application, the waiting period will be calculated from the date of application. Also, as an alternative, in those cases where the application and premium ***payment*** are mailed by certified mail within four (4) ***calendar*** days from the date of application, the waiting period will be calculated from the date of application even though the application and full amount due are received at the office of the NFIP after ten (10) ***calendar*** days following the date of application. Thus, if the application and premium ***payment*** are received after ten (10) ***calendar*** days from the date of the application or are not mailed by certified mail within four (4) ***calendar*** days from the date of application, the waiting period will be calculated from the date of receipt at the office of the NFIP. To determine the effective date of any coverage added by endorsement to a flood insurance policy already in effect, substitute the term endorsement for the term application in this paragraph (f). (g) The rules set forth in paragraphs (a) through (f) of this section apply to Write Your Own (WYO) companies, except that agents must mail the premium ***payments*** and accompanying applications and endorsements to the WYO company and the WYO company must receive the applications and endorsements, rather than the NFIP. Sec. 61.13 Standard Flood Insurance Policy. 0 11. Amend Sec. 61.13 by revising paragraphs (e) and (f) and adding paragraphs (g) and (h) to read as follows: \* \* \* \* \* (e) Authorized only under terms and conditions established by the Act and Regulation. The Standard Flood Insurance Policy is authorized only under terms and conditions established by Federal statute, the ***program***'s regulations, the Federal Insurance Administrator's interpretations, and the express terms of the policy itself. Accordingly, representations regarding the extent and scope of coverage that are not consistent with Federal statute, the ***program***'s regulations, the Federal Insurance Administrator's interpretations, and the express terms of the policy itself, are void. (f) Agent acts only for policyholder. The duly licensed property or casualty agent acts for the policyholder and does not act as agent for the Federal Government, the Federal Emergency Management Agency, the Write Your Own (WYO) ***program*** participating insurance company authorized by part 62 of this chapter, or the NFIP servicing agent. (g) Oral and written binders. No oral binder or contract will be effective. No written binder will be effective unless issued with express authorization of the Federal Insurance Administrator. (h) The Standard Flood Insurance Policy and endorsements may be issued by private sector Write Your Own (WYO) property insurance companies, based upon flood insurance applications and renewal forms, all of which instruments of flood insurance may bear the name, as Insurer, of the issuing WYO company. In the case of any Standard Flood Insurance Policy, and its related forms, issued by a WYO company, wherever the names ``Federal Emergency Management Agency'' and ``Federal Insurance and Mitigation Administration'' appear, a WYO company must substitute its own name therefor. Standard Flood Insurance Policies issued by WYO companies may be executed by the issuing WYO company as Insurer, in the place and stead of the Federal Insurance Administrator, but the risk of loss is borne by the National Flood Insurance Fund, not the WYO company. 0 12. Revise Appendix A(1) to part 61 to read as follows: Appendix A(1) to Part 61 Federal Emergency Management Agency, Federal Insurance and Mitigation Administration Standard Flood Insurance Policy Dwelling Form Please read the policy carefully. The flood insurance provided is subject to limitations, restrictions, and exclusions. I. Agreement A. This policy covers the following types of property only: 1. A one to four family residential building, not under a condominium form of ownership; 2. A single family dwelling unit in a condominium building; and 3. Personal property in a building. B. The Federal Emergency Management Agency (FEMA) provides flood insurance under the terms of the National Flood Insurance Act of 1968 and its amendments, and Title 44 of the Code of Federal Regulations. C. We will pay you for direct physical loss by or from flood to your insured property if you: 1. Have paid the full amount due (including applicable premiums, surcharges, and fees); 2. Comply with all terms and conditions of this policy; and 3. Have furnished accurate information and statements. D. We have the right to review the information you give us at any time and revise your policy based on our review. E. This policy insures only one building. If you own more than one building, coverage will apply to the single building specifically described in the Flood Insurance Application. F. Subject to the exception in I.G below, multiple policies with building coverage cannot be issued to insure a single building to one insured or to different insureds, even if separate policies were issued through different NFIP insurers. ***Payment*** for damages may only be made under a single policy for building damages under Coverage A--Building Property. G. A Dwelling Form policy with building coverage may be issued to a unit owner in a condominium building that is also insured under a Residential Condominium Building Association Policy (RCBAP). However, no more than $250,000 may be paid in combined benefits for a single unit under the Dwelling Form policy and the RCBAP. We will only pay for damage once. Items of damage paid for under an RCBAP cannot also be claimed under the Dwelling Form policy. II. Definitions A. In this policy, ``you'' and ``your'' refer to the named insured(s) shown on the Declarations Page of this policy and the spouse of the named insured, if a resident of the same household. Insured(s) also includes: Any mortgagee and loss payee named in the Application and Declarations Page, as well as any other mortgagee or loss payee determined to exist at the time of loss, in the order of precedence. ``We,'' ``us,'' and ``our'' refer to the insurer. Some definitions are complex because they are provided as they appear in the law or regulations, or result from court cases. B. Flood, as used in this flood insurance policy, means: 1. A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (one of which is your property) from: a. Overflow of inland or tidal waters, b. Unusual and rapid accumulation or runoff of surface waters from any source, c. Mudflow. 2. Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding [[Page 32989]] anticipated cyclical levels that result in a flood as defined in B.1.a above. C. The following are the other key definitions we use in this policy: 1. Act. The National Flood Insurance Act of 1968 and any amendments to it. 2. Actual Cash Value. The cost to replace an insured item of property at the time of loss, less the value of its physical depreciation. 3. Application. The statement made and signed by you or your agent in applying for this policy. The application gives information we use to determine the eligibility of the risk, the kind of policy to be issued, and the correct premium ***payment***. The application is part of this flood insurance policy. 4. Base Flood. A flood having a one percent chance of being equaled or exceeded in any given ***year***. 5. Basement. Any area of a building, including any sunken room or sunken portion of a room, having its floor below ground level on all sides. 6. Building. a. A structure with two or more outside rigid walls and a fully secured roof that is affixed to a permanent site; b. A manufactured home, also known as a mobile home, is a structure: built on a permanent chassis, transported to its site in one or more sections, and affixed to a permanent foundation); or c. A travel trailer without wheels, built on a chassis and affixed to a permanent foundation, that is regulated under the community's floodplain management and building ordinances or laws. Building does not mean a gas or liquid storage tank, shipping container, or a recreational vehicle, park trailer, or other similar vehicle, except as described in C.6.c above. 7. Cancellation. The ending of the insurance coverage provided by this policy before the expiration date. 8. Condominium. That form of ownership of one or more buildings in which each unit owner has an undivided interest in common elements. 9. Condominium Association. The entity made up of the unit owners responsible for the maintenance and operation of: a. Common elements owned in undivided shares by unit owners; and b. Other buildings in which the unit owners have use rights; where membership in the entity is a required condition of ownership. 10. Condominium Building. A type of building for which the form of ownership is one in which each unit owner has an undivided interest in common elements of the building. 11. Declarations Page. A computer-generated summary of information you provided in your application for insurance. The Declarations Page also describes the term of the policy, limits of coverage, and displays the premium and our name. The Declarations Page is a part of this flood insurance policy. 12. Deductible. The amount of an insured loss that is your responsibility and that is incurred by you before any amounts are paid for the insured loss under this policy. 13. Described Location. The location where the insured building(s) or personal property are found. The described location is shown on the Declarations Page. 14. Direct Physical Loss By or From Flood. Loss or damage to insured property, directly caused by a flood. There must be evidence of physical changes to the property. 15. Dwelling. A building designed for use as a residence for no more than four families or a single-family unit in a condominium building. 16. Elevated Building. A building that has no basement and that has its lowest elevated floor raised above ground level by foundation walls, shear walls, posts, piers, pilings, or columns. 17. Emergency ***Program***. The initial phase of a community's participation in the National Flood Insurance ***Program***. During this phase, only limited amounts of insurance are available under the Act and the regulations prescribed pursuant to the Act. 18. Federal Policy Fee. A flat rate charge you must pay on each new or renewal policy to defray certain administrative expenses incurred in carrying out the National Flood Insurance ***Program***. 19. Improvements. Fixtures, alterations, installations, or additions comprising a part of the dwelling or apartment in which you reside. 20. Mudflow. A river of liquid and flowing mud on the surface of normally dry land areas, as when earth is carried by a current of water. Other earth movements, such as landslide, slope failure, or a saturated soil mass moving by liquidity down a slope, are not mudflows. 21. National Flood Insurance ***Program*** (NFIP). The ***program*** of flood insurance coverage and floodplain management administered under the Act and applicable Federal regulations in Title 44 of the Code of Federal Regulations, Subchapter B. 22. Policy. The entire written contract between you and us. It includes: a. This printed form; b. The application and Declarations Page; c. Any endorsement(s) that may be issued; and d. Any renewal certificate indicating that coverage has been instituted for a new policy and new policy term. Only one dwelling, which you specifically described in the application, may be insured under this policy. 23. Pollutants. Substances that include, but are not limited to, any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, and waste. ``Waste'' includes, but is not limited to, materials to be recycled, reconditioned, or reclaimed. 24. Post-FIRM Building. A building for which construction or substantial improvement occurred after December 31, 1974, or on or after the effective date of an initial Flood Insurance Rate Map (FIRM), whichever is later. 25. Principal Residence. The dwelling in which you or your spouse have lived for at least 80 percent of (a) the 365 days immediately preceding the time of loss; or (b) the period of ownership of you or your spouse, if either you or your spouse owned the dwelling for less than 365 days immediately preceding the time of loss. 26. Probation Surcharge. A flat charge you must pay on each new or renewal policy issued covering property in a community the NFIP has placed on probation under the provisions of 44 CFR 59.24 27. Regular ***Program***. The final phase of a community's participation in the National Flood Insurance ***Program***. In this phase, a Flood Insurance Rate Map is in effect and full limits of coverage are available under the Act and the regulations prescribed pursuant to the Act. 28. Special Flood Hazard Area (SFHA). An area having special flood or mudflow, and/or flood-related erosion hazards, and shown on a Flood Hazard Boundary Map or Flood Insurance Rate Map as Zone A, AO, A1-A30, AE, A99, AH, AR, AR/A, AR/AE, AR/AH, AR/AO, AR/A1-A30, V1-V30, VE, or V. 29. Unit. A single-family residential space you own in a condominium building. 30. Valued Policy. A policy in which the insured and the insurer agree on the value of the property insured, that value being payable in the event of a total loss. The Standard Flood Insurance Policy is not a valued policy. III. Property Covered A. Coverage A--Building Property We insure against direct physical loss by or from flood to: 1. The dwelling at the described location, or for a period of 45 days at another location as set forth in III.C.2.b, Property Removed to Safety. 2. Additions and extensions attached to and in contact with the dwelling by means of a rigid exterior wall, a solid load-bearing interior wall, a stairway, an elevated walkway, or a roof. At your option, additions and extensions connected by any of these methods may be separately insured. Additions and extensions attached to and in contact with the building by means of a common interior wall that is not a solid load-bearing wall are always considered part of the dwelling and cannot be separately insured. 3. A detached garage at the described location. Coverage is limited to no more than 10 percent of the limit of liability on the dwelling. Use of this insurance is at your option but reduces the building limit of liability. We do not cover any detached garage used or held for use for residential (i.e , dwelling), business, or farming purposes. 4. Materials and supplies to be used for construction, alteration, or repair of the dwelling or a detached garage while the materials and supplies are stored in a fully enclosed building at the described location or on an adjacent property. 5. A building under construction, alteration, or repair at the described location. a. If the structure is not yet walled or roofed as described in the definition for building (see II.B.6.a) then coverage applies: (1) Only while such work is in progress; or (2) If such work is halted, only for a period of up to 90 continuous days thereafter. b. However, coverage does not apply until the building is walled and roofed if the [[Page 32990]] lowest floor, including the basement floor, of a non-elevated building or the lowest elevated floor of an elevated building is: (1) Below the base flood elevation in Zones AH, AE, A1-A30, AR, AR/AE, AR/AH, AR/A1-A30, AR/A, AR/AO; or (2) Below the base flood elevation adjusted to include the effect of wave action in Zones VE or V1-V30. The lowest floor level is based on the bottom of the lowest horizontal structural member of the floor in Zones VE or V1-V30 or the top of the floor in Zones AH, AE, A1-A30, AR, AR/AE, AR/AH, AR/ A1-A30, AR/A, and AR/AO. 6. A manufactured home or a travel trailer, as described in the II.C.6 If the manufactured home or travel trailer is in a special flood hazard area, it must be anchored in the following manner at the time of the loss: a. By over-the-top or frame ties to ground anchors; or b. In accordance with the manufacturer's specifications; or c. In compliance with the community's floodplain management requirements unless it has been continuously insured by the NFIP at the same described location since September 30, 1982. 7. The following items of property which are insured under Coverage A only: a. Awnings and canopies; b. Blinds; c. Built-in dishwashers; d. Built-in microwave ovens; e. Carpet permanently installed over unfinished flooring; f. Central air conditioners; g. Elevator equipment; h. Fire sprinkler systems; i. Walk-in freezers; j. Furnaces and radiators; k. Garbage disposal units; l. Hot water heaters, including solar water heaters; m. Light fixtures; n. Outdoor antennas and aerials fastened to buildings; o. Permanently installed cupboards, bookcases, cabinets, paneling, and wallpaper; p. Plumbing fixtures; q. Pumps and machinery for operating pumps; r. Ranges, cooking stoves, and ovens; s. Refrigerators; and t. Wall mirrors, permanently installed. 8. Items of property below the lowest elevated floor of an elevated post-FIRM building located in Zones A1-A30, AE, AH, AR, AR/ A, AR/AE, AR/AH, AR/A1-A30, V1-V30, or VE, or in a basement, regardless of the zone. Coverage is limited to the following: a. Any of the following items, if installed in their functioning locations and, if necessary for operation, connected to a power source: (1) Central air conditioners; (2) Cisterns and the water in them; (3) Drywall for walls and ceilings in a basement and the cost of labor to nail it, unfinished and unfloated and not taped, to the framing; (4) Electrical junction and circuit breaker boxes; (5) Electrical outlets and switches; (6) Elevators, dumbwaiters and related equipment, except for related equipment installed below the base flood elevation after September 30, 1987; (7) Fuel tanks and the fuel in them; (8) Furnaces and hot water heaters; (9) Heat pumps; (10) Nonflammable insulation in a basement; (11) Pumps and tanks used in solar energy systems; (12) Stairways and staircases attached to the building, not separated from it by elevated walkways; (13) Sump pumps; (14) Water softeners and the chemicals in them, water filters, and faucets installed as an integral part of the plumbing system; (15) Well water tanks and pumps; (16) Required utility connections for any item in this list; and (17) Footings, foundations, posts, pilings, piers, or other foundation walls and anchorage systems required to support a building. b. Clean-up. B. Coverage B--Personal Property 1. If you have purchased personal property coverage, we insure against direct physical loss by or from flood to personal property inside a building at the described location, if: a. The property is owned by you or your household family members; and b. At your option, the property is owned by guests or servants. 2. Personal property is also insured for a period of 45 days at another location as set forth in III.C.2.b, Property Removed to Safety. 3. Personal property in a building that is not fully enclosed must be secured to prevent flotation out of the building. If the personal property does float out during a flood, it will be conclusively presumed that it was not reasonably secured. In that case, there is no coverage for such property. 4. Coverage for personal property includes the following property, subject to B.1 above, which is insured under Coverage B only: a. Air conditioning units, portable or window type; b. Carpets, not permanently installed, over unfinished flooring; c. Carpets over finished flooring; d. Clothes washers and dryers; e. ``Cook-out'' grills; f. Food freezers, other than walk-in, and food in any freezer; and g. Portable microwave ovens and portable dishwashers. 5. Coverage for items of property below the lowest elevated floor of an elevated post-FIRM building located in Zones A1-A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1-A30, V1-V30, or VE, or in a basement, regardless of the zone, is limited to the following items, if installed in their functioning locations and, if necessary for operation, connected to a power source: a. Air conditioning units, portable or window type; b. Clothes washers and dryers; and c. Food freezers, other than walk-in, and food in any freezer. 6. If you are a tenant and have insured personal property under Coverage B in this policy, we will cover such property, including your cooking stove or range and refrigerator. The policy will also cover improvements made or acquired solely at your expense in the dwelling or apartment in which you reside, but for not more than 10 percent of the limit of liability shown for personal property on the Declarations Page. Use of this insurance is at your option but reduces the personal property limit of liability. 7. If you are the owner of a unit and have insured personal property under Coverage B in this policy, we will also cover your interior walls, floor, and ceiling (not otherwise insured under a flood insurance policy purchased by your condominium association) for not more than 10 percent of the limit of liability shown for personal property on the Declarations Page. Use of this insurance is at your option but reduces the personal property limit of liability. 8. Special Limits. We will pay no more than $2,500 for any one loss to one or more of the following kinds of personal property: a. Artwork, photographs, collectibles, or memorabilia, including but not limited to, porcelain or other figures, and sports cards; b. Rare books or autographed items; c. Jewelry, watches, precious and semi-precious stones, or articles of gold, silver, or platinum; d. Furs or any article containing fur that represents its principal value; or e. Personal property used in any business. 9. We will pay only for the functional value of antiques. C. Coverage C--Other Coverages 1. Debris Removal. a. We will pay the expense to remove non-owned debris that is on or in insured property and debris of insured property anywhere. b. If you or a member of your household perform the removal work, the value of your work will be based on the Federal minimum wage. c. This coverage does not increase the Coverage A or Coverage B limit of liability. 2. Loss Avoidance Measures. a. Sandbags, Supplies, and Labor. (1) We will pay up to $1,000 for costs you incur to protect the insured building from a flood or imminent danger of flood, for the following: (a) Your reasonable expenses to buy: (i) Sandbags, including sand to fill them; (ii) Fill for temporary levees; (iii) Pumps; and (iv) Plastic sheeting and lumber used in connection with these items. (b) The value of work, at the Federal minimum wage, that you or a member of your household perform. (2) This coverage for Sandbags, Supplies and Labor only applies if damage to insured property by or from flood is imminent and the threat of flood damage is apparent enough to lead a person of common prudence to anticipate flood damage. One of the following must also occur: (a) A general and temporary condition of flooding in the area near the described location must occur, even if the flood does not reach the building; or [[Page 32991]] (b) A legally authorized official must issue an evacuation order or other civil order for the community in which the building is located calling for measures to preserve life and property from the peril of flood. This coverage does not increase the Coverage A or Coverage B limit of liability. b. Property Removed to Safety. (1) We will pay up to $1,000 for the reasonable expenses you incur to move insured property to a place other than the described location that contains the property in order to protect it from flood or the imminent danger of flood. Reasonable expenses include the value of work, at the Federal minimum wage, you or a member of your household perform. (2) If you move insured property to a location other than the described location that contains the property, in order to protect it from flood or the imminent danger of flood, we will cover such property while at that location for a period of 45 consecutive days from the date you begin to move it there. The personal property that is moved must be placed in a fully enclosed building or otherwise reasonably protected from the elements. (3) Any property removed, including a moveable home described in II.6.b and c, must be placed above ground level or outside of the special flood hazard area. (4) This coverage does not increase the Coverage A or Coverage B limit of liability. 3. Condominium Loss Assessments. a. Subject to III.C.3.b below, if this policy insures a condominium unit, we will pay, up to the Coverage A limit of liability, your share of loss assessments charged against you by the condominium association in accordance with the condominium association's articles of association, declarations and your deed. The assessment must be made because of direct physical loss by or from flood during the policy term, to the unit or to the common elements of the NFIP insured condominium building in which this unit is located. b. We will not pay any loss assessment: (1) Charged against you and the condominium association by any governmental body; (2) That results from a deductible under the insurance purchased by the condominium association insuring common elements; (3) That results from a loss to personal property, including contents of a condominium building, (4) In which the total ***payment*** combined under all policies exceeds the maximum amount of coverage available under the Act for a single unit in a condominium building where the unit is insured under both a Dwelling Policy and a RCBAP. (5) On any item of damage that has already been paid under a RCBAP where a single unit in a condominium building is insured by both a Dwelling Policy and a RCBAP. c. Condominium Loss Assessment coverage does not increase the Coverage A Limit of Liability and is subject to the maximum coverage limits available for a single family dwelling under the Act, payable between all policies issued and covering the unit, under the Act. D. Coverage D--Increased Cost of Compliance 1. General. This policy pays you to comply with a State or local floodplain management law or ordinance affecting repair or reconstruction of a building suffering flood damage. Compliance activities eligible for ***payment*** are: Elevation, floodproofing, relocation, or demolition (or any combination of these activities) of your building. Eligible floodproofing activities are limited to: a. Non-residential buildings. b. Residential buildings with basements that satisfy FEMA's standards published in the Code of Federal Regulations [44 CFR 60.6(b) or (c)]. 2. Limit of Liability. We will pay you up to $30,000 under this Coverage D--Increased Cost of Compliance, which only applies to policies with building coverage (Coverage A). Our ***payment*** of claims under Coverage D is in addition to the amount of coverage which you selected on the application and which appears on the Declarations Page. But the maximum you can collect under this policy for both Coverage A-- Building Property and Coverage D--Increased Cost of Compliance cannot exceed the maximum permitted under the Act. We do not charge a separate deductible for a claim under Coverage D. 3. Eligibility. a. A building covered under Coverage A--Building Property sustaining a loss caused by a flood as defined by this policy must: (1) Be a ``repetitive loss building.'' A repetitive loss building is one that meets the following conditions: (a) The building is insured by a contract of flood insurance issued under the NFIP. (b) The building has suffered flood damage on two occasions during a 10-***year*** period which ends on the date of the second loss. (c) The cost to repair the flood damage, on average, equaled or exceeded 25 percent of the market value of the building at the time of each flood loss. (d) In addition to the current claim, the NFIP must have paid the previous qualifying claim, and the State or community must have a cumulative, substantial damage provision or repetitive loss provision in its floodplain management law or ordinance being enforced against the building; or (2) Be a building that has had flood damage in which the cost to repair equals or exceeds 50 percent of the market value of the building at the time of the flood. The State or community must have a substantial damage provision in its floodplain management law or ordinance being enforced against the building. b. This Coverage D pays you to comply with State or local floodplain management laws or ordinances that meet the minimum standards of the National Flood Insurance ***Program*** found in the Code of Federal Regulations at 44 CFR 60.3 We pay for compliance activities that exceed those standards under these conditions: (1) 3.a.1 above. (2) Elevation or floodproofing in any risk zone to preliminary or advisory base flood elevations provided by FEMA which the State or local government has adopted and is enforcing for flood-damaged buildings in such areas. (This includes compliance activities in B, C, X, or D zones which are being changed to zones with base flood elevations. This also includes compliance activities in zones where base flood elevations are being increased, and a flood-damaged building must comply with the higher advisory base flood elevation.) Increased Cost of Compliance coverage does not apply to situations in B, C, X, or D zones where the community has derived its own elevations and is enforcing elevation or floodproofing requirements for flood-damaged buildings to elevations derived solely by the community. (3) Elevation or floodproofing above the base flood elevation to meet State or local ``free-board'' requirements, i.e , that a building must be elevated above the base flood elevation. c. Under the minimum NFIP criteria at 44 CFR 60.3(b)(4), States and communities must require the elevation or floodproofing of buildings in unnumbered A zones to the base flood elevation where elevation data is obtained from a Federal, State, or other source. Such compliance activities are eligible for Coverage D. d. Coverage D will pay for the incremental cost, after demolition or relocation, of elevating or floodproofing a building during its rebuilding at the same or another site to meet State or local floodplain management laws or ordinances, subject to Coverage D Exclusion 5.g below. e. Coverage D will pay to bring a flood-damaged building into compliance with State or local floodplain management laws or ordinances even if the building had received a variance before the present loss from the applicable floodplain management requirements. 4. Conditions. a. When a building insured under Coverage A--Building Property sustains a loss caused by a flood, our ***payment*** for the loss under this Coverage D will be for the increased cost to elevate, floodproof, relocate, or demolish (or any combination of these activities) caused by the enforcement of current State or local floodplain management ordinances or laws. Our ***payment*** for eligible demolition activities will be for the cost to demolish and clear the site of the building debris or a portion thereof caused by the enforcement of current State or local floodplain management ordinances or laws. Eligible activities for the cost of clearing the site will include those necessary to discontinue utility service to the site and ensure proper abandonment of on-site utilities. b. When the building is repaired or rebuilt, it must be intended for the same occupancy as the present building unless otherwise required by current floodplain management ordinances or laws. 5. Exclusions. Under this Coverage D (Increased Cost of Compliance), we will not pay for: a. The cost to comply with any floodplain management law or ordinance in communities participating in the Emergency ***Program***. b. The cost associated with enforcement of any ordinance or law that requires any [[Page 32992]] insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of pollutants. c. The loss in value to any insured building due to the requirements of any ordinance or law. d. The loss in residual value of the undamaged portion of a building demolished as a consequence of enforcement of any State or local floodplain management law or ordinance. e. Any Increased Cost of Compliance under this Coverage D: (1) Until the building is elevated, floodproofed, demolished, or relocated on the same or to another premises; and (2) Unless the building is elevated, floodproofed, demolished, or relocated as soon as reasonably possible after the loss, not to exceed two ***years***. f. Any code upgrade requirements, e.g , plumbing or electrical wiring, not specifically related to the State or local floodplain management law or ordinance. g. Any compliance activities needed to bring additions or improvements made after the loss occurred into compliance with State or local floodplain management laws or ordinances. h. Loss due to any ordinance or law that you were required to comply with before the current loss. i. Any rebuilding activity to standards that do not meet the NFIP's minimum requirements. This includes any situation where the insured has received from the State or community a variance in connection with the current flood loss to rebuild the property to an elevation below the base flood elevation. j. Increased Cost of Compliance for a garage or carport. k. Any building insured under an NFIP Group Flood Insurance Policy. l. Assessments made by a condominium association on individual condominium unit owners to pay increased costs of repairing commonly owned buildings after a flood in compliance with State or local floodplain management ordinances or laws. 6. Other Provisions. a. Increased Cost of Compliance coverage will not be included in the calculation to determine whether coverage meets the 80 percent insurance-to-value requirement for replacement cost coverage as set forth in Art. VII.R (``Loss Settlement'') of this policy. b. All other conditions and provisions of this policy apply. IV. Property Not Covered We do not insure any of the following: 1. Personal property not inside a building; 2. A building, and personal property in it, located entirely in, on, or over water or seaward of mean high tide if it was constructed or substantially improved after September 30, 1982; 3. Open structures, including a building used as a boathouse or any structure or building into which boats are floated, and personal property located in, on, or over water; 4. Recreational vehicles other than travel trailers described in the Definitions section (see II.B.6.c) whether affixed to a permanent foundation or on wheels; 5. Self-propelled vehicles or machines, including their parts and equipment. However, we do cover self-propelled vehicles or machines not licensed for use on public roads that are: a. Used mainly to service the described location or b. Designed and used to assist handicapped persons, while the vehicles or machines are inside a building at the described location; 6. Land, land values, lawns, trees, shrubs, plants, growing crops, or animals; 7. Accounts, bills, coins, currency, deeds, evidences of debt, medals, money, scrip, stored value cards, postage stamps, securities, bullion, manuscripts, or other valuable papers; 8. Underground structures and equipment, including wells, septic tanks, and septic systems; 9. Those portions of walks, walkways, decks, driveways, patios and other surfaces, all whether protected by a roof or not, located outside the perimeter, exterior walls of the insured building or the building in which the insured unit is located; 10. Containers, including related equipment, such as, but not limited to, tanks containing gases or liquids; 11. Buildings or units and all their contents if more than 49 percent of the actual cash value of the building is below ground, unless the lowest level is at or above the base flood elevation and is below ground by reason of earth having been used as insulation material in conjunction with energy efficient building techniques; 12. Fences, retaining walls, seawalls, bulkheads, wharves, piers, bridges, and docks; 13. Aircraft or watercraft, or their furnishings and equipment; 14. Hot tubs and spas that are not bathroom fixtures, and swimming pools, and their equipment, such as, but not limited to, heaters, filters, pumps, and pipes, wherever located; 15. Property not eligible for flood insurance pursuant to the provisions of the Coastal Barrier Resources Act and the Coastal Barrier Improvement Act and amendments to these Acts; 16. Personal property you own in common with other unit owners comprising the membership of a condominium association. V. Exclusions A. We only pay for direct physical loss by or from flood, which means that we do not pay you for: 1. Loss of revenue or profits; 2. Loss of access to the insured property or described location; 3. Loss of use of the insured property or described location; 4. Loss from interruption of business or production; 5. Any additional living expenses incurred while the insured building is being repaired or is unable to be occupied for any reason; 6. The cost of complying with any ordinance or law requiring or regulating the construction, demolition, remodeling, renovation, or repair of property, including removal of any resulting debris. This exclusion does not apply to any eligible activities we describe in Coverage D--Increased Cost of Compliance; or 7. Any other economic loss you suffer. B. Flood in Progress. If this policy became effective as of the time of a loan closing, as provided by 44 CFR 61.11(b), we will not pay for a loss caused by a flood that is a continuation of a flood that existed prior to coverage becoming effective. In all other circumstances, we will not pay for a loss caused by a flood that is a continuation of a flood that existed on or before the day you submitted the application for coverage under this policy and the full amount due. We will determine the date of application using 44 CFR 61.11(f). C. We do not insure for loss to property caused directly by earth movement even if the earth movement is caused by flood. Some examples of earth movement that we do not cover are: 1. Earthquake; 2. Landslide; 3. Land subsidence; 4. Sinkholes; 5. Destabilization or movement of land that results from accumulation of water in subsurface land area; or 6. Gradual erosion. We do, however, pay for losses from mudflow and land subsidence as a result of erosion that are specifically insured under our definition of flood (see II.B.1.c and II.B.2). D. We do not insure for direct physical loss caused directly or indirectly by any of the following: 1. The pressure or weight of ice; 2. Freezing or thawing; 3. Rain, snow, sleet, hail, or water spray; 4. Water, moisture, mildew, or mold damage that results primarily from any condition: a. Substantially confined to the dwelling; or b. That is within your control, including but not limited to: (1) Design, structural, or mechanical defects; (2) Failure, stoppage, or breakage of water or sewer lines, drains, pumps, fixtures, or equipment; or (3) Failure to inspect and maintain the property after a flood recedes; 5. Water or water-borne material that: a. Backs up through sewers or drains; b. Discharges or overflows from a sump, sump pump or related equipment; or c. Seeps or leaks on or through the insured property; unless there is a flood in the area and the flood is the proximate cause of the sewer or drain backup, sump pump discharge or overflow, or the seepage of water; 6. The pressure or weight of water unless there is a flood in the area and the flood is the proximate cause of the damage from the pressure or weight of water; 7. Power, heating, or cooling failure unless the failure results from direct physical loss by or from flood to power, heating, or cooling equipment on the described location; 8. Theft, fire, explosion, wind, or windstorm; [[Page 32993]] 9. Anything you or any member of your household do or conspire to do to deliberately cause loss by flood; or 10. Alteration of the insured property that significantly increases the risk of flooding. E. We do not insure for loss to any building or personal property located on land leased from the Federal Government, arising from or incident to the flooding of the land by the Federal Government, where the lease expressly holds the Federal Government harmless under flood insurance issued under any Federal Government ***program***. F. We do not pay for the testing for or monitoring of pollutants unless required by law or ordinance. VI. Deductibles A. When a loss is insured under this policy, we will pay only that part of the loss that exceeds your deductible amount, subject to the limit of liability that applies. The deductible amount is shown on the Declarations Page. However, when a building under construction, alteration, or repair does not have at least two rigid exterior walls and a fully secured roof at the time of loss, your deductible amount will be two times the deductible that would otherwise apply to a completed building. B. In each loss from flood, separate deductibles apply to the building and personal property insured by this policy. C. The deductible does NOT apply to: 1. III.C.2 Loss Avoidance Measures; 2. III.C.3 Condominium Loss Assessments; or 3. III.D Increased Cost of Compliance. VII. General Conditions A. Pair and Set Clause In case of loss to an article that is part of a pair or set, we will have the option of paying you: 1. An amount equal to the cost of replacing the lost, damaged, or destroyed article, minus its depreciation, or 2. The amount that represents the fair proportion of the total value of the pair or set that the lost, damaged, or destroyed article bears to the pair or set. B. Other Insurance 1. If a loss insured by this policy is also insured by other insurance that includes flood coverage not issued under the Act, we will not pay more than the amount of insurance you are entitled to for lost, damaged, or destroyed property insured under this policy subject to the following: a. We will pay only the proportion of the loss that the amount of insurance that applies under this policy bears to the total amount of insurance covering the loss, unless VII.B.1.b or c immediately below applies. b. If the other policy has a provision stating that it is excess insurance, this policy will be primary. c. This policy will be primary (but subject to its own deductible) up to the deductible in the other flood policy (except another policy as described in VII.B.1.b above). When the other deductible amount is reached, this policy will participate in the same proportion that the amount of insurance under this policy bears to the total amount of both policies, for the remainder of the loss. 2. If there is other insurance issued under the Act in the name of your condominium association covering the same property insured by this policy, then this policy will be in excess over the other insurance, except where a condominium loss assessment to the unit owner results from a loss sustained by the condominium association that was not reimbursed under a flood insurance policy written in the name of the association under the Act because the building was not, at the time of loss, insured for an amount equal to the lesser of: a. 80 percent or more of its full replacement cost; or b. The maximum amount of insurance permitted under the Act; The combined coverage ***payment*** under the other NFIP insurance and this policy cannot exceed the maximum coverage available under the Act, of $250,000 per single unit. C. Amendments, Waivers, Assignment This policy cannot be changed, nor can any of its provisions be waived, without the express written consent of the Federal Insurance Administrator. No action we take under the terms of this policy constitutes a waiver of any of our rights. You may assign this policy in writing when you ***transfer*** title of your property to someone else except under these conditions: a. When this policy insures only personal property; or b. When this policy insures a building under construction. D. Insufficient Premium or Rating Information 1. Applicability. The following provisions apply to all instances where the premium paid on this policy is insufficient or where the rating information is insufficient, such as where an Elevation Certificate is not provided. 2. Reforming the Policy with Reduced Coverage. Except as otherwise provided in VII.D.1, if the premium we received from you was not sufficient to buy the kinds and amounts of coverage you requested, we will provide only the kinds and amounts of coverage that can be purchased for the premium ***payment*** we received. a. For the purpose of determining whether your premium ***payment*** is sufficient to buy the kinds and amounts of coverage you requested, we will first deduct the costs of all applicable fees and surcharges. b. If the amount paid, after deducting the costs of all applicable fees and surcharges, is not sufficient to buy any amount of coverage, your ***payment*** will be refunded. Unless the policy is reformed to increase the coverage amount to the amount originally requested pursuant to VII.D.3, this policy will be cancelled, and no claims will be paid under this policy. c. Coverage limits on the reformed policy will be based upon the amount of premium submitted per type of coverage, but will not exceed the amount originally requested. 3. Discovery of Insufficient Premium or Rating Information. If we discover that your premium ***payment*** was not sufficient to buy the requested amount of coverage, the policy will be reformed as described in VII.D.2 You have the option of increasing the amount of coverage resulting from this reformation to the amount you requested as follows: a. Insufficient Premium. If we discover that your premium ***payment*** was not sufficient to buy the requested amount of coverage, we will send you, and any mortgagee or trustee known to us, a bill for the required additional premium for the current policy term (or that portion of the current policy term following any endorsement changing the amount of coverage). If it is discovered that the initial amount charged to you for any fees or surcharges is incorrect, the difference will be added or deducted, as applicable, to the total amount in this bill. (1) If you or the mortgagee or trustee pays the additional premium amount due within 30 days from the date of our bill, we will reform the policy to increase the amount of coverage to the originally requested amount, effective to the beginning of the current policy term (or subsequent date of any endorsement changing the amount of coverage). (2) If you or the mortgagee or trustee do not pay the additional amount due within 30 days of the date of our bill, any flood insurance claim will be settled based on the reduced amount of coverage. (3) As applicable, you have the option of paying all or part of the amount due out of a claim ***payment*** based on the originally requested amount of coverage. b. Insufficient Rating Information. If we determine that the rating information we have is insufficient and prevents us from calculating the additional premium, we will ask you to send the required information. You must submit the information within 60 days of our request. (1) If we receive the information within 60 days of our request, we will determine the amount of additional premium for the current policy term, and follow the procedure in VII.D.3.a above. (2) If we do not receive the information within 60 days of our request, no claims will be paid until the requested information is provided. Coverage will be limited to the amount of coverage that can be purchased for the ***payments*** we received, as determined when the requested information is provided. 4. Coverage Increases. If we do not receive the amounts requested in VII.D.3.a or the additional information requested in VII.D.3.b by the date it is due, the amount of coverage under this policy can only be increased by endorsement subject to the appropriate waiting period. However, no coverage increases will be allowed until you have provided the information requested in VII.D.3.b 5. Falsifying Information. However, if we find that you or your agent intentionally did not tell us, or falsified any important fact or circumstance or did anything fraudulent relating to this insurance, the provisions of VIII.A apply. E. Policy Renewal 1. This policy will expire at 12:01 a.m on the last day of the policy term. [[Page 32994]] 2. We must receive the ***payment*** of the appropriate renewal premium within 30 days of the expiration date. 3. If we find, however, that we did not place your renewal notice into the U.S Postal Service, or if we did mail it, we made a mistake, e.g , we used an incorrect, incomplete, or illegible address, which delayed its delivery to you before the due date for the renewal premium, then we will follow these procedures: a. If you or your agent notified us, not later than one ***year*** after the date on which the ***payment*** of the renewal premium was due, of non-receipt of a renewal notice before the due date for the renewal premium, and we determine that the circumstances in the preceding paragraph apply, we will mail a second bill providing a revised due date, which will be 30 days after the date on which the bill is mailed. b. If we do not receive the premium requested in the second bill by the revised due date, then we will not renew the policy. In that case, the policy will remain an expired policy as of the expiration date shown on the Declarations Page. 4. In connection with the renewal of this policy, we may ask you during the policy term to recertify, on a Recertification Questionnaire we will provide to you, the rating information used to rate your most recent application for or renewal of insurance. F. Conditions Suspending or Restricting Insurance We are not liable for loss that occurs while there is a hazard that is increased by any means within your control or knowledge. G. Requirements in Case of Loss In case of a flood loss to insured property, you must: 1. Give prompt written notice to us; 2. As soon as reasonably possible, separate the damaged and undamaged property, putting it in the best possible order so that we may examine it; 3. Prepare an inventory of damaged property showing the quantity, description, actual cash value, and amount of loss. Attach all bills, receipts, and related documents; 4. Within 60 days after the loss, send us a proof of loss, which is your statement of the amount you are claiming under the policy signed and sworn to by you, and which furnishes us with the following information: a. The date and time of loss; b. A brief explanation of how the loss happened; c. Your interest (for example, ``owner'') and the interest, if any, of others in the damaged property; d. Details of any other insurance that may cover the loss; e. Changes in title or occupancy of the insured property during the term of the policy; f. Specifications of damaged buildings and detailed repair estimates; g. Names of mortgagees or anyone else having a lien, charge, or claim against the insured property; h. Details about who occupied any insured building at the time of loss and for what purpose; and i. The inventory of damaged personal property described in G.3 above. 5. In completing the proof of loss, you must use your own judgment concerning the amount of loss and justify that amount. 6. You must cooperate with the adjuster or representative in the investigation of the claim. 7. The insurance adjuster whom we hire to investigate your claim may furnish you with a proof of loss form, and she or he may help you complete it. However, this is a matter of courtesy only, and you must still send us a proof of loss within 60 days after the loss even if the adjuster does not furnish the form or help you complete it. 8. We have not authorized the adjuster to approve or disapprove claims or to tell you whether we will approve your claim. 9. At our option, we may accept the adjuster's report of the loss instead of your proof of loss. The adjuster's report will include information about your loss and the damages you sustained. You must sign the adjuster's report. At our option, we may require you to swear to the report. H. Our Options After a Loss Options we may, in our sole discretion, exercise after loss include the following: 1. At such reasonable times and places that we may designate, you must: a. Show us or our representative the damaged property; b. Submit to examination under oath, while not in the presence of another insured, and sign the same; and c. Permit us to examine and make extracts and copies of: (1) Any policies of property insurance insuring you against loss and the deed establishing your ownership of the insured real property; (2) Condominium association documents including the Declarations of the condominium, its Articles of Association or Incorporation, Bylaws, rules and regulations, and other relevant documents if you are a unit owner in a condominium building; and (3) All books of accounts, bills, invoices and other vouchers, or certified copies pertaining to the damaged property if the originals are lost. 2. We may request, in writing, that you furnish us with a complete inventory of the lost, damaged or destroyed property, including: a. Quantities and costs; b. Actual cash values or replacement cost (whichever is appropriate); c. Amounts of loss claimed; d. Any written plans and specifications for repair of the damaged property that you can reasonably make available to us; and e. Evidence that prior flood damage has been repaired. 3. If we give you written notice within 30 days after we receive your signed, sworn proof of loss, we may: a. Repair, rebuild, or replace any part of the lost, damaged, or destroyed property with material or property of like kind and quality or its functional equivalent; and b. Take all or any part of the damaged property at the value that we agree upon or its appraised value. I. No Benefit to Bailee No person or organization, other than you, having custody of insured property will benefit from this insurance. J. Loss ***Payment*** 1. We will adjust all losses with you. We will pay you unless some other person or entity is named in the policy or is legally entitled to receive ***payment***. Loss will be payable 60 days after we receive your proof of loss (or within 90 days after the insurance adjuster files the adjuster's report signed and sworn to by you in lieu of a proof of loss) and: a. We reach an agreement with you; b. There is an entry of a final judgment; or c. There is a filing of an appraisal award with us, as provided in VII.M 2. If we reject your proof of loss in whole or in part you may: a. Accept our denial of your claim; b. Exercise your rights under this policy; or c. File an amended proof of loss as long as it is filed within 60 days of the date of the loss. K. Abandonment You may not abandon to us damaged or undamaged property insured under this policy. L. Salvage We may permit you to keep damaged property insured under this policy after a loss, and we will reduce the amount of the loss proceeds payable to you under the policy by the value of the salvage. M. Appraisal If you and we fail to agree on the actual cash value or, if applicable, replacement cost of your damaged property to settle upon the amount of loss, then either may demand an appraisal of the loss. In this event, you and we will each choose a competent and impartial appraiser within 20 days after receiving a written request from the other. The two appraisers will choose an umpire. If they cannot agree upon an umpire within 15 days, you or we may request that the choice be made by a judge of a court of record in the state where the insured property is located. The appraisers will separately state the actual cash value, the replacement cost, and the amount of loss to each item. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of actual cash value and loss, or if it applies, the replacement cost and loss. Each party will: 1. Pay its own appraiser; and 2. Bear the other expenses of the appraisal and umpire equally. N. Mortgage Clause 1. The word ``mortgagee'' includes trustee. 2. Any loss payable under Coverage A--Building Property will be paid to any mortgagee of whom we have actual notice, as well as any other mortgagee or loss payee determined to exist at the time of loss, and [[Page 32995]] you, as interests appear. If more than one mortgagee is named, the order of ***payment*** will be the same as the order of precedence of the mortgages. 3. If we deny your claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee: a. Notifies us of any change in the ownership or occupancy, or substantial change in risk of which the mortgagee is aware; b. Pays any premium due under this policy on demand if you have neglected to pay the premium; and c. Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so. 4. All of the terms of this policy apply to the mortgagee. 5. The mortgagee has the right to receive loss ***payment*** even if the mortgagee has started foreclosure or similar action on the building. 6. If we decide to cancel or not renew this policy, it will continue in effect for the benefit of the mortgagee only for 30 days after we notify the mortgagee of the cancellation or non-renewal. 7. If we pay the mortgagee for any loss and deny ***payment*** to you, we are subrogated to all the rights of the mortgagee granted under the mortgage on the property. Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim. O. Suit Against Us You may not sue us to recover money under this policy unless you have complied with all the requirements of the policy. If you do sue, you must start the suit within one ***year*** after the date of the written denial of all or part of the claim, and you must file the suit in the United States District Court of the district in which the insured property was located at the time of loss. This requirement applies to any claim that you may have under this policy and to any dispute that you may have arising out of the handling of any claim under the policy. P. Subrogation Whenever we make a ***payment*** for a loss under this policy, we are subrogated to your right to recover for that loss from any other person. That means that your right to recover for a loss that was partly or totally caused by someone else is automatically ***transferred*** to us, to the extent that we have paid you for the loss. We may require you to acknowledge this ***transfer*** in writing. After the loss, you may not give up our right to recover this money or do anything that would prevent us from recovering it. If you make any claim against any person who caused your loss and recover any money, you must pay us back first before you may keep any of that money. Q. Continuous Lake Flooding 1. If an insured building has been flooded by rising lake waters continuously for 90 days or more and it appears reasonably certain that a continuation of this flooding will result in an insured loss to the insured building equal to or greater than the building policy limits plus the deductible or the maximum payable under the policy for any one building loss, we will pay you the lesser of these two amounts without waiting for the further damage to occur if you sign a release agreeing: a. To make no further claim under this policy; b. Not to seek renewal of this policy; c. Not to apply for any flood insurance under the Act for property at the described location; d. Not to seek a premium refund for current or prior terms. If the policy term ends before the insured building has been flooded continuously for 90 days, the provisions of this paragraph Q.1 will apply when the insured building suffers a covered loss before the policy term ends. 2. If your insured building is subject to continuous lake flooding from a closed basin lake, you may elect to file a claim under either paragraph Q.1 above or Q.2 (A ``closed basin lake'' is a natural lake from which water leaves primarily through evaporation and whose surface area now exceeds or has exceeded one square mile at any time in the recorded past. Most of the nation's closed basin lakes are in the western half of the United States where annual evaporation exceeds annual precipitation and where lake levels and surface areas are subject to considerable fluctuation due to wide variations in the climate. These lakes may overtop their basins on rare occasions.) Under this paragraph Q.2, we will pay your claim as if the building is a total loss even though it has not been continuously inundated for 90 days, subject to the following conditions: a. Lake floodwaters must damage or imminently threaten to damage your building. b. Before approval of your claim, you must: (1) Agree to a claim ***payment*** that reflects your buying back the salvage on a negotiated basis; and (2) Grant the conservation easement described in FEMA's ``Policy Guidance for Closed Basin Lakes'' to be recorded in the office of the local recorder of deeds. FEMA, in consultation with the community in which the property is located, will identify on a map an area or areas of special consideration (ASC) in which there is a potential for flood damage from continuous lake flooding. FEMA will give the community the agreed-upon map showing the ASC. This easement will only apply to that portion of the property in the ASC. It will allow certain ***agricultural*** and recreational uses of the land. The only structures it will allow on any portion of the property within the ASC are certain simple ***agricultural*** and recreational structures. If any of these allowable structures are insurable buildings under the NFIP and are insured under the NFIP, they will not be eligible for the benefits of this paragraph Q.2 If a U.S Army Corps of Engineers certified flood control project or otherwise certified flood control project later protects the property, FEMA will, upon request, amend the ASC to remove areas protected by those projects. The restrictions of the easement will then no longer apply to any portion of the property removed from the ASC; and (3) Comply with paragraphs Q.1.a through Q.1.d above. c. Within 90 days of approval of your claim, you must move your building to a new location outside the ASC. FEMA will give you an additional 30 days to move if you show there is sufficient reason to extend the time. d. Before the final ***payment*** of your claim, you must acquire an elevation certificate and a floodplain development permit from the local floodplain administrator for the new location of your building. e. Before the approval of your claim, the community having jurisdiction over your building must: (1) Adopt a permanent land use ordinance, or a temporary moratorium for a period not to exceed 6 months to be followed immediately by a permanent land use ordinance that is consistent with the provisions specified in the easement required in paragraph Q.2.b above. (2) Agree to declare and report any violations of this ordinance to FEMA so that under Section 1316 of the National Flood Insurance Act of 1968, as amended, flood insurance to the building can be denied; and (3) Agree to maintain as deed-restricted, for purposes compatible with open space or ***agricultural*** or recreational use only, any affected property the community acquires an interest in. These deed restrictions must be consistent with the provisions of paragraph Q.2.b above, except that, even if a certified project protects the property, the land use restrictions continue to apply if the property was acquired under the Hazard Mitigation Grant ***Program*** or the Flood Mitigation Assistance ***Program***. If a non-profit land trust organization receives the property as a donation, that organization must maintain the property as deed-restricted, consistent with the provisions of paragraph Q2.b above. f. Before the approval of your claim, the affected State must take all action set forth in FEMA's ``Policy Guidance for Closed Basin Lakes.'' g. You must have NFIP flood insurance coverage continuously in effect from a date established by FEMA until you file a claim under paragraph Q.2 If a subsequent owner buys NFIP insurance that goes into effect within 60 days of the date of ***transfer*** of title, any gap in coverage during that 60-day period will not be a violation of this continuous coverage requirement. For the purpose of honoring a claim under this paragraph Q.2, we will not consider to be in effect any increased coverage that became effective after the date established by FEMA. The exception to this is any in-creased coverage in the amount suggested by your insurer as an inflation adjustment. h. This paragraph Q.2 will be in effect for a community when the FEMA Regional Administrator for the affected region provides to the community, in writing, the following: (1) Confirmation that the community and the State are in compliance with the conditions in paragraphs Q.2.e and Q.2.f above, and (2) The date by which you must have flood insurance in effect. [[Page 32996]] R. Loss Settlement 1. Introduction This policy provides three methods of settling losses: Replacement Cost, Special Loss Settlement, and Actual Cash Value. Each method is used for a different type of property, as explained in paragraphs a-c below. a. Replacement Cost Loss Settlement, described in R.2 below, applies to a single family dwelling provided: (1) It is your principal residence and (2) At the time of loss, the amount of insurance in this policy that applies to the dwelling is 80 percent or more of its full replacement cost immediately before the loss, or is the maximum amount of insurance available under the NFIP. b. Special Loss Settlement, described in R.3 below, applies to a single family dwelling that is a manufactured or mobile home or a travel trailer. c. Actual Cash Value loss settlement applies to a single family dwelling not subject to replacement cost or special loss settlement, and to the property listed in R.4 below. 2. Replacement Cost Loss Settlement The following loss settlement conditions apply to a single- family dwelling described in R.1.a above: a. We will pay to repair or replace the damaged dwelling after application of the deductible and without deduction for depreciation, but not more than the least of the following amounts: (1) The building limit of liability shown on your Declarations Page; (2) The replacement cost of that part of the dwelling damaged, with materials of like kind and quality and for like use; or (3) The necessary amount actually spent to repair or replace the damaged part of the dwelling for like use. b. If the dwelling is rebuilt at a new location, the cost described above is limited to the cost that would have been incurred if the dwelling had been rebuilt at its former location. c. When the full cost of repair or replacement is more than $1,000, or more than 5 percent of the whole amount of insurance that applies to the dwelling, we will not be liable for any loss under R.2.a above or R.4.a.2 below unless and until actual repair or replacement is completed. d. You may disregard the replacement cost conditions above and make claim under this policy for loss to dwellings on an actual cash value basis. You may then make claim for any additional liability according to R.2.a, b, and c above, provided you notify us of your intent to do so within 180 days after the date of loss. e. If the community in which your dwelling is located has been converted from the Emergency ***Program*** to the Regular ***Program*** during the current policy term, then we will consider the maximum amount of available NFIP insurance to be the amount that was available at the beginning of the current policy term. 3. Special Loss Settlement a. The following loss settlement conditions apply to a single family dwelling that: (1) is a manufactured or mobile home or a travel trailer, as defined in II.C.6.b and c, (2) is at least 16 feet wide when fully assembled and has an area of at least 600 square feet within its perimeter walls when fully assembled, and (3) is your principal residence as specified in R.1.a.1 above. b. If such a dwelling is totally destroyed or damaged to such an extent that, in our judgment, it is not economically feasible to repair, at least to its pre-damage condition, we will, at our discretion pay the least of the following amounts: (1) The lesser of the replacement cost of the dwelling or 1.5 times the actual cash value, or (2) The building limit of liability shown on your Declarations Page. c. If such a dwelling is partially damaged and, in our judgment, it is economically feasible to repair it to its pre-damage condition, we will settle the loss according to the Replacement Cost conditions in R.2 above. 4. Actual Cash Value Loss Settlement The types of property noted below are subject to actual cash value (or in the case of R.4.a.2 , below, proportional) loss settlement. a. A dwelling, at the time of loss, when the amount of insurance on the dwelling is both less than 80 percent of its full replacement cost immediately before the loss and less than the maximum amount of insurance available under the NFIP. In that case, we will pay the greater of the following amounts, but not more than the amount of insurance that applies to that dwelling: (1) The actual cash value, as defined in II.C.2, of the damaged part of the dwelling; or (2) A proportion of the cost to repair or replace the damaged part of the dwelling, without deduction for physical depreciation and after application of the deductible. This proportion is determined as follows: If 80 percent of the full replacement cost of the dwelling is less than the maximum amount of insurance available under the NFIP, then the proportion is determined by dividing the actual amount of insurance on the dwelling by the amount of insurance that represents 80 percent of its full replacement cost. But if 80 percent of the full replacement cost of the dwelling is greater than the maximum amount of insurance available under the NFIP, then the proportion is determined by dividing the actual amount of insurance on the dwelling by the maximum amount of insurance available under the NFIP. b. A two-, three-, or four-family dwelling. c. A unit that is not used exclusively for single-family dwelling purposes. d. Detached garages. e. Personal property. f. Appliances, carpets, and carpet pads. g. Outdoor awnings, outdoor antennas or aerials of any type, and other outdoor equipment. h. Any property insured under this policy that is abandoned after a loss and remains as debris anywhere on the described location. i. A dwelling that is not your principal residence. 5. Amount of Insurance Required To determine the amount of insurance required for a dwelling immediately before the loss, we do not include the value of: a. Footings, foundations, piers, or any other structures or devices that are below the undersurface of the lowest basement floor and support all or part of the dwelling; b. Those supports listed in R.5.a above, that are below the surface of the ground inside the foundation walls if there is no basement; and c. Excavations and underground flues, pipes, wiring, and drains. Note: The Coverage D--Increased Cost of Compliance limit of liability is not included in the determination of the amount of insurance required. VIII. Policy Nullification, Cancellation, and Non-Renewal A. Policy Nullification for Fraud, Misrepresentation, or Making False Statements 1. With respect to all insureds under this policy, this policy is void and has no legal force and effect if at any time, before or after a loss, you or any other insured or your agent have, with respect to this policy or any other NFIP insurance: a. Concealed or misrepresented any material fact or circumstance; b. Engaged in fraudulent conduct; or c. Made false statements. 2. Policies voided under A.1 cannot be renewed or replaced by a new NFIP policy. 3. Policies are void as of the date the acts described in A.1 above were committed. 4. Fines, civil penalties, and imprisonment under applicable Federal laws may also apply to the acts of fraud or concealment described above. B. Policy Nullification for Reasons Other Than Fraud 1. This policy is void from its inception, and has no legal force or effect, if: a. The property listed on the application is located in a community that was not participating in the NFIP on this policy's inception date and did not join or reenter the ***program*** during the policy term and before the loss occurred; b. The property listed on the application is otherwise not eligible for coverage under the NFIP at the time of the initial application; c. You never had an insurable interest in the property listed on the application; d. You provided an agent with an application and ***payment***, but the ***payment*** did not clear; or e. We receive notice from you, prior to the policy effective date, that you have determined not to take the policy and you are not subject a requirement to obtain and maintain flood insurance pursuant to any statute, regulation, or contract. 2. In such cases, you will be entitled to a full refund of all premium, fees, and surcharges received. However, if a claim was paid for a policy that is void, the claim ***payment*** must be returned to FEMA or offset from the premiums to be refunded before the refund will be processed. [[Page 32997]] C. Cancellation of the Policy by You 1. You may cancel this policy in accordance with the terms and conditions of this policy and the applicable rules and regulations of the NFIP. 2. If you cancel this policy, you may be entitled to a full or partial refund of premium, surcharges, or fees under the terms and conditions of this policy and the applicable rules and regulations of the NFIP. D. Cancellation of the Policy by Us 1. Cancellation for Underpayment of Amounts Owed on Policy. This policy will be cancelled, pursuant to VII.D.2, if it is determined that the premium amount you paid is not sufficient to buy any amount of coverage, and you do not pay the additional amount of premium owed to increase the coverage to the originally requested amount within the required time period. 2. Cancellation Due to Lack of an Insurable Interest. a. If you no longer have an insurable interest in the insured property, we will cancel this policy. You will cease to have an insurable interest if: (1) For building coverage, the building was sold, destroyed, or removed. (2) For contents coverage, the contents were sold or ***transferred*** ownership, or the contents were completely removed from the described location. b. If your policy is cancelled for this reason, you may be entitled to a partial refund of premium under the applicable rules and regulations of the NFIP. 3. Cancellation of Duplicate Policies. a. Except as allowed under Article I.G, your property may not be insured by more than one NFIP policy, and ***payment*** for damages to your property will only be made under one policy. b. Except as allowed under Article I.G, if the property is insured by more than one NFIP policy, we will cancel all but one of the policies. The policy, or policies, will be selected for cancellation in accordance with 44 CFR 62.5 and the applicable rules and guidance of the NFIP. c. If this policy is cancelled pursuant to VIII.D.4.b, you may be entitled to a full or partial refund of premium, surcharges, or fees under the terms and conditions of this policy and the applicable rules and regulations of the NFIP. 4. Cancellation Due to Physical Alteration of Property. a. If the insured building has been physically altered in such a manner that it is no longer eligible for flood insurance coverage, we will cancel this policy. b. If your policy is cancelled for this reason, you may be entitled to a partial refund of premium under the terms and conditions of this policy and the applicable rules and regulations of the NFIP. E. Non-Renewal of the Policy by Us Your policy will not be renewed if: 1. The community where your insured property is located is suspended or stops participating in the NFIP; 2. Your building is otherwise ineligible for flood insurance under the Act; 3. You have failed to provide the information we requested for the purpose of rating the policy within the required deadline. IX. Liberalization Clause If we make a change that broadens your coverage under this edition of our policy, but does not re-quire any additional premium, then that change will automatically apply to your insurance as of the date we implement the change, provided that this implementation date falls within 60 days before or during the policy term stated on the Declarations Page. X. What Law Governs This policy and all disputes arising from the insurer's policy issuance, policy administration, or the handling of any claim under the policy are governed exclusively by the flood insurance regulations issued by FEMA, the National Flood Insurance Act of 1968, as amended (42 U.S.C 4001, et seq.), and Federal common law. In Witness Whereof, we have signed this policy below and hereby enter into this Insurance Agreement. Administrator, Federal Insurance and Mitigation Administration 0 13. Revise Appendix A(2) to Part 61 to read as follows: Appendix A(2) to Part 61 Federal Emergency Management Agency, Federal Insurance and Mitigation Administration Standard Flood Insurance Policy GENERAL PROPERTY FORM Please read the policy carefully. The flood insurance provided is subject to limitations, restrictions, and exclusions. I. Agreement A. Coverage Under This Policy. 1. Except as provided in I.A.2, this policy provides coverage for multifamily buildings (residential buildings designed for use by 5 or more families that are not condominmum buildings), non- residential buildings, and their contents. 2. There is no coverage for a residential condominium building in a regular ***program*** community, except for personal property coverage for a unit in a condominium building. B. The Federal Emergency Management Agency (FEMA) provides flood insurance under the terms of the National Flood Insurance Act of 1968 and its amendments, and Title 44 of the Code of Federal Regulations. C. We will pay you for direct physical loss by or from flood to your insured property if you: 1. Have paid the full amount due (including applicable premiums, surcharges, and fees); 2. Comply with all terms and conditions of this policy; and 3. Have furnished accurate information and statements. D. We have the right to review the information you give us at any time and revise your policy based on our review. E. This policy insures only one building. If you own more than one building, coverage will apply to the single building specifically described in the Flood Insurance Application. F. Multiple policies with building coverage cannot be issued to insure a single building to one insured or to different insureds, even if issued through different NFIP insurers. ***Payment*** for damages may only be made under a single policy for building damages under Coverage A--Building Property. II. Definitions A. In this policy, ``you'' and ``your'' refer to the named insured(s) shown on the Declarations Page of this policy and the spouse of the named insured, if a resident of the same household. Insured(s) also includes: Any mortgagee and loss payee named in the Application and Declarations Page, as well as any other mortgagee or loss payee determined to exist at the time of loss, in the order of precedence. ``We,'' ``us,'' and ``our'' refer to the insurer. Some definitions are complex because they are provided as they appear in the law or regulations, or result from court cases. B. Flood, as used in this flood insurance policy, means: 1. A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (one of which is your property) from: a. Overflow of inland or tidal waters, b. Unusual and rapid accumulation or runoff of surface waters from any source, c. Mudflow 2. Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined in B.1.a above. C. The following are the other key definitions we use in this policy: 1. Act. The National Flood Insurance Act of 1968 and any amendments to it. 2. Actual Cash Value. The cost to replace an insured item of property at the time of loss, less the value of its physical depreciation. 3. Application. The statement made and signed by you or your agent in applying for this policy. The application gives information we use to determine the eligibility of the risk, the kind of policy to be issued, and the correct premium ***payment***. The application is part of this flood insurance policy. 4. Base Flood. A flood having a one percent chance of being equaled or exceeded in any given ***year***. 5. Basement. Any area of a building, including any sunken room or sunken portion of a room, having its floor below ground level on all sides. 6. Building. a. A structure with two or more outside rigid walls and a fully secured roof, that is affixed to a permanent site; b. A manufactured home, also known as a mobile home, is a structure built on a permanent chassis, transported to its site in one or more sections, and affixed to a permanent foundation); or c. A travel trailer without wheels, built on a chassis and affixed to a permanent [[Page 32998]] foundation, that is regulated under the community's floodplain management and building ordinances or laws. Building does not mean a gas or liquid storage tank, shipping container, or a recreational vehicle, park trailer, or other similar vehicle, except as described in C.6.c above. 7. Cancellation. The ending of the insurance coverage provided by this policy before the expiration date. 8. Condominium. That form of ownership of one or more buildings in which each unit owner has an undivided interest in common elements. 9. Condominium Association. The entity made up of the unit owners responsible for the maintenance and operation of: a. Common elements owned in undivided shares by unit owners; and b. Other buildings in which the unit owners have use rights where membership in the entity is a required condition of unit ownership. 10. Condominium Building. A type of building for which the form of ownership is one in which each unit owner has an undivided interest in common elements of the building. 11. Declarations Page. A computer-generated summary of information you provided in your application for insurance. The Declarations Page also describes the term of the policy, limits of coverage, and displays the premium and our name. The Declarations Page is a part of this flood insurance policy. 12. Deductible. The fixed amount of an insured loss that is your responsibility and that is incurred by you before any amounts are paid for the insured loss under this policy. 13. Described Location. The location where the insured building(s) or personal property are found. The described location is shown on the Declarations Page. 14. Direct Physical Loss By or From Flood. Loss or damage to insured property, directly caused by a flood. There must be evidence of physical changes to the property. 15. Elevated Building. A building that has no basement and that has its lowest elevated floor raised above ground level by foundation walls, shear walls, posts, piers, pilings, or columns. 16. Emergency ***Program***. The initial phase of a community's participation in the National Flood Insurance ***Program***. During this phase, only limited amounts of insurance are available under the Act and the regulations prescribed pursuant to the Act. 17. Federal Policy Fee. A flat rate charge you must pay on each new or renewal policy to defray certain administrative expenses incurred in carrying out the National Flood Insurance ***Program***. 18. Improvements. Fixtures, alterations, installations, or additions comprising a part of the dwelling or apartment in which you reside. 19. Mudflow. A river of liquid and flowing mud on the surface of normally dry land areas, as when earth is carried by a current of water. Other earth movements, such as landslide, slope failure, or a saturated soil mass moving by liquidity down a slope, are not mudflows. 20. National Flood Insurance ***Program*** (NFIP). The ***program*** of flood insurance coverage and floodplain management administered under the Act and applicable Federal regulations in Title 44 of the Code of Federal Regulations, Subchapter B. 21. Policy. The entire written contract between you and us. It includes: a. This printed form; b. The application and Declarations Page; c. Any endorsement(s) that may be issued; and d. Any renewal certificate indicating that coverage has been instituted for a new policy and new policy term. Only one building, which you specifically described in the application, may be insured under this policy. 22. Pollutants. Substances that include, but are not limited to, any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, and waste. ``Waste'' includes, but is not limited to, materials to be recycled, reconditioned, or reclaimed. 23. Post-FIRM Building. A building for which construction or substantial improvement occurred after December 31, 1974, or on or after the effective date of an initial Flood Insurance Rate Map (FIRM), whichever is later. 24. Probation Surcharge. A flat charge you must pay on each new or renewal policy issued covering property in a community the NFIP has placed on probation under the provisions of 44 CFR 59.24 25. Regular ***Program***. The final phase of a community's participation in the National Flood Insurance ***Program***. In this phase, a Flood Insurance Rate Map is in effect and full limits of coverage are available under the Act and the regulations prescribed pursuant to the Act. 26. Residential Condominium Building. A condominium building, containing one or more family units and in which at least 75 percent of the floor area is residential. 27. Special Flood Hazard Area (SFHA). An area having special flood or mudflow, and/or flood-related erosion hazards, and shown on a Flood Hazard Boundary Map or Flood Insurance Rate Map as Zone A, AO, A1-A30, AE, A99, AH, AR, AR/A, AR/AE, AR/AH, AR/AO, AR/A1-A30, V1-V30, VE, or V. 28. Stock means merchandise held in storage or for sale, raw materials, and in-process or finished goods, including supplies used in their packing or shipping. Stock does not include any property not covered under Section IV. Property Not Covered, except the following: a. Parts and equipment for self-propelled vehicles; b. Furnishings and equipment for watercraft; c. Spas and hot-tubs, including their equipment; and d. Swimming pool equipment. 29. Unit. A single-family residential or non-residential space you own in a condominium building. 30. Valued Policy. A policy in which the insured and the insurer agree on the value of the property insured, that value being payable in the event of a total loss. The Standard Flood Insurance Policy is not a valued policy. III. Property Covered A. Coverage A--Building Property We insure against direct physical loss by or from flood to: 1. The building described on the Declarations Page at the described location. If the building is a condominium building and the named insured is the condominium association, Coverage A includes all units within the building and the improvements within the units, provided the units are owned in common by all unit owners. 2. Building property located at another location for a period of 45 days at another location, as set forth in III.C.2.b, Property Removed to Safety. 3. Additions and extensions attached to and in contact with the building by means of a rigid exterior wall, a solid load-bearing interior wall, a stairway, an elevated walkway, or a roof. At your option, additions and extensions connected by any of these methods may be separately insured. Additions and extensions attached to and in contact with the building by means of a common interior wall that is not a solid load-bearing wall are always considered part of the building and cannot be separately insured. 4. The following fixtures, machinery, and equipment, which are insured under Coverage A only: a. Awnings and canopies; b. Blinds; c. Carpet permanently installed over unfinished flooring; d. Central air conditioners; e. Elevator equipment; f. Fire extinguishing apparatus; g. Fire sprinkler systems; h. Walk-in freezers; i. Furnaces; j. Light fixtures; k. Outdoor antennas and aerials attached to buildings; l. Permanently installed cupboards, bookcases, paneling, and wallpaper; m. Pumps and machinery for operating pumps; n. Ventilating equipment; and o. Wall mirrors, permanently installed; p. In the units within the building, installed: (1) Built-in dishwashers; (2) Built-in microwave ovens; (3) Garbage disposal units; (4) Hot water heaters, including solar water heaters; (5) Kitchen cabinets; (6) Plumbing fixtures; (7) Radiators; (8) Ranges; (9) Refrigerators; and (10) Stoves. 5. Materials and supplies to be used for construction, alteration, or repair of the insured building while the materials and supplies are stored in a fully enclosed building at the described location or on an adjacent property. 6. A building under construction, alteration, or repair at the described location. a. If the structure is not yet walled or roofed as described in the definition for building (see II.B.6.a ) then coverage applies: [[Page 32999]] (1) Only while such work is in progress; or (2) If such work is halted, only for a period of up to 90 continuous days thereafter. b. However, coverage does not apply until the building is walled and roofed if the lowest floor, including the basement floor, of a non-elevated building or the lowest elevated floor of an elevated building is: (1) Below the base flood elevation in Zones AH, AE, A1-A30, AR, AR/AE, AR/AH, AR/A1-A30, AR/A, AR/AO; or (2) Below the base flood elevation adjusted to include the effect of wave action in Zones VE or V1-V30. The lowest floor level is based on the bottom of the lowest horizontal structural member of the floor in Zones VE or V1-V30 or the top of the floor in Zones AH, AE, A1-A30, AR, AR/AE, AR/AH, AR/ A1-A30, AR/A, and AR/AO. 7. A manufactured home or a travel trailer, as described in the II.C.6 If the manufactured home or travel trailer is in a special flood hazard area, it must be anchored in the following manner at the time of the loss: a. By over-the-top or frame ties to ground anchors; or b. In accordance with the manufacturer's specifications; or c. In compliance with the community's floodplain management requirements unless it has been continuously insured by the NFIP at the same described location since September 30, 1982. 8. Items of property below the lowest elevated floor of an elevated post-FIRM building located in zones A1-A30, AE, AH, AR, AR/ A, AR/AE, AR/AH, AR/A1-A30, V1-V30, or VE, or in a basement, regardless of the zone. Coverage is limited to the following: a. Any of the following items, if installed in their functioning locations and, if necessary for operation, connected to a power source: (1) Central air conditioners; (2) Cisterns and the water in them; (3) Drywall for walls and ceilings in a basement and the cost of labor to nail it, unfinished and unfloated and not taped, to the framing; (4) Electrical junction and circuit breaker boxes; (5) Electrical outlets and switches; (6) Elevators, dumbwaiters, and related equipment, except for related equipment installed below the base flood elevation after September 30, 1987; (7) Fuel tanks and the fuel in them; (8) Furnaces and hot water heaters; (9) Heat pumps; (10) Nonflammable insulation in a basement; (11) Pumps and tanks used in solar energy systems; (12) Stairways and staircases attached to the building, not separated from it by elevated walkways; (13) Sump pumps; (14) Water softeners and the chemicals in them, water filters, and faucets installed as an integral part of the plumbing system; (15) Well water tanks and pumps; (16) Required utility connections for any item in this list; and (17) Footings, foundations, posts, pilings, piers, or other foundation walls and anchorage systems required to support a building. b. Clean-up. B. Coverage B--Personal Property 1. If you have purchased personal property coverage, we insure, subject to B.2-4 below, against direct physical loss by or from flood to personal property inside the fully enclosed insured building: a. Owned solely by you, or in the case of a condominium, owned solely by the condominium association and used exclusively in the conduct of the business affairs of the condominium association; or b. Owned in common by the unit owners of the condominium association. 2. We also insure such personal property for 45 days while stored at a temporary location, as set forth in III.C.2.b, Property Removed to Safety. 3. When this policy covers personal property, coverage will be either for household personal property or other than household personal property, while within the insured building, but not both. a. If this policy covers household personal property, it will insure household personal property usual to a living quarters, that: (1) Belongs to you, or a member of your household, or at your option: (a) Your domestic worker; (b) Your guest; or (2) You may be legally liable for. b. If this policy covers other than household personal property, it will insure your: (1) Furniture and fixtures; (2) Machinery and equipment; (3) Stock; and (4) Other personal property owned by you and used in your business, subject to IV, Property Not Covered. 4. Coverage for personal property includes the following property, subject to B.1.a and B.1.b above, which is insured under Coverage B, only: a. Air conditioning units, portable or window type; b. Carpets, not permanently installed, over unfinished flooring; c. Carpets over finished flooring; d. Clothes washers and dryers; e. ``Cook-out'' grills; f. Food freezers, other than walk-in, and food in any freezer; g. Outdoor equipment and furniture stored inside the insured building; h. Ovens and the like; and i. Portable microwave ovens and portable dishwashers. 5. Coverage for items of property below the lowest elevated floor of an elevated post-FIRM building located in Zones A1-A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1-A30, V1-V30, or VE, or in a basement, regardless of the zone, is limited to the following items, if installed in their functioning locations and, if necessary for operation, connected to a power source: a. Air conditioning units, portable or window type; b. Clothes washers and dryers; and c. Food freezers, other than walk-in, and food in any freezer. 6. Special Limits. We will pay no more than $2,500 for any loss to one or more of the following kinds of personal property: a. Artwork, photographs, collectibles, or memorabilia, including but not limited to, porcelain or other figures, and sports cards; b. Rare books or autographed items; c. Jewelry, watches, precious and semi-precious stones, or articles of gold, silver, or platinum; d. Furs or any article containing fur that represents its principal value. 7. We will pay only for the functional value of antiques. 8. If you are a tenant, you may apply up to 10 percent of the Coverage B limit to improvements: a. Made a part of the building you occupy; and b. You acquired, or made at your expense, even though you cannot legally remove. This coverage does not increase the amount of insurance that applies to insured personal property. 9. If you are a condominium unit owner, you may apply up to 10 percent of the Coverage B limit to cover loss to interior: a. Walls, b. floors, and c. ceilings, that are not covered under a policy issued to the condominium association insuring the condominium building. This coverage does not increase the amount of insurance that applies to insured personal property. 10. If you are a tenant, personal property must be inside the fully enclosed building. C. Coverage C--Other Coverages 1. Debris Removal a. We will pay the expense to remove non-owned debris that is on or in insured property and debris of insured property anywhere. b. If you or a member of your household perform the removal work, the value of your work will be based on the Federal minimum wage. c. This coverage does not increase the Coverage A or Coverage B limit of liability. 2. Loss Avoidance Measures a. Sandbags, Supplies, and Labor (1) We will pay up to $1,000 for costs you incur to protect the insured building from a flood or imminent danger of flood, for the following: (a) Your reasonable expenses to buy: (i) Sandbags, including sand to fill them; (ii) Fill for temporary levees; (iii) Pumps; and (iv) Plastic sheeting and lumber used in connection with these items. (b) The value of work, at the Federal minimum wage, that you perform. (2) This coverage for Sandbags, Supplies and Labor only applies if damage to insured property by or from flood is imminent and the threat of flood damage is apparent enough to lead a person of common prudence to anticipate flood damage. One of the following must also occur: (a) A general and temporary condition of flooding in the area near the described [[Page 33000]] location must occur, even if the flood does not reach the building; or (b) A legally authorized official must issue an evacuation order or other civil order for the community in which the building is located calling for measures to preserve life and property from the peril of flood. This coverage does not increase the Coverage A or Coverage B limit of liability. b. Property Removed to Safety (1) We will pay up to $1,000 for the reasonable expenses you incur to move insured property to a place other than the described location that contains the property in order to protect it from flood or the imminent danger of flood. Reasonable expenses include the value of work, at the Federal minimum wage, you or a member of your household perform. (2) If you move insured property to a location other than the described location that contains the property, in order to protect it from flood or the imminent danger of flood, we will cover such property while at that location for a period of 45 consecutive days from the date you begin to move it there. The personal property that is moved must be placed in a fully enclosed building or otherwise reasonably protected from the elements. (3) Any property removed, including a moveable home described in II.6, must be placed above ground level or outside of the special flood hazard area. (4) This coverage does not increase the Coverage A or Coverage B limit of liability. 3. Pollution Damage We will pay for damage caused by pollutants to covered property if the discharge, seepage, migration, release, or escape of the pollutants is caused by or results from flood. The most we will pay under this coverage is $10,000. This coverage does not increase the Coverage A or Coverage B limits of liability. Any ***payment*** under this provision when combined with all other ***payments*** for the same loss cannot exceed the replacement cost or actual cash value, as appropriate, of the covered property. This coverage does not include the testing for or monitoring of pollutants unless required by law or ordinance. D. Coverage D--Increased Cost of Compliance 1. General. This policy pays you to comply with a State or local floodplain management law or ordinance affecting repair or reconstruction of a building suffering flood damage. Compliance activities eligible for ***payment*** are: Elevation, floodproofing, relocation, or demolition (or any combination of these activities) of your building. Eligible floodproofing activities are limited to: a. Non-residential buildings. b. Residential buildings with basements that satisfy FEMA's standards published in the Code of Federal Regulations [44 CFR 60.6(b) or (c)]. 2. Limits of Liability. We will pay you up to $30,000 under this Coverage D (Increased Cost of Compliance), which only applies to policies with building coverage (Coverage A). Our ***payment*** of claims under Coverage D is in addition to the amount of coverage which you selected on the application and which appears on the Declarations Page. However, the maximum you can collect under this policy for both Coverage A (Building Property) and Coverage D (Increased Cost of Compliance) cannot exceed the maximum permitted under the Act. We do NOT charge a separate deductible for a claim under Coverage D. 3. Eligibility. a. A building covered under Coverage A (Building Property) sustaining a loss caused by a flood as defined by this policy must: (1) Be a ``repetitive loss building.'' A repetitive loss building is one that meets the following conditions: (a) The building is insured by a contract of flood insurance issued under the NFIP. (b) The building has suffered flood damage on two occasions during a 10-***year*** period which ends on the date of the second loss. (c) The cost to repair the flood damage, on average, equaled or exceeded 25 percent of the market value of the building at the time of each flood loss. (d) In addition to the current claim, the NFIP must have paid the previous qualifying claim, and the State or community must have a cumulative, substantial damage provision or repetitive loss provision in its floodplain management law or ordinance being enforced against the building; or (2) Be a building that has had flood damage in which the cost to repair equals or exceeds 50 percent of the market value of the building at the time of the flood. The State or community must have a substantial damage provision in its floodplain management law or ordinance being enforced against the building. b. This Coverage D pays you to comply with State or local floodplain management laws or ordinances that meet the minimum standards of the National Flood Insurance ***Program*** found in the Code of Federal Regulations at 44 CFR 60.3 We pay for compliance activities that exceed those standards under these conditions: (1) 3.a.1 above. (2) Elevation or floodproofing in any risk zone to preliminary or advisory base flood elevations provided by FEMA which the State or local government has adopted and is enforcing for flood-damaged buildings in such areas. (This includes compliance activities in B, C, X, or D zones which are being changed to zones with base flood elevations. This also includes compliance activities in zones where base flood elevations are being increased, and a flood-damaged building must comply with the higher advisory base flood elevation.) Increased Cost of Compliance coverage does not apply to situations in B, C, X, or D zones where the community has derived its own elevations and is enforcing elevation or floodproofing requirements for flood-damaged buildings to elevations derived solely by the community. (3) Elevation or floodproofing above the base flood elevation to meet State or local ``free-board'' requirements, i.e , that a building must be elevated above the base flood elevation. c. Under the minimum NFIP criteria at 44 CFR 60.3(b)(4), States and communities must require the elevation or floodproofing of buildings in unnumbered A zones to the base flood elevation where elevation data is obtained from a Federal, State, or other source. Such compliance activities are also eligible for Coverage D. d. This coverage will pay for the incremental cost, after demolition or relocation, of elevating or floodproofing a building during its rebuilding at the same or another site to meet State or local floodplain management laws or ordinances, subject to the exclusion at III.D.5.g e. This coverage will pay to bring a flood-damaged building into compliance with State or local floodplain management laws or ordinances even if the building had received a variance before the present loss from the applicable floodplain management requirements. 4. Conditions. a. When a building insured under Coverage A--Building Property sustains a loss caused by a flood, our ***payment*** for the loss under this Coverage D will be for the increased cost to elevate, floodproof, relocate, or demolish (or any combination of these activities) caused by the enforcement of current State or local floodplain management ordinances or laws. Our ***payment*** for eligible demolition activities will be for the cost to demolish and clear the site of the building debris or a portion thereof caused by the enforcement of current State or local floodplain management ordinances or laws. Eligible activities for the cost of clearing the site will include those necessary to discontinue utility service to the site and ensure proper abandonment of on-site utilities. b. When the building is repaired or rebuilt, it must be intended for the same occupancy as the present building unless otherwise required by current floodplain management ordinances or laws. 5. Exclusions. Under this Coverage D (Increased Cost of Compliance), we will not pay for: a. The cost to comply with any floodplain management law or ordinance in communities participating in the Emergency ***Program***. b. The cost associated with enforcement of any ordinance or law that requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of pollutants. c. The loss in value to any insured building due to the requirements of any ordinance or law. d. The loss in residual value of the undamaged portion of a building demolished as a consequence of enforcement of any State or local floodplain management law or ordinance. e. Any Increased Cost of Compliance under this Coverage D: (1) Until the building is elevated, floodproofed, demolished, or relocated on the same or to another premises; and (2) Unless the building is elevated, floodproofed, demolished, or relocated as soon as reasonably possible after the loss, not to exceed two ***years***. f. Any code upgrade requirements, e.g , plumbing or electrical wiring, not [[Page 33001]] specifically related to the State or local floodplain management law or ordinance. g. Any compliance activities needed to bring additions or improvements made after the loss occurred into compliance with State or local floodplain management laws or ordinances. h. Loss due to any ordinance or law that you were required to comply with before the current loss. i. Any rebuilding activity to standards that do not meet the NFIP's minimum requirements. This includes any situation where the insured has received from the State or community a variance in connection with the current flood loss to rebuild the property to an elevation below the base flood elevation. j. Increased Cost of Compliance for a garage or carport. k. Any building insured under an NFIP Group Flood Insurance Policy. l. Assessments made by a condominium association on individual condominium unit owners to pay increased costs of repairing commonly owned buildings after a flood in compliance with State or local floodplain management ordinances or laws. 6. Other Provisions. All other conditions and provisions of the policy apply. IV. Property not Covered We do not insure any of the following property: 1. Personal property not inside the fully enclosed building; 2. A building, and personal property in it, located entirely in, on, or over water or seaward of mean high tide if it was constructed or substantially improved after September 30, 1982; 3. Open structures, including a building used as a boathouse or any structure or building into which boats are floated, and personal property located in, on, or over water; 4. Recreational vehicles other than travel trailers described in the II.C.6.c, whether affixed to a permanent foundation or on wheels; 5. Self-propelled vehicles or machines, including their parts and equipment. However, we do cover self-propelled vehicles or machines not licensed for use on public roads and are: a. Used mainly to service the described location; or b. Designed and used to assist handicapped persons, while the vehicles or machines are inside a building at the described location; 6. Land, land values, lawns, trees, shrubs, plants, growing crops, or animals; 7. Accounts, bills, coins, currency, deeds, evidences of debt, medals, money, scrip, stored value cards, postage stamps, securities, bullion, manuscripts, or other valuable papers; 8. Underground structures and equipment, including wells, septic tanks, and septic systems; 9. Those portions of walks, walkways, decks, driveways, patios, and other surfaces, all whether protected by a roof or not, located outside the perimeter, exterior walls of the insured building; 10. Containers, including related equipment, such as, but not limited to, tanks containing gases or liquids; 11. Buildings or units and all their contents if more than 49 percent of the actual cash value of the building is below ground, unless the lowest level is at or above the base flood elevation and is be-low ground by reason of earth having been used as insulation material in conjunction with energy efficient building techniques; 12. Fences, retaining walls, seawalls, bulkheads, wharves, piers, bridges, and docks; 13. Aircraft or watercraft, or their furnishings and equipment; 14. Hot tubs and spas that are not bathroom fixtures, and swimming pools, and their equipment, such as, but not limited to, heaters, filters, pumps, and pipes, wherever located; 15. Property not eligible for flood insurance pursuant to the provisions of the Coastal Barrier Resources Act and the Coastal Barrier Improvement Act and amendments to these Acts; 16. Personal property owned by or in the care, custody or control of a unit owner, except for property of the type and under the circumstances set forth under III. Coverage B--Personal Property of this policy; 17. A residential condominium building located in a Regular ***Program*** community. V. Exclusions A. We only pay for ``direct physical loss by or from flood,'' which means that we do not pay you for: 1. Loss of revenue or profits; 2. Loss of access to the insured property or described location; 3. Loss of use of the insured property or described location; 4. Loss from interruption of business or production; 5. Any additional living expenses incurred while the insured building is being repaired or is unable to be occupied for any reason; 6. The cost of complying with any ordinance or law requiring or regulating the construction, demolition, remodeling, renovation, or repair of property, including removal of any resulting debris. This exclusion does not apply to any eligible activities we describe in Coverage D--Increased Cost of Compliance; or 7. Any other economic loss you suffer. B. Flood in Progress. If this policy became effective as of the time of a loan closing, as provided by 44 CFR 61.11(b), we will not pay for a loss caused by a flood that is a continuation of a flood that existed prior to coverage becoming effective. In all other circumstances, we will not pay for a loss caused by a flood that is a continuation of a flood that existed on or before the day you submitted the application for coverage under this policy and the correct premium. We will determine the date of application using 44 CFR 611.11(f). C. We do not insure for loss to property caused directly by earth movement even if the earth movement is caused by flood. Some examples of earth movement that we do not cover are: 1. Earthquake; 2. Landslide; 3. Land subsidence; 4. Sinkholes; 5. Destabilization or movement of land that results from accumulation of water in subsurface land areas; or 6. Gradual erosion. We do, however, pay for losses from mudflow and land subsidence as a result of erosion that are specifically insured under our definition of flood (see II.B.1.c and II.B.2). D. We do not insure for direct physical loss caused directly or indirectly by: 1. The pressure or weight of ice; 2. Freezing or thawing; 3. Rain, snow, sleet, hail, or water spray; 4. Water, moisture, mildew, or mold damage that results primarily from any condition: a. Substantially confined to the insured building; or b. That is within your control including, but not limited to: (1) Design, structural, or mechanical defects; (2) Failures, stoppages, or breakage of water or sewer lines, drains, pumps, fixtures, or equipment; or (3) Failure to inspect and maintain the property after a flood recedes; 5. Water or water-borne material that: a. Backs up through sewers or drains; b. Discharges or overflows from a sump, sump pump or related equipment; or c. Seeps or leaks on or through the insured property; unless there is a flood in the area and the flood is the proximate cause of the sewer or drain backup, sump pump discharge or overflow, or the seepage of water; 6. The pressure or weight of water unless there is a flood in the area and the flood is the proximate cause of the damage from the pressure or weight of water; 7. Power, heating, or cooling failure unless the failure results from direct physical loss by or from flood to power, heating, or cooling equipment on the described location; 8. Theft, fire, explosion, wind, or windstorm; 9. Anything you or any member of your household do or conspires to do to deliberately cause loss by flood; or 10. Alteration of the insured property that significantly increases the risk of flooding. E. We do not insure for loss to any building or personal property located on land leased from the Federal Government, arising from or incident to the flooding of the land by the Federal Government, where the lease expressly holds the Federal Government harmless under flood insurance issued under any Federal Government ***program***. VI. Deductibles A. When a loss is insured under this policy, we will pay only that part of the loss that exceeds your deductible amount, subject to the limit of liability that applies. The deductible amount is shown on the Declarations Page. However, when a building under construction, alteration, or repair does not have at least two rigid exterior walls and a fully secured roof at the time of loss, your deductible amount will be two times the [[Page 33002]] deductible that would otherwise apply to a completed building. B. In each loss from flood, separate deductibles apply to the building and personal property insured by this policy. C. The deductible does NOT apply to: 1. III.C.2 Loss Avoidance Measures; or 2. III.D Increased Cost of Compliance. VII. General Conditions A. Pair and Set Clause In case of loss to an article that is part of a pair or set, we will have the option of paying you: 1. An amount equal to the cost of replacing the lost, damaged, or destroyed article, minus its depreciation, or 2. The amount that represents the fair proportion of the total value of the pair or set that the lost, damaged, or destroyed article bears to the pair or set. B. Other Insurance 1. If a loss insured by this policy is also insured by other insurance that includes flood coverage not issued under the Act, we will not pay more than the amount of insurance that you are entitled to for lost, damaged, or destroyed property insured under this policy subject to the following: a. We will pay only the proportion of the loss that the amount of insurance that applies under this policy bears to the total amount of insurance covering the loss, unless VII.B.1.b or c below applies. b. If the other policy has a provision stating that it is excess insurance, this policy will be primary. c. This policy will be primary (but subject to its own deductible) up to the deductible in the other flood policy (except another policy as described in VII.B.1.b above). When the other deductible amount is reached, this policy will participate in the same proportion that the amount of insurance under this policy bears to the total amount of both policies, for the remainder of the loss. 2. Where this policy covers a condominium association and there is a National Flood Insurance ***Program*** flood insurance policy in the name of a unit owner that insures the same loss as this policy, then this policy will be primary. C. Amendments, Waivers, Assignment This policy cannot be changed, nor can any of its provisions be waived, without the express written consent of the Federal Insurance Administrator. No action that we take under the terms of this policy can constitute a waiver of any of our rights. You may assign this policy in writing when you ***transfer*** title of your property to someone else except under these conditions: 1. When this policy covers only personal property; or 2. When this policy covers a building under construction. D. Insufficient Premium or Rating Information 1. Applicability. The following provisions apply to all instances where the premium paid on this policy is insufficient or where the rating information is insufficient, such as where an Elevation Certificate is not provided. 2. Reforming the Policy with Reduced Coverage. Except as otherwise provided in VII.D.1 and VII.D.4, if the premium we received from you was not sufficient to buy the kinds and amounts of coverage you requested, we will provide only the kinds and amounts of coverage that can be purchased for the premium ***payment*** we received. a. For the purpose of determining whether your premium ***payment*** is sufficient to buy the kinds and amounts of coverage you requested, we will first deduct the costs of all applicable fees and surcharges. b. If the amount paid, after deducting the costs of all applicable fees and surcharges, is not sufficient to buy any amount of coverage, your ***payment*** will be refunded. Unless the policy is reformed to increase the coverage amount to the amount originally requested pursuant to VII.D.3, this policy will be cancelled, and no claims will be paid under this policy. c. Coverage limits on the reformed policy will be based upon the amount of premium submitted per type of coverage, but will not exceed the amount originally requested. 3. Discovery of Insufficient Premium or Rating Information. If we discover that your premium ***payment*** was not sufficient to buy the requested amount of coverage, the policy will be reformed as described in VII.D.2 You have the option of increasing the amount of coverage resulting from this reformation to the amount you requested as follows: a. Insufficient Premium. If we discover that your premium ***payment*** was not sufficient to buy the requested amount of coverage, we will send you, and any mortgagee or trustee known to us, a bill for the required additional premium for the current policy term (or that portion of the current policy term following any endorsement changing the amount of coverage). If it is discovered that the initial amount charged to you for any fees or surcharges is incorrect, the difference will be added or deducted, as applicable, to the total amount in this bill. (1) If you or the mortgagee or trustee pay the additional amount due within 30 days from the date of our bill, we will reform the policy to increase the amount of coverage to the originally requested amount, effective to the beginning of the current policy term (or subsequent date of any endorsement changing the amount of coverage). (2) If you or the mortgagee or trustee do not pay the additional amount due within 30 days of the date of our bill, any flood insurance claim will be settled based on the reduced amount of coverage. (3) As applicable, you have the option of paying all or part of the amount due out of a claim ***payment*** based on the originally requested amount of coverage. b. Insufficient Rating Information. If we determine that the rating information we have is insufficient and prevents us from calculating the additional premium, we will ask you to send the required information. You must submit the information within 60 days of our request. (1) If we receive the information within 60 days of our request, we will determine the amount of additional premium for the current policy term and follow the procedure in VII.D.3.a above. (2) If we do not receive the information within 60 days of our request, no claims will be paid until the requested information is provided. Coverage will be limited to the amount of coverage that can be purchased for the ***payments*** we received, as determined when the requested information is provided. 4. Coverage Increases. If we do not receive the amounts requested in VII.D.3.a or the additional information requested in VII.D.3.b by the date it is due, the amount of coverage under this policy can only be increased by endorsement subject to the appropriate waiting period. However, no coverage increases will be allowed until you have provided the information requested in VII.D.3.b is provided. 5. Falsifying Information. However, if we find that you or your agent intentionally did not tell us, or falsified, any important fact or circumstance or did anything fraudulent relating to this insurance, the provisions of VIII.A apply. E. Policy Renewal 1. This policy will expire at 12:01 a.m on the last day of the policy term. 2. We must receive the ***payment*** of the appropriate renewal premium within 30 days of the expiration date. 3. If we find, however, that we did not place your renewal notice into the U.S Postal Service, or if we did mail it, we made a mistake, e.g , we used an incorrect, incomplete, or illegible address, which delayed its delivery to you before the due date for the renewal premium, then we will follow these procedures: a. If you or your agent notified us, not later than one ***year*** after the date on which the ***payment*** of the renewal premium was due, of non-receipt of a renewal notice before the due date for the renewal premium, and we determine that the circumstances in the preceding paragraph apply, we will mail a second bill providing a revised due date, which will be 30 days after the date on which the bill is mailed. b. If we do not receive the premium requested in the second bill by the revised due date, then we will not renew the policy. In that case, the policy will remain as an expired policy as of the expiration date shown on the Declarations Page. 4. In connection with the renewal of this policy, we may ask you during the policy term to recertify, on a Recertification Questionnaire that we will provide to you, the rating information used to rate your most recent application for or renewal of insurance. F. Conditions Suspending or Restricting Insurance We are not liable for loss that occurs while there is a hazard that is increased by any means within your control or knowledge. G. Requirements in Case of Loss In case of a flood loss to insured property, you must: 1. Give prompt written notice to us; 2. As soon as reasonably possible, separate the damaged and undamaged property, putting it in the best possible order so that we may examine it; [[Page 33003]] 3. Prepare an inventory of damaged property showing the quantity, description, actual cash value, and amount of loss. Attach all bills, receipts, and related documents; 4. Within 60 days after the loss, send us a proof of loss, which is your statement of the amount you are claiming under the policy signed and sworn to by you, and which furnishes us with the following information: a. The date and time of loss; b. A brief explanation of how the loss happened; c. Your interest (for example, ``owner'') and the interest, if any, of others in the damaged property; d. Details of any other insurance that may cover the loss; e. Changes in title or occupancy of the insured property during the term of the policy; f. Specifications of damaged buildings and detailed repair estimates; g. Names of mortgagees or anyone else having a lien, charge, or claim against the insured property; h. Details about who occupied any insured building at the time of loss and for what purpose; and i. The inventory of damaged personal property described in G.3 above. 5. In completing the proof of loss, you must use your own judgment concerning the amount of loss and justify that amount. 6. You must cooperate with the adjuster or representative in the investigation of the claim. 7. The insurance adjuster whom we hire to investigate your claim may furnish you with a proof of loss form, and she or he may help you complete it. However, this is a matter of courtesy only, and you must still send us a proof of loss within 60 days after the loss even if the adjuster does not furnish the form or help you complete it. 8. We have not authorized the adjuster to approve or disapprove claims or to tell you whether we will approve your claim. 9. At our option, we may accept the adjuster's report of the loss instead of your proof of loss. The adjuster's report will include information about your loss and the damages you sustained. You must sign the adjuster's report. At our option, we may require you to swear to the report. H. Our Options After a Loss Options we may, in our sole discretion, exercise after loss include the following: 1. At such reasonable times and places that we may designate, you must: a. Show us or our representative the damaged property; b. Submit to examination under oath, while not in the presence of another insured, and sign the same; and c. Permit us to examine and make extracts and copies of: (1) Any policies of property insurance insuring you against loss and the deed establishing your ownership of the insured real property; (2) Condominium association documents including the Declarations of the condominium, its Articles of Association or Incorporation, Bylaws, rules and regulations, and other relevant documents if you are a unit owner in a condominium building; and (3) All books of accounts, bills, invoices and other vouchers, or certified copies pertaining to the damaged property if the originals are lost. 2. We may request, in writing, that you furnish us with a complete inventory of the lost, damaged or destroyed property, including: a. Quantities and costs; b. Actual cash values or replacement cost (whichever is appropriate); c. Amounts of loss claimed; d. Any written plans and specifications for repair of the damaged property that you can reasonably make available to us; and e. Evidence that prior flood damage has been repaired. 3. If we give you written notice within 30 days after we receive your signed, sworn proof of loss, we may: a. Repair, rebuild, or replace any part of the lost, damaged, or destroyed property with material or property of like kind and quality or its functional equivalent; and b. Take all or any part of the damaged property at the value that we agree upon or its appraised value. I. No Benefit to Bailee No person or organization, other than you, having custody of insured property will benefit from this insurance. J. Loss ***Payment*** 1. We will adjust all losses with you. We will pay you unless some other person or entity is named in the policy or is legally entitled to receive ***payment***. Loss will be payable 60 days after we receive your proof of loss (or within 90 days after the insurance adjuster files the adjuster's report signed and sworn to by you in lieu of a proof of loss) and: a. We reach an agreement with you; b. There is an entry of a final judgment; or c. There is a filing of an appraisal award with us, as provided in VII.M 2. If we reject your proof of loss in whole or in part you may: a. Accept our denial of your claim; b. Exercise your rights under this policy; or c. File an amended proof of loss as long as it is filed within 60 days of the date of the loss. K. Abandonment You may not abandon damaged or undamaged insured property to us. L. Salvage We may permit you to keep damaged insured property after a loss, and we will reduce the amount of the loss proceeds payable to you under the policy by the value of the salvage. M. Appraisal If you and we fail to agree on the actual cash value of the damaged property so as to determine the amount of loss, either may demand an appraisal of the loss. In this event, you and we will each choose a competent and impartial appraiser within 20 days after receiving a written request from the other. The two appraisers will choose an umpire. If they cannot agree upon an umpire within 15 days, you or we may request that the choice be made by a judge of a court of record in the state where the insured property is located. The appraisers will separately state the actual cash value and the amount of loss to each item. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of actual cash value and loss. Each party will: 1. Pay its own appraiser; and 2. Bear the other expenses of the appraisal and umpire equally. N. Mortgage Clause 1. The word ``mortgagee'' includes trustee. 2. Any loss payable under Coverage A--Building Property will be paid to any mortgagee of whom we have actual notice, as well as any other mortgagee or loss payee determined to exist at the time of loss, and you, as interests appear. If more than one mortgagee is named, the order of ***payment*** will be the same as the order of precedence of the mortgages. 3. If we deny your claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee: a. Notifies us of any change in the ownership or occupancy, or substantial change in risk of which the mortgagee is aware; b. Pays any premium due under this policy on demand if you have neglected to pay the premium; and c. Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so. 4. All terms of this policy apply to the mortgagee. 5. The mortgagee has the right to receive loss ***payment*** even if the mortgagee has started foreclosure or similar action on the building. 6. If we decide to cancel or not renew this policy, it will continue in effect for the benefit of the mortgagee only for 30 days after we notify the mortgagee of the cancellation or non-renewal. 7. If we pay the mortgagee for any loss and deny ***payment*** to you, we are subrogated to all the rights of the mortgagee granted under the mortgage on the property. Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim. O. Suit Against Us You may not sue us to recover money under this policy unless you have complied with all the requirements of the policy. If you do sue, you must start the suit within one ***year*** of the date of the written denial of all or part of the claim, and you must file the suit in the United States District Court of the district in which the insured property was located at the time of loss. This requirement applies to any claim that you may have under this policy and to any dispute that you may have arising out of the handling of any claim under the policy. P. Subrogation Whenever we make a ***payment*** for a loss under this policy, we are subrogated to your [[Page 33004]] right to re-cover for that loss from any other person. That means that your right to recover for a loss that was partly or totally caused by someone else is automatically ***transferred*** to us, to the extent that we have paid you for the loss. We may require you to acknowledge this ***transfer*** in writing. After the loss, you may not give up our right to recover this money or do anything that would prevent us from recovering it. If you make any claim against any person who caused your loss and recover any money, you must pay us back first before you may keep any of that money. Q. Continuous Lake Flood 1. If an insured building has been flooded by rising lake waters continuously for 90 days or more and it appears reasonably certain that a continuation of this flooding will result in an insured loss to the insured building equal to or greater than the building policy limits plus the deductible or the maximum payable under the policy for any one building loss, we will pay you the lesser of these two amounts without waiting for the further damage to occur if you sign a release agreeing: a. To make no further claim under this policy; b. Not to seek renewal of this policy; c. Not to apply for any flood insurance under the Act for property at the described location; d. Not to seek a premium refund for current or prior terms. If the policy term ends before the insured building has been flooded continuously for 90 days, the provisions of this paragraph Q.1 will apply when the insured building suffers a covered loss before the policy term ends. 2. If your insured building is subject to continuous lake flooding from a closed basin lake, you may elect to file a claim under either paragraph Q.1 above or Q.2 (A ``closed basin lake'' is a natural lake from which water leaves primarily through evaporation and whose surface area now exceeds or has exceeded one square mile at any time in the recorded past. Most of the nation's closed basin lakes are in the western half of the United States where annual evaporation exceeds annual precipitation and where lake levels and surface areas are subject to considerable fluctuation due to wide variations in the climate. These lakes may overtop their basins on rare occasions.) Under this paragraph Q.2, we will pay your claim as if the building is a total loss even though it has not been continuously inundated for 90 days, subject to the following conditions: a. Lake floodwaters must damage or imminently threaten to damage your building. b. Before approval of your claim, you must: (1) Agree to a claim ***payment*** that reflects your buying back the salvage on a negotiated basis; and (2) Grant the conservation easement described in FEMA's ``Policy Guidance for Closed Basin Lakes'' to be recorded in the office of the local recorder of deeds. FEMA, in consultation with the community in which the property is located, will identify on a map an area or areas of special consideration (ASC) in which there is a potential for flood damage from continuous lake flooding. FEMA will give the community the agreed-upon map showing the ASC. This easement will only apply to that portion of the property in the ASC. It will allow certain ***agricultural*** and recreational uses of the land. The only structures it will allow on any portion of the property within the ASC are certain simple ***agricultural*** and recreational structures. If any of these allowable structures are insurable buildings under the NFIP and are insured under the NFIP, they will not be eligible for the benefits of this paragraph Q.2 If a U.S Army Corps of Engineers certified flood control project or otherwise certified flood control project later protects the property, FEMA will, upon request, amend the ASC to remove areas protected by those projects. The restrictions of the easement will then no longer apply to any portion of the property removed from the ASC; and (3) Comply with paragraphs Q.1.a through Q.1.d above. c. Within 90 days of approval of your claim, you must move your building to a new location outside the ASC. FEMA will give you an additional 30 days to move if you show there is sufficient reason to extend the time. d. Before the final ***payment*** of your claim, you must acquire an elevation certificate and a floodplain development permit from the local floodplain administrator for the new location of your building. e. Before the approval of your claim, the community having jurisdiction over your building must: (1) Adopt a permanent land use ordinance, or a temporary moratorium for a period not to exceed 6 months to be followed immediately by a permanent land use ordinance that is consistent with the provisions specified in the easement required in paragraph Q.2.b above. (2) Agree to declare and report any violations of this ordinance to FEMA so that under Section 1316 of the National Flood Insurance Act of 1968, as amended, flood insurance to the building can be denied; and (3) Agree to maintain as deed-restricted, for purposes compatible with open space or ***agricultural*** or recreational use only, any affected property the community acquires an interest in. These deed restrictions must be consistent with the provisions of paragraph Q.2.b above, except that, even if a certified project protects the property, the land use restrictions continue to apply if the property was acquired under the Hazard Mitigation Grant ***Program*** or the Flood Mitigation Assistance ***Program***. If a non-profit land trust organization receives the property as a donation, that organization must maintain the property as deed-restricted, consistent with the provisions of paragraph Q2.b above. f. Before the approval of your claim, the affected State must take all action set forth in FEMA's ``Policy Guidance for Closed Basin Lakes.'' g. You must have NFIP flood insurance coverage continuously in effect from a date established by FEMA until you file a claim under paragraph Q.2 If a subsequent owner buys NFIP insurance that goes into effect within 60 days of the date of ***transfer*** of title, any gap in coverage during that 60-day period will not be a violation of this continuous coverage requirement. For the purpose of honoring a claim under this paragraph Q.2, we will not consider to be in effect any increased coverage that became effective after the date established by FEMA. The exception to this is any in-creased coverage in the amount suggested by your insurer as an inflation adjustment. h. This paragraph Q.2 will be in effect for a community when the FEMA Regional Administrator for the affected region provides to the community, in writing, the following: (1) Confirmation that the community and the State are in compliance with the conditions in paragraphs Q.2.e and Q.2.f above, and (2) The date by which you must have flood insurance in effect. R. Loss Settlement We will pay the least of the following amounts after application of the deductible: 1. The applicable amount of insurance under this policy; 2. The actual cash value; or 3. The amount it would cost to repair or replace the property with material of like kind and quality within a reasonable time after the loss. VIII. Policy Nullification, Cancellation, and Non-Renewal A. Policy Nullification for Fraud, Misrepresentation, or Making False Statements 1. With respect to all insureds under this policy, this policy is void and has no legal force and effect if at any time, before or after a loss, you or any other insured or your agent have, with respect to this policy or any other NFIP insurance: a. Concealed or misrepresented any material fact or circumstance; b. Engaged in fraudulent conduct; or c. Made false statements. 2. Policies voided under A.1 cannot be renewed or replaced by a new NFIP policy. 3. Policies are void as of the date the acts described in A.1 above were committed. 4. Fines, civil penalties, and imprisonment under applicable Federal laws may also apply to the acts of fraud or concealment described above. B. Policy Nullification for Reasons Other Than Fraud 1. This policy is void from its inception, and has no legal force or effect, if: a. The property listed on the application is located in a community that was not participating in the NFIP on this policy's inception date and did not join or reenter the ***program*** during the policy term and before the loss occurred; b. The property listed on the application is otherwise not eligible for coverage under the NFIP at the time of the initial application; c. You never had an insurable interest in the property listed on the application; d. You provided an agent with an application and ***payment***, but the ***payment*** did not clear; or e. We receive notice from you, prior to the policy effective date, that you have [[Page 33005]] determined not to take the policy and you are not subject a requirement to obtain and maintain flood insurance pursuant to any statute, regulation, or contract. 2. In such cases, you will be entitled to a full refund of all premium, fees, and surcharges received. However, if a claim was paid for a policy that is void, the claim ***payment*** must be returned to FEMA or offset from the premiums to be refunded before the refund will be processed. C. Cancellation of the Policy by You 1. You may cancel this policy in accordance with the terms and conditions of this policy and the applicable rules and regulations of the NFIP. 2. If you cancel this policy, you may be entitled to a full or partial refund of premium, surcharges, or fees under the terms and conditions of this policy and the applicable rules and regulations of the NFIP. D. Cancellation of the Policy by Us 1. Cancellation for Underpayment of Amounts Owed on Policy. This policy will be cancelled, pursuant to VII.D.2, if it is determined that the premium amount you paid is not sufficient to buy any amount of coverage, and you do not pay the additional amount of premium owed to increase the coverage to the originally requested amount within the required time period. 2. Cancellation Due to Lack of an Insurable Interest. a. If you no longer have an insurable interest in the insured property, we will cancel this policy. You will cease to have an insurable interest if: (1) For building coverage, the building was sold, destroyed, or removed. (2) For contents coverage, the contents were sold or ***transferred*** ownership, or the contents were completely removed from the described location. b. If your policy is cancelled for this reason, you may be entitled to a partial refund of premium under the applicable rules and regulations of the NFIP. 3. Cancellation of Duplicate Policies. a. Your property may not be insured by more than one NFIP policy, and ***payment*** for damages to your property will only be made under one policy. b. If the property is insured by more than one NFIP policy, we will cancel all but one of the policies. The policy, or policies, will be selected for cancellation in accordance with 44 CFR 62.5 and the applicable rules and guidance of the NFIP. c. If this policy is cancelled pursuant to VIII.D.4.b, you may be entitled to a full or partial refund of premium, surcharges, or fees under the terms and conditions of this policy and the applicable rules and regulations of the NFIP. 4. Cancellation Due to Physical Alteration of Property. a. If the insured building has been physically altered in such a manner that it is no longer eligible for flood insurance coverage, we will cancel this policy. b. If your policy is cancelled for this reason, you may be entitled to a partial refund of premium under the terms and conditions of this policy and the applicable rules and regulations of the NFIP. E. Non-Renewal of the Policy by Us Your policy will not be renewed if: 1. The community where your insured property is located is suspended or stops participating in the NFIP; 2. Your building is otherwise ineligible for flood insurance under the Act; 3. You have failed to provide the information we requested for the purpose of rating the policy within the required deadline. IX. Liberalization Clause If we make a change that broadens your coverage under this edition of our policy, but does not re-quire any additional premium, then that change will automatically apply to your insurance as of the date we implement the change, provided that this implementation date falls within 60 days before or during the policy term stated on the Declarations Page. X. What Law Governs This policy and all disputes arising from the insurer's policy issuance, policy administration, or the handling of any claim under the policy are governed exclusively by the flood insurance regulations issued by FEMA, the National Flood Insurance Act of 1968, as amended (42 U.S.C 4001, et seq.), and Federal common law. In Witness Whereof, we have signed this policy below and hereby enter into this Insurance Agreement. Administrator, Federal Insurance and Mitigation Administration 0 14. Revise Appendix A(3) to Part 61 to read as follows: Appendix A(3) to Part 61 Federal Emergency Management Agency, Federal Insurance and Mitigation Administration Standard Flood Insurance Policy RESIDENTIAL CONDOMINIUM BUILDING ASSOCIATION POLICY Please read the policy carefully. The flood insurance provided is subject to limitations, restrictions, and exclusions. I. Agreement A. This policy covers only a residential condominium building in a regular ***program*** community. If the community reverts to emergency ***program*** status during the policy term and remains as an emergency ***program*** community at time of renewal, this policy cannot be renewed. B. The Federal Emergency Management Agency (FEMA) provides flood insurance under the terms of the National Flood Insurance Act of 1968 and its amendments, and Title 44 of the Code of Federal Regulations. C. We will pay you for direct physical loss by or from flood to your insured property if you: 1. Have paid the full amount due (including applicable premiums, surcharges, and fees); 2. Comply with all terms and conditions of this policy; and 3. Have furnished accurate information and statements. D. We have the right to review the information you give us at any time and revise your policy based on our review. E. This policy insures only one building. If you own more than one building, coverage will apply to the single building specifically described in the Flood Insurance Application. F. Subject to the exception in Section I.G below, multiple policies with building coverage cannot be issued to insure a single building to one insured or to different insureds, even if issued through different NFIP insurers. ***Payment*** for damages may only be made under a single policy for building damages under Coverage A-- Building Property. G. A Dwelling Form policy with building coverage may be issued to a unit owner in a condominium building that is also insured under a Residential Condominium Building Association Policy (RCBAP). However, no more than $250,000 may be paid in combined benefits for a single unit under the Dwelling Form and the RCBAP. We will only pay for damage once. Items of damage paid for under a RCBAP cannot also be claimed under the Dwelling Form policy. II. Definitions A. In this policy, ``you'' and ``your'' refer to the named insured(s) shown on the Declarations Page of this policy. The named insured must also include the building owner if building coverage is purchased. Insured(s) includes: Any mortgagee and loss payee named in the Application and Declarations Page, as well as any other mortgagee or loss payee determined to have an existing interest at the time of loss, in the order of precedence. ``We,'' ``us,'' and ``our'' refer to the insurer. Some definitions are complex because they are provided as they appear in the law or regulations, or result from court cases. B. Flood, as used in this flood insurance policy, means: 1. A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (one of which is your property) from: a. Overflow of inland or tidal waters, b. Unusual and rapid accumulation or runoff of surface waters from any source, c. Mudflow. 2. Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels which result in a flood as defined in B.1.a above. C. The following are the other key definitions we use in this policy: 1. Act. The National Flood Insurance Act of 1968 and any amendments to it. 2. Actual Cash Value. The cost to replace an insured item of property at the time of loss, less the value of its physical depreciation. 3. Application. The statement made and signed by you or your agent in applying for this policy. The application gives information we use to determine the eligibility of the risk, the kind of policy to be issued, and the correct premium ***payment***. The application is part of this flood insurance policy. [[Page 33006]] 4. Base Flood. A flood having a one percent chance of being equaled or exceeded in any given ***year***. 5. Basement. Any area of a building, including any sunken room or sunken portion of a room, having its floor below ground level on all sides. 6. Building. a. A structure with two or more outside rigid walls and a fully secured roof that is affixed to a permanent site; b. A manufactured home, also known as a mobile home, is a structure built on a permanent chassis, transported to its site in one or more sections, and affixed to a permanent foundation); or c. A travel trailer without wheels, built on a chassis and affixed to a permanent foundation, that is regulated under the community's floodplain management and building ordinances or laws. Building does not mean a gas or liquid storage tank, shipping container, or a recreational vehicle, park trailer, or other similar vehicle, except as described in C.6.c above. 7. Cancellation. The ending of the insurance coverage provided by this policy before the expiration date. 8. Condominium. That form of ownership of one or more buildings in which each unit owner has an undivided interest in common elements. 9. Condominium Association. The entity made up of the unit owners responsible for the maintenance and operation of: a. Common elements owned in undivided shares by unit owners; and b. Other buildings in which the unit owners have use rights; where membership in the entity is a required condition of ownership. 10. Condominium Building. A type of building for which the form of ownership is one in which each unit owner has an undivided interest in common elements of the building. 11. Declarations Page. A computer-generated summary of information you provided in your application for insurance. The Declarations Page also describes the term of the policy, limits of coverage, and displays the premium and our name. The Declarations Page is a part of this flood insurance policy. 12. Deductible. The fixed amount of an insured loss that is your responsibility and that is incurred by you before any amounts are paid for the insured loss under this policy. 13. Described Location. The location where the insured building or personal property are found. The described location is shown on the Declarations Page. 14. Direct Physical Loss By or From Flood. Loss or damage to insured property, directly caused by a flood. There must be evidence of physical changes to the property. 15. Elevated Building. A building that has no basement and that has its lowest elevated floor raised above ground level by foundation walls, shear walls, posts, piers, pilings, or columns. 16. Emergency ***Program***. The initial phase of a community's participation in the National Flood Insurance ***Program***. During this phase, only limited amounts of insurance are available under the Act and the regulations prescribed pursuant to the Act. 17. Federal Policy Fee. A flat rate charge you must pay on each new or renewal policy to defray certain administrative expenses incurred in carrying out the National Flood Insurance ***Program***. 18. Improvements. Fixtures, alterations, installations, or additions comprising a part of the residential condominium building, including improvements in the units. 19. Mudflow. A river of liquid and flowing mud on the surface of normally dry land areas, as when earth is carried by a current of water. Other earth movements, such as landslide, slope failure, or a saturated soil mass moving by liquidity down a slope, are not mudflows. 20. National Flood Insurance ***Program*** (NFIP). The ***program*** of flood insurance coverage and floodplain management administered under the Act and applicable Federal regulations in Title 44 of the Code of Federal Regulations, Subchapter B. 21. Policy. The entire written contract between you and us. It includes: a. This printed form; b. The application and Declarations Page; c. Any endorsement(s) that may be issued; and d. Any renewal certificate indicating that coverage has been instituted for a new policy and new policy term. Only one building, which you specifically described in the application, may be insured under this policy. 22. Pollutants. Substances that include, but are not limited to, any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, and waste. ``Waste'' includes, but is not limited to, materials to be recycled, reconditioned, or reclaimed. 23. Post-FIRM Building. A building for which construction or substantial improvement occurred after December 31, 1974, or on or after the effective date of an initial Flood Insurance Rate Map (FIRM), whichever is later. 24. Probation Surcharge. A flat charge you must pay on each new or renewal policy issued covering property in a community the NFIP has placed on probation under the provisions of 44 CFR 59.24 25. Regular ***Program***. The final phase of a community's participation in the National Flood Insurance ***Program***. In this phase, a Flood Insurance Rate Map is in effect and full limits of coverage are available under the Act and the regulations prescribed pursuant to the Act. 26. Residential Condominium Building. A building, condominium, containing one or more family units and in which at least 75 percent of the floor area is residential. 27. Special Flood Hazard Area (SFHA). An area having special flood or mudflow, and/or flood-related erosion hazards, and shown on a Flood Hazard Boundary Map or Flood Insurance Rate Map as Zone A, AO, A1-A30, AE, A99, AH, AR, AR/A, AR/AE, AR/AH, AR/AO, AR/A1-A30, V1-V30, VE, or V. 28. Unit. A single-family residential space in a residential condominium building. 29. Valued Policy. A policy in which the insured and the insurer agree on the value of the property insured, that value being payable in the event of a total loss. The Standard Flood Insurance Policy is not a valued policy. III. Property Covered A. Coverage A--Building Property We insure against direct physical loss by or from flood to: 1. The residential condominium building described on the Declarations Page at the described location, including all units within the building and the improvements within the units. 2. We also insure such building property for a period of 45 days at another location, as set forth in III.C.2.b, Property Removed to Safety. 3. Additions and extensions attached to and in contact with the building by means of a rigid exterior wall, a solid load-bearing interior wall, a stairway, an elevated walkway, or a roof. At your option, additions and extensions connected by any of these methods may be separately insured. Additions and extensions attached to and in contact with the building by means of a common interior wall that is not a solid load-bearing wall are always considered part of the building and cannot be separately insured. 4. The following fixtures, machinery and equipment, including its units, which are insured under Coverage A only: a. Awnings and canopies; b. Blinds; c. Carpet permanently installed over unfinished flooring; d. Central air conditioners; e. Elevator equipment; f. Fire extinguishing apparatus; g. Fire sprinkler systems; h. Walk-in freezers; i. Furnaces; j. Light fixtures; k. Outdoor antennas and aerials fastened to buildings; l. Permanently installed cupboards, bookcases, paneling, and wallpaper; m. Pumps and machinery for operating pumps; n. Ventilating equipment; o. Wall mirrors, permanently installed; and p. In the units within the building, installed: (1) Built-in dishwashers; (2) Built-in microwave ovens; (3) Garbage disposal units; (4) Hot water heaters, including solar water heaters; (5) Kitchen cabinets; (6) Plumbing fixtures; (7) Radiators; (8) Ranges; (9) Refrigerators; and (10) Stoves. 5. Materials and supplies to be used for construction, alteration or repair of the insured building while the materials and supplies are stored in a fully enclosed building at the described location or on an adjacent property. 6. A building under construction, alteration, or repair at the described location. a. If the structure is not yet walled or roofed as described in the definition for building (see II.B.6.a ) then coverage applies: [[Page 33007]] (1) Only while such work is in progress; or (2) If such work is halted, only for a period of up to 90 continuous days thereafter. b. However, coverage does not apply until the building is walled and roofed if the lowest floor, including the basement floor, of a non-elevated building or the lowest elevated floor of an elevated building is: (1) Below the base flood elevation in Zones AH, AE, A1-30, AR, AR/AE, AR/AH, AR/A1-30, AR/A, AR/AO; or (2) Below the base flood elevation adjusted to include the effect of wave action in Zones VE or V1-30. The lowest floor level is based on the bottom of the lowest horizontal structural member of the floor in Zones VE or V1-V30 or top of the floor in Zones AH, AE, A1-A30, AR, AR/AE, AR/AH, AR/A1- A30, AR/A, and AR/AO. 7. A manufactured home or a travel trailer, as described in the II.C.6 If the manufactured home is in a special flood hazard area, it must be anchored in the following manner at the time of the loss: a. By over-the-top or frame ties to ground anchors; or b. In accordance with the manufacturer's specifications; or c. In compliance with the community's floodplain management requirements unless it has been continuously insured by the NFIP at the same described location since September 30, 1982. 8. Items of property below the lowest elevated floor of an elevated post-FIRM building located in zones A1-A30, AE, AH, AR, AR/ A, AR/AE, AR/AH, AR/A1-A30, V1-V30, or VE, or in a basement, regardless of the zone. Coverage is limited to the following: a. Any of the following items, if installed in their functioning locations and, if necessary for operation, connected to a power source: (1) Central air conditioners; (2) Cisterns and the water in them; (3) Drywall for walls and ceilings in a basement and the cost of labor to nail it, unfinished and unfloated and not taped, to the framing; (4) Electrical junction and circuit breaker boxes; (5) Electrical outlets and switches; (6) Elevators, dumbwaiters, and related equipment, except for related equipment installed below the base flood elevation after September 30, 1987; (7) Fuel tanks and the fuel in them; (8) Furnaces and hot water heaters; (9) Heat pumps; (10) Nonflammable insulation in a basement; (11) Pumps and tanks used in solar energy systems; (12) Stairways and staircases attached to the building, not separated from it by elevated walkways; (13) Sump pumps; (14) Water softeners and the chemicals in them, water filters, and faucets installed as an integral part of the plumbing system; (15) Well water tanks and pumps; (16) Required utility connections for any item in this list; and (17) Footings, foundations, posts, pilings, piers, or other foundation walls and anchorage systems required to support a building. b. Clean-up. B. Coverage B--Personal Property 1. If you have purchased personal property coverage, we insure, subject to B.2 and B.3 below, against direct physical loss by or from flood to personal property that is inside the fully enclosed insured building and is: a. Owned by the unit owners of the condominium association in common, meaning property in which each unit owner has an undivided ownership interest; or b. Owned solely by the condominium association and used exclusively in the conduct of the business affairs of the condominium association. 2. We also insure such personal property for 45 days while stored at a temporary location, as set forth in III.C.2.b, Property Removed to Safety. 3. Coverage for personal property includes the following property, subject to B.1 above, which is covered under Coverage B only: a. Air conditioning units, portable or window type; b. Carpets, not permanently installed, over unfinished flooring; c. Carpets over finished flooring; d. Clothes washers and dryers; e. ``Cook-out'' grills; f. Food freezers, other than walk-in, and food in any freezer; g. Outdoor equipment and furniture stored inside the insured building; h. Ovens and the like; and i. Portable microwave ovens and portable dishwashers. 4. Coverage for items of property in a building enclosure below the lowest elevated floor of an elevated post-FIRM building located in zones A1-A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1-A30, V1-V30, or VE, or in a basement, regardless of the zone, is limited to the following items, if installed in their functioning locations and, if necessary for operation, connected to a power source: a. Air conditioning units, portable or window type; b. Clothes washers and dryers; and c. Food freezers, other than walk-in, and food in any freezer. 5. Special Limits. We will pay no more than $2,500 for any one loss to one or more of the following kinds of personal property: a. Artwork, photographs, collectibles, or memorabilia, including but not limited to, porcelain or other figures, and sports cards; b. Rare books or autographed items; c. Jewelry, watches, precious and semi-precious stones, or articles of gold, silver, or platinum; d. Furs or any article containing fur which represents its principal value. 6. We will pay only for the functional value of antiques. C. Coverage C--Other Coverages 1. Debris Removal. a. We will pay the expense to remove non-owned debris that is on or in insured property and debris of insured property anywhere. b. If you or a member of your household perform the removal work, the value of your work will be based on the Federal minimum wage. c. This coverage does not increase the Coverage A or Coverage B limit of liability. 2. Loss Avoidance Measures. a. Sandbags, Supplies, and Labor. (1) We will pay up to $1,000 for costs you incur to protect the insured building from a flood or imminent danger of flood, for the following: (a) Your reasonable expenses to buy: (i) Sandbags, including sand to fill them; (ii) Fill for temporary levees; (iii) Pumps; and (iv) Plastic sheeting and lumber used in connection with these items. (b) The value of work, at the Federal minimum wage, that you perform. (2) This coverage for Sandbags, Supplies and Labor only applies if damage to insured property by or from flood is imminent and the threat of flood damage is apparent enough to lead a person of common prudence to anticipate flood damage. One of the following must also occur: (a) A general and temporary condition of flooding in the area near the described location must occur, even if the flood does not reach the building; or (b) A legally authorized official must issue an evacuation order or other civil order for the community in which the building is located calling for measures to preserve life and property from the peril of flood. b. Property Removed to Safety. (1) We will pay up to $1,000 for the reasonable expenses you incur to move insured property to a place other than the described location that contains the property in order to protect it from flood or the imminent danger of flood. Reasonable expenses include the value of work, at the Federal minimum wage, you or a member of your household perform. (2) If you move insured property to a location other than the described location that contains the property, in order to protect it from flood or the imminent danger of flood, we will cover such property while at that location for a period of 45 consecutive days from the date you begin to move it there. (3) The personal property that is moved must be placed in a fully enclosed building or otherwise reasonably protected from the elements. Any property removed, including a moveable home described in II.6.b and c, must be placed above ground level or outside of the special flood hazard area (4) This coverage does not increase the Coverage A or Coverage B limit of liability. D. Coverage D--Increased Cost of Compliance 1. General. This policy pays you to comply with a State or local floodplain management law or ordinance affecting repair or reconstruction of a building suffering flood damage. Compliance activities eligible for ***payment*** are: elevation, floodproofing, relocation, or demolition (or any combination of these activities) of your building. Eligible floodproofing activities are limited to: a. Non-residential buildings. b. Residential buildings with basements that satisfy FEMA's standards published in [[Page 33008]] the Code of Federal Regulations [44 CFR 60.6 (b) or (c)]. 2. Limit of Liability. We will pay you up to $30,000 under this Coverage D (Increased Cost of Compliance), which only applies to policies with building coverage (Coverage A). Our ***payment*** of claims under Coverage D is in addition to the amount of coverage which you selected on the application and which appears on the Declarations Page. But, the maximum you can collect under this policy for both Coverage A-- Building Property and Coverage D--Increased Cost of Compliance cannot exceed the maximum permitted under the Act. We do not charge a separate deductible for a claim under Coverage D. 3. Eligibility. a. A building covered under Coverage A (Building Property) sustaining a loss caused by a flood as defined by this policy must: (1) Be a ``repetitive loss building.'' A repetitive loss building is one that meets the following conditions: (a) The building is insured by a contract of flood insurance issued under the NFIP. (b) The building has suffered flood damage on two occasions during a 10-***year*** period which ends on the date of the second loss. (c) The cost to repair the flood damage, on average, equaled or exceeded 25 percent of the market value of the building at the time of each flood loss. (d) In addition to the current claim, the NFIP must have paid the previous qualifying claim, and the State or community must have a cumulative, substantial damage provision or repetitive loss provision in its floodplain management law or ordinance being enforced against the building; or (2) Be a building that has had flood damage in which the cost to repair equals or exceeds 50 percent of the market value of the building at the time of the flood. The State or community must have a substantial damage provision in its floodplain management law or ordinance being enforced against the building. b. This Coverage D pays you to comply with State or local floodplain management laws or ordinances that meet the minimum standards of the National Flood Insurance ***Program*** found in the Code of Federal Regulations at 44 CFR 60.3 We pay for compliance activities that exceed those standards under these conditions: (1) 3.a.1 above. (2) Elevation or floodproofing in any risk zone to preliminary or advisory base flood elevations provided by FEMA which the State or local government has adopted and is enforcing for flood-damaged buildings in such areas. (This includes compliance activities in B, C, X, or D zones which are being changed to zones with base flood elevations. This also includes compliance activities in zones where base flood elevations are being increased, and a flood-damaged building must comply with the higher advisory base flood elevation.) Increased Cost of Compliance coverage does not apply to situations in B, C, X, or D zones where the community has derived its own elevations and is enforcing elevation or floodproofing requirements for flood-damaged buildings to elevations derived solely by the community. (3) Elevation or floodproofing above the base flood elevation to meet State or local ``freeboard'' requirements, i.e , that a building must be elevated above the base flood elevation. c. Under the minimum NFIP criteria at 44 CFR 60.3(b)(4), States and communities must require the elevation or floodproofing of buildings in unnumbered A zones to the base flood elevation where elevation data is obtained from a Federal, State, or other source. Such compliance activities are also eligible for Coverage D. d. Coverage D will pay for the incremental cost, after demolition or relocation, of elevating or floodproofing a building during its rebuilding at the same or another site to meet State or local floodplain management laws or ordinances, subject to Exclusion D.5.g below relating to improvements. e. Coverage D will pay to bring a flood-damaged building into compliance with State or local floodplain management laws or ordinances even if the building had received a variance before the present loss from the applicable floodplain management requirements. 4. Conditions. a. When a building covered under Coverage A--Building Property sustains a loss caused by a flood, our ***payment*** for the loss under this Coverage D will be for the increased cost to elevate, floodproof, relocate, or demolish (or any combination of these activities) caused by the enforcement of current State or local floodplain management ordinances or laws. Our ***payment*** for eligible demolition activities will be for the cost to demolish and clear the site of the building debris or a portion thereof caused by the enforcement of current State or local floodplain management ordinances or laws. Eligible activities for the cost of clearing the site will include those necessary to discontinue utility service to the site and ensure proper abandonment of on-site utilities. b. When the building is repaired or rebuilt, it must be intended for the same occupancy as the present building unless otherwise required by current floodplain management ordinances or laws. 5. Exclusions. Under this Coverage D (Increased Cost of Compliance) we will not pay for: a. The cost to comply with any floodplain management law or ordinance in communities participating in the Emergency ***Program***. b. The cost associated with enforcement of any ordinance or law that requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of pollutants. c. The loss in value to any insured building due to the requirements of any ordinance or law. d. The loss in residual value of the undamaged portion of a building demolished as a consequence of enforcement of any State or local floodplain management law or ordinance. e. Any Increased Cost of Compliance under this Coverage D: (1) Until the building is elevated, floodproofed, demolished, or relocated on the same or to another premises; and (2) Unless the building is elevated, floodproofed, demolished, or relocated as soon as reasonably possible after the loss, not to exceed two ***years***. f. Any code upgrade requirements, e.g , plumbing or electrical wiring, not specifically related to the State or local floodplain management law or ordinance. g. Any compliance activities needed to bring additions or improvements made after the loss occurred into compliance with State or local floodplain management laws or ordinances. h. Loss due to any ordinance or law that you were required to comply with before the current loss. i. Any rebuilding activity to standards that do not meet the NFIP's minimum requirements. This includes any situation where the insured has received from the State or community a variance in connection with the current flood loss to rebuild the property to an elevation below the base flood elevation. j. Increased Cost of Compliance for a garage or carport. k. Any building insured under an NFIP Group Flood Insurance Policy. l. Assessments made by a condominium association on individual condominium unit owners to pay increased costs of repairing commonly owned buildings after a flood in compliance with State or local floodplain management ordinances or laws. 6. Other Provisions. a. Increased Cost of Compliance coverage will not be included in the calculation to determine whether coverage meets the coinsurance requirement for replacement cost coverage under Art. VIII.R (``Loss Settlement''). b. All other conditions and provisions of this policy apply. IV. Property Not Covered We do not insure any of the following: 1. Personal property not inside a building; 2. A building, and personal property in it, located entirely in, on, or over water or seaward of mean high tide if it was constructed or substantially improved after September 30, 1982; 3. Open structures, including a building used as a boathouse or any structure or building into which boats are floated, and personal property located in, on, or over water; 4. Recreational vehicles other than travel trailers described in the Definitions section (see II.C.6.c) whether affixed to a permanent foundation or on wheels; 5. Self-propelled vehicles or machines, including their parts and equipment. However, we do cover self-propelled vehicles or machines not licensed for use on public roads that are: a. Used mainly to service the described location or b. Designed and used to assist handicapped persons, while the vehicles or machines are inside a building at the described location; 6. Land, land values, lawns, trees, shrubs, plants, growing crops, or animals; [[Page 33009]] 7. Accounts, bills, coins, currency, deeds, evidences of debt, medals, money, scrip, stored value cards, postage stamps, securities, bullion, manuscripts, or other valuable papers; 8. Underground structures and equipment, including wells, septic tanks, and septic systems; 9. Those portions of walks, walkways, decks, driveways, patios, and other surfaces, all whether protected by a roof or not, located outside the perimeter, exterior walls of the insured building; 10. Containers, including related equipment, such as, but not limited to, tanks containing gases or liquids; 11. Buildings and all their contents if more than 49 percent of the actual cash value of the building is below ground, unless the lowest level is at or above the base flood elevation and is below ground by reason of earth having been used as insulation material in conjunction with energy efficient building techniques; 12. Fences, retaining walls, seawalls, bulkheads, wharves, piers, bridges, and docks; 13. Aircraft or watercraft, or their furnishings and equipment; 14. Hot tubs and spas that are not bathroom fixtures, and swimming pools, and their equipment such as, but not limited to, heaters, filters, pumps, and pipes, wherever located; 15. Property not eligible for flood insurance pursuant to the provisions of the Coastal Barrier Resources Act and the Coastal Barrier Improvements Act of 1990 and amendments to these Acts; 16. Personal property used in connection with any incidental commercial occupancy or use of the building. V. Exclusions A. We only pay for ``direct physical loss by or from flood,'' which means that we do not pay you for: 1. Loss of revenue or profits; 2. Loss of access to the insured property or described location; 3. Loss of use of the insured property or described location; 4. Loss from interruption of business or production; 5. Any additional living expenses incurred while the insured building is being repaired or is unable to be occupied for any reason; 6. The cost of complying with any ordinance or law requiring or regulating the construction, demolition, remodeling, renovation, or repair of property, including removal of any resulting debris. This exclusion does not apply to any eligible activities we describe in Coverage D--Increased Cost of Compliance; or 7. Any other economic loss you suffer. B. Flood in Progress. If this policy became effective as of the time of a loan closing, as provided by 44 CFR 61.11(b), we will not pay for a loss caused by a flood that is a continuation of a flood that existed prior to coverage becoming effective. In all other circumstances, we will not pay for a loss caused by a flood that is a continuation of a flood that existed on or before the day you submitted the application for coverage under this policy and the correct premium. We will determine the date of application using 44 CFR 611.11(f). C. We do not insure for loss to property caused directly by earth movement even if the earth movement is caused by flood. Some examples of earth movement that we do not cover are: 1. Earthquake; 2. Landslide; 3. Land subsidence; 4. Sinkholes; 5. Destabilization or movement of land that results from accumulation of water in subsurface land areas; or 6. Gradual erosion. We do, however, pay for losses from mudflow and land subsidence as a result of erosion that are specifically covered under our definition of flood (see II.B.1.c and II.B.2). D. We do not insure for direct physical loss caused directly or indirectly by: 1. The pressure or weight of ice; 2. Freezing or thawing; 3. Rain, snow, sleet, hail, or water spray; 4. Water, moisture, mildew, or mold damage that results primarily from any condition: a. Substantially confined to the insured building; or b. That is within your control including, but not limited to: (1) Design, structural, or mechanical defects; (2) Failures, stoppages, or breakage of water or sewer lines, drains, pumps, fixtures, or equipment; or (3) Failure to inspect and maintain the property after a flood recedes; 5. Water or water-borne material that: a. Backs up through sewers or drains; b. Discharges or overflows from a sump, sump pump or related equipment; or c. Seeps or leaks on or through the insured property; unless there is a flood in the area and the flood is the proximate cause of the sewer or drain backup, sump pump discharge or overflow, or the seepage of water; 6. The pressure or weight of water unless there is a flood in the area and the flood is the proximate cause of the damage from the pressure or weight of water; 7. Power, heating, or cooling failure unless the failure results from direct physical loss by or from flood to power, heating, or cooling equipment on the described location; 8. Theft, fire, explosion, wind, or windstorm; 9. Anything you or your agents do or conspire to do to cause loss by flood deliberately; or 10. Alteration of the insured property that significantly increases the risk of flooding. E. We do not insure for loss to any building or personal property located on land leased from the Federal Government, arising from or incident to the flooding of the land by the Federal Government, where the lease expressly holds the Federal Government harmless under flood insurance issued under any Federal Government ***program***. F. We do not pay for the testing for or monitoring of pollutants unless required by law or ordinance. VI. Deductibles A. When a loss is insured under this policy, we will pay only that part of the loss that exceeds your deductible amount, subject to the limit of liability that applies. The deductible amount is shown on the Declarations Page. However, when a building under construction, alteration, or repair does not have at least two rigid exterior walls and a fully secured roof at the time of loss, your deductible amount will be two times the deductible that would otherwise apply to a completed building. B. In each loss from flood, separate deductibles apply to the building and personal property insured by this policy. C. No deductible applies to: 1. III.C.2 Loss Avoidance Measures; or 2. III.D Increased Cost of Compliance. VII. Coinsurance A. This Coinsurance Section applies only to coverage on the building. B. We will impose a penalty on loss ***payment*** unless the amount of insurance applicable to the damaged building is: 1. At least 80 percent of its replacement cost; or 2. The maximum amount of insurance available for that building under the NFIP, whichever is less. C. If the actual amount of insurance on the building is less than the required amount in accordance with the terms of VII.B above, then loss ***payment*** is determined as follows (subject to all other relevant conditions in this policy, including those pertaining to valuation, adjustment, settlement, and ***payment*** of loss): 1. Divide the actual amount of insurance carried on the building by the required amount of insurance. 2. Multiply the amount of loss, before application of the deductible, by the figure determined in C.1 above. 3. Subtract the deductible from the figure determined in C.2 above. We will pay the amount determined in C.3 above, or the amount of insurance carried, whichever is less. The amount of insurance carried, if in excess of the applicable maximum amount of insurance available under the NFIP, is reduced accordingly. Examples Example #1 (Inadequate Insurance) Replacement value of the building--$250,000 Required amount of insurance--$200,000 (80 percent of replacement value of $250,000) Actual amount of insurance carried--$180,000 Amount of the loss--$150,000 Deductible--$500 Step 1: 180,000/200,000 = .90 (90 percent of what should be carried.) Step 2: 150,000 x .90 = 135,000 Step 3: 135,000 500 = 134,500 We will pay no more than $134,500. The remaining $15,500 is not covered due to the coinsurance penalty ($15,000) and application of the deductible ($500). Example #2 (Adequate Insurance) Replacement value of the building--$500,000 Required amount of insurance--$400,000 (80 percent of replacement value of $500,000) [[Page 33010]] Actual amount of insurance carried--$400,000 Amount of the loss--$200,000 Deductible--$500 In this example there is no coinsurance penalty, because the actual amount of insurance carried meets the required amount. We will pay no more than $199,500 ($200,000 amount of loss minus the $500 deductible). D. In calculating the full replacement cost of a building: 1. The replacement cost value of any covered building property will be included; 2. The replacement cost value of any building property not covered under this policy will not be included; and 3. Only the replacement cost value of improvements installed by the condominium association will be included. VIII. General Conditions A. Pair and Set Clause In case of loss to an article that is part of a pair or set, we will have the option of paying you: 1. An amount equal to the cost of replacing the lost, damaged, or destroyed article, minus its depreciation, or 2. The amount that represents the fair proportion of the total value of the pair or set that the lost, damaged, or destroyed article bears to the pair or set. B. Other Insurance 1. If a loss insured by this policy is also insured by other insurance that includes flood coverage not issued under the Act, we will not pay more than the amount of insurance that you are entitled to for lost, damaged, or destroyed property insured under this policy subject to the following: a. We will pay only the proportion of the loss that the amount of insurance that applies under this policy bears to the total amount of insurance covering the loss, unless VIII.B.1.b or c immediately below applies. b. If the other policy has a provision stating that it is excess insurance, this policy will be primary. c. This policy will be primary (but subject to its own deductible) up to the deductible in the other flood policy (except another policy as described in VIII.B.1.b above). When the other deductible amount is reached, this policy will participate in the same proportion that the amount of insurance under this policy bears to the total amount of both policies, for the remainder of the loss. 2. If there is a National Flood Insurance ***Program*** flood insurance policy in the name of a unit owner that covers the same loss as this policy, then this policy will be primary. C. Amendments, Waivers, Assignment This policy cannot be changed, nor can any of its provisions be waived, without the express written consent of the Federal Insurance Administrator. No action we take under the terms of this policy constitutes a waiver of any of our rights. You may assign this policy in writing when you ***transfer*** title of your property to someone else except under these conditions: 1. When this policy insures only personal property; or 2. When this policy insures a building under construction. D. Insufficient Premium or Rating Information 1. Applicability. The following provisions apply to all instances where the premium paid on this policy is insufficient or where the rating information is insufficient, such as where an Elevation Certificate is not provided. 2. Reforming the Policy with Reduced Coverage. Except as otherwise provided in VIII.D.1 and VIII.D.4, if the premium we received from you was not sufficient to buy the kinds and amounts of coverage you requested, we will provide only the kinds and amounts of coverage that can be purchased for the premium ***payment*** we received. a. For the purpose of determining whether your premium ***payment*** is sufficient to buy the kinds and amounts of coverage you requested, we will first deduct the costs of all applicable fees and surcharges. b. If the amount paid, after deducting the costs of all applicable fees and surcharges, is not sufficient to buy any amount of coverage, your ***payment*** will be refunded. Unless the policy is reformed to increase the coverage amount to the amount originally requested pursuant to VIII.E.3, this policy will be cancelled, and no claims will be paid under this policy. c. Coverage limits on the reformed policy will be based upon the amount of premium submitted per type of coverage, but will not exceed the amount originally requested. 3. Discovery of Insufficient Premium or Rating Information. If we discover that your premium ***payment*** was not sufficient to buy the requested amount of coverage, the policy will be reformed as described in VIII.D.2 You have the option of increasing the amount of coverage resulting from this reformation to the amount you requested as follows: a. Insufficient Premium. If we discover that your premium ***payment*** was not sufficient to buy the requested amount of coverage, we will send you, and any mortgagee or trustee known to us, a bill for the required additional premium for the current policy term (or that portion of the current policy term following any endorsement changing the amount of coverage). If it is discovered that the initial amount charged to you for any fees or surcharges is incorrect, the difference will be added or deducted, as applicable, to the total amount in this bill. (1) If you or the mortgagee or trustee pay the additional amount due within 30 days from the date of our bill, we will reform the policy to increase the amount of coverage to the originally requested amount, effective to the beginning of the current policy term (or subsequent date of any endorsement changing the amount of coverage). (2) If you or the mortgagee or trustee do not pay the additional amount due within 30 days of the date of our bill, any flood insurance claim will be settled based on the reduced amount of coverage. (3) As applicable, you have the option of paying all or part of the amount due out of a claim ***payment*** based on the originally requested amount of coverage. b. Insufficient Rating Information. If we determine that the rating information we have is insufficient and prevents us from calculating the additional premium, we will ask you to send the required information. You must submit the information within 60 days of our request. (1) If we receive the information within 60 days of our request, we will determine the amount of additional premium for the current policy term and follow the procedure in VIII.D.3.a above. (2) If we do not receive the information within 60 days of our request, no claims will be paid until the requested information is provided. Coverage will be limited to the amount of coverage that can be purchased for the ***payments*** we received, as determined when the requested information is provided. 4. Coverage Increases. If we do not receive the amount requested in VIII.D.3.a or VIII.D.4.a, or the additional information requested in VIII.D.3.b or VIII.D.4.b by the date it is due, the amount of coverage under this policy can only be increased by endorsement subject to the appropriate waiting period. However, no coverage increases will be allowed until you have provided the information requested in VIII.D.3.b or VIII.D.4.b 5. Falsifying Information. However, if we find that you or your agent intentionally did not tell us, or falsified, any important fact or circumstance or did anything fraudulent relating to this insurance, the provisions of IX.A apply. E. Policy Renewal 1. This policy will expire at 12:01 a.m on the last day of the policy term. 2. We must receive the ***payment*** of the appropriate renewal premium within 30 days of the expiration date. 3. If we find, however, that we did not place your renewal notice into the U.S Postal Service, or if we did mail it, we made a mistake, e.g , we used an incorrect, incomplete, or illegible address, which delayed its delivery to you before the due date for the renewal premium, then we will follow these procedures: a. If you or your agent notified us, not later than one ***year*** after the date on which the ***payment*** of the renewal premium was due, of non-receipt of a renewal notice before the due date for the renewal premium, and we determine that the circumstances in the preceding paragraph apply, we will mail a second bill providing a revised due date, which will be 30 days after the date on which the bill is mailed. b. If we do not receive the premium requested in the second bill by the revised due date, then we will not renew the policy. In that case, the policy will remain as an expired policy as of the expiration date shown on the Declarations Page. c. In connection with the renewal of this policy, we may ask you during the policy term to recertify, on a Recertification Questionnaire that we will provide you, the rating information used to rate your most recent application for or renewal of insurance. [[Page 33011]] F. Conditions Suspending or Restricting Insurance We are not liable for loss that occurs while there is a hazard that is increased by any means within your control or knowledge. G. Requirements in Case of Loss In case of a flood loss to insured property, you must: 1. Give prompt written notice to us; 2. As soon as reasonably possible, separate the damaged and undamaged property, putting it in the best possible order so that we may examine it; 3. Prepare an inventory of damaged property showing the quantity, description, actual cash value, and amount of loss. Attach all bills, receipts, and related documents; 4. Within 60 days after the loss, send us a proof of loss, which is your statement of the amount you are claiming under the policy signed and sworn to by you, and which furnishes us with the following information: a. The date and time of loss; b. A brief explanation of how the loss happened; c. Your interest (for example, ``owner'') and the interest, if any, of others in the damaged property; d. Details of any other insurance that may cover the loss; e. Changes in title or occupancy of the insured property during the term of the policy; f. Specifications of damaged buildings and detailed repair estimates; g. Names of mortgagees or anyone else having a lien, charge, or claim against the insured property; h. Details about who occupied any insured building at the time of loss and for what purpose; and i. The inventory of damaged personal property described in G.3 above. 5. In completing the proof of loss, you must use your own judgment concerning the amount of loss and justify that amount. 6. You must cooperate with the adjuster or representative in the investigation of the claim. 7. The insurance adjuster whom we hire to investigate your claim may furnish you with a proof of loss form, and she or he may help you complete it. However, this is a matter of courtesy only, and you must still send us a proof of loss within 60 days after the loss even if the adjuster does not furnish the form or help you complete it. 8. We have not authorized the adjuster to approve or disapprove claims or to tell you whether we will approve your claim. 9. At our option, we may accept the adjuster's report of the loss instead of your proof of loss. The adjuster's report will include information about your loss and the damages you sustained. You must sign the adjuster's report. At our option, we may require you to swear to the report. H. Our Options After a Loss Options we may, in our sole discretion, exercise after loss include the following: 1. At such reasonable times and places that we may designate, you must: a. Show us or our representative the damaged property; b. Submit to examination under oath, while not in the presence of another insured, and sign the same; and c. Permit us to examine and make extracts and copies of: (1) Any policies of property insurance insuring you against loss and the deed establishing your ownership of the insured real property; (2) Condominium association documents including the Declarations of the condominium, its Articles of Association or Incorporation, Bylaws, and rules and regulations; and (3) All books of accounts, bills, invoices and other vouchers, or certified copies pertaining to the damaged property if the originals are lost. 2. We may request, in writing, that you furnish us with a complete inventory of the lost, damaged, or destroyed property, including: a. Quantities and costs; b. Actual cash values or replacement cost (whichever is appropriate); c. Amounts of loss claimed; d. Any written plans and specifications for repair of the damaged property that you can reasonably make available to us; and e. Evidence that prior flood damage has been repaired. 3. If we give you written notice within 30 days after we receive your signed, sworn proof of loss, we may: a. Repair, rebuild, or replace any part of the lost, damaged, or destroyed property with material or property of like kind and quality or its functional equivalent; and b. Take all or any part of the damaged property at the value that we agree upon or its appraised value. I. No Benefit to Bailee No person or organization, other than you, having custody of insured property will benefit from this insurance. J. Loss ***Payment*** 1. We will adjust all losses with you. We will pay you unless some other person or entity is named in the policy or is legally entitled to receive ***payment***. Loss will be payable 60 days after we receive your proof of loss (or within 90 days after the insurance adjuster files the adjuster's report signed and sworn to by you in lieu of a proof of loss) and: a. We reach an agreement with you; b. There is an entry of a final judgment; or c. There is a filing of an appraisal award with us, as provided in VIII.M 2. If we reject your proof of loss in whole or in part you may: a. Accept our denial of your claim; b. Exercise your rights under this policy; or c. File an amended proof of loss as long as it is filed within 60 days of the date of the loss. K. Abandonment You may not abandon damaged or undamaged insured property to us. L. Salvage We may permit you to keep damaged insured property after a loss, and we will reduce the amount of the loss proceeds payable to you under the policy by the value of the salvage. M. Appraisal If you and we fail to agree on the actual cash value or, if applicable, replacement cost of the damaged property so as to determine the amount of loss, then either may demand an appraisal of the loss. In this event, you and we will each choose a competent and impartial appraiser within 20 days after receiving a written request from the other. The two appraisers will choose an umpire. If they cannot agree upon an umpire within 15 days, you or we may request that the choice be made by a judge of a court of record in the state where the insured property is located. The appraisers will separately state the actual cash value, the replacement cost, and the amount of loss to each item. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of actual cash value and loss, or if it applies, the replacement cost and loss. Each party will: 1. Pay its own appraiser; and 2. Bear the other expenses of the appraisal and umpire equally. N. Mortgage Clause 1. The word ``mortgagee'' includes trustee. 2. Any loss payable under Coverage A--Building Property will be paid to any mortgagee of whom we have actual notice, as well as any other mortgagee or loss payee determined to exist at the time of loss, and you, as interests appear. If more than one mortgagee is named, the order of ***payment*** will be the same as the order of precedence of the mortgages. 3. If we deny your claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee: a. Notifies us of any change in the ownership or occupancy, or substantial change in risk of which the mortgagee is aware; b. Pays any premium due under this policy on demand if you have neglected to pay the premium; and c. Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so. 4. All terms of this policy apply to the mortgagee. 5. The mortgagee has the right to receive loss ***payment*** even if the mortgagee has started foreclosure or similar action on the building. 6. If we decide to cancel or not renew this policy, it will continue in effect for the benefit of the mortgagee only for 30 days after we notify the mortgagee of the cancellation or non-renewal. 7. If we pay the mortgagee for any loss and deny ***payment*** to you, we are subrogated to all the rights of the mortgagee granted under the mortgage on the property. Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim. [[Page 33012]] O. Suit Against Us You may not sue us to recover money under this policy unless you have complied with all the requirements of the policy. If you do sue, you must start the suit within one ***year*** of the date of the written denial of all or part of the claim, and you must file the suit in the United States District Court of the district in which the insured property was located at the time of loss. This requirement applies to any claim that you may have under this policy and to any dispute that you may have arising out of the handling of any claim under the policy. P. Subrogation Whenever we make a ***payment*** for a loss under this policy, we are subrogated to your right to recover for that loss from any other person. That means that your right to recover for a loss that was partly or totally caused by someone else is automatically ***transferred*** to us, to the extent that we have paid you for the loss. We may require you to acknowledge this ***transfer*** in writing. After the loss, you may not give up our right to recover this money or do anything that would prevent us from recovering it. If you make any claim against any person who caused your loss and recover any money, you must pay us back first before you may keep any of that money. Q. Continuous Lake Flood 1. If an insured building has been flooded by rising lake waters continuously for 90 days or more and it appears reasonably certain that a continuation of this flooding will result in an insured loss to the insured building equal to or greater than the building policy limits plus the deductible or the maximum payable under the policy for any one building loss, we will pay you the lesser of these two amounts without waiting for the further damage to occur if you sign a release agreeing: a. To make no further claim under this policy; b. Not to seek renewal of this policy; c. Not to apply for any flood insurance under the Act for property at the described location; d. Not to seek a premium refund for current or prior terms. If the policy term ends before the insured building has been flooded continuously for 90 days, the provisions of this paragraph Q.1 will apply when the insured building suffers a covered loss before the policy term ends. 2. If your insured building is subject to continuous lake flooding from a closed basin lake, you may elect to file a claim under either paragraph Q.1 above or this paragraph Q.2 (A ``closed basin lake'' is a natural lake from which water leaves primarily through evaporation and whose surface area now exceeds or has exceeded one square mile at any time in the recorded past. Most of the nation's closed basin lakes are in the western half of the United States where annual evaporation exceeds annual precipitation and where lake levels and surface areas are subject to considerable fluctuation due to wide variations in the climate. These lakes may overtop their basins on rare occasions.) Under this paragraph Q.2, we will pay your claim as if the building is a total loss even though it has not been continuously inundated for 90 days, subject to the following conditions: a. Lake floodwaters must damage or imminently threaten to damage your building. b. Before approval of your claim, you must: (1) Agree to a claim ***payment*** that reflects your buying back the salvage on a negotiated basis; and (2) Grant the conservation easement contained in FEMA's ``Policy Guidance for Closed Basin Lakes,'' to be recorded in the office of the local recorder of deeds. FEMA, in consultation with the community in which the property is located, will identify on a map an area or areas of special consideration (ASC) in which there is a potential for flood damage from continuous lake flooding. FEMA will give the community the agreed-upon map showing the ASC. This easement will only apply to that portion of the property in the ASC. It will allow certain ***agricultural*** and recreational uses of the land. The only structures that it will allow on any portion of the property within the ASC are certain simple ***agricultural*** and recreational structures. If any of these allowable structures are insurable buildings under the NFIP and are insured under the NFIP, they will not be eligible for the benefits of this paragraph Q.2 If a U.S Army Corps of Engineers certified flood control project or otherwise certified flood control project later protects the property, FEMA will, upon request, amend the ASC to remove areas protected by those projects. The restrictions of the easement will then no longer apply to any portion of the property removed from the ASC; and (3) Comply with paragraphs Q.1.a through Q.1.d above. c. Within 90 days of approval of your claim, you must move your building to a new location outside the ASC. FEMA will give you an additional 30 days to move if you show there is sufficient reason to extend the time. d. Before the final ***payment*** of your claim, you must acquire an elevation certificate and a floodplain development permit from the local floodplain administrator for the new location of your building. e. Before the approval of your claim, the community having jurisdiction over your building must: (1) Adopt a permanent land use ordinance, or a temporary moratorium for a period not to exceed 6 months to be followed immediately by a permanent land use ordinance, that is consistent with the provisions specified in the easement required in paragraph Q.2.b above; (2) Agree to declare and report any violations of this ordinance to FEMA so that under Section 1316 of the National Flood Insurance Act of 1968, as amended, flood insurance to the building can be denied; and (3) Agree to maintain as deed-restricted, for purposes compatible with open space or ***agricultural*** or recreational use only, any affected property the community acquires an interest in. These deed restrictions must be consistent with the provisions of paragraph Q.2.b above, except that even if a certified project protects the property, the land use restrictions continue to apply if the property was acquired under the Hazard Mitigation Grant ***Program*** or the Flood Mitigation Assistance ***Program***. If a non-profit land trust organization receives the property as a donation, that organization must maintain the property as deed-restricted, consistent with the provisions of paragraph Q.2.b above. f. Before the approval of your claim, the affected State must take all action set forth in FEMA's ``Policy Guidance for Closed Basin Lakes.'' g. You must have NFIP flood insurance coverage continuously in effect from a date established by FEMA until you file a claim under this paragraph Q.2 If a subsequent owner buys NFIP insurance that goes into effect within 60 days of the date of ***transfer*** of title, any gap in coverage during that 60-day period will not be a violation of this continuous coverage requirement. For the purpose of honoring a claim under this paragraph Q.2, we will not consider to be in effect any increased coverage that became effective after the date established by FEMA. The exception to this is any increased coverage in the amount suggested by your insurer as an inflation adjustment. h. This paragraph Q.2 will be in effect for a community when the FEMA Regional Administrator for the affected region provides to the community, in writing, the following: (1) Confirmation that the community and the State are in compliance with the conditions in paragraphs Q2.e and Q.2.f above, and (2) The date by which you must have flood insurance in effect. R. Loss Settlement 1. Introduction This policy provides three methods of settling losses: Replacement Cost, Special Loss Settlement, and Actual Cash Value. Each method is used for a different type of property, as explained in a-c below. a. Replacement Cost Loss, Settlement described in R.2 below applies to buildings other than manufactured homes or travel trailers. b. Special Loss Settlement, described in R.3 below applies to a residential condominium building that is a travel trailer or a manufactured home. c. Actual Cash Value loss settlement applies to all other property covered under this policy, as outlined in R.4 below. 2. Replacement Cost Loss Settlement a. We will pay to repair or replace a damaged or destroyed building, after application of the deductible and without deduction for depreciation, but not more than the least of the following amounts: (1) The amount of insurance in this policy that applies to the building; (2) The replacement cost of that part of the building damaged, with materials of like kind and quality, and for like occupancy and use; or (3) The necessary amount actually spent to repair or replace the damaged part of the building for like occupancy and use. b. We will not be liable for any loss on a Replacement Cost Coverage basis unless and [[Page 33013]] until actual repair or replacement of the damaged building or parts thereof, is completed. c. If a building is rebuilt at a location other than the described location, we will pay no more than it would have cost to repair or rebuild at the described location, subject to all other terms of Replacement Cost Loss Settlement. 3. Special Loss Settlement a. The following loss settlement conditions apply to a residential condominium building that is: (1) A manufactured home or travel trailer, as defined in II.C.6.b and c, and (2) at least 16 feet wide when fully assembled and has at least 600 square feet within its perimeter walls when fully assembled. b. If such a building is totally destroyed or damaged to such an extent that, in our judgment, it is not economically feasible to repair, at least to its pre-damaged condition, we will, at our discretion, pay the least of the following amounts: (1) The lesser of the replacement cost of the manufactured home or travel trailer or 1.5 times the actual cash value; or (2) The Building Limit of liability shown on your Declarations Page. c. If such a manufactured home or travel trailer is partially damaged and, in our judgment, it is economically feasible to repair it to its pre-damaged condition, we will settle the loss according to the Replacement Cost Loss Settlement conditions in R.2 above. 4. Actual Cash Value Loss Settlement a. The types of property noted below are subject to actual cash value loss settlement: (1) Personal property; (2) Insured property abandoned after a loss and that remains as debris at the described location; (3) Outside antennas and aerials, awning, and other outdoor equipment; (4) Carpeting and pads; (5) Appliances; and (6) A manufactured home or mobile home or a travel trailer as defined in II.C.6.b or c that does not meet the conditions for special loss settlement in R.3 above. b. We will pay the least of the following amounts: (1) The applicable amount of insurance under this policy; (2) The actual cash value, as defined in II.C.2; or (3) The amount it would cost to repair or replace the property with material of like kind and quality within a reasonable time after the loss. IX. Policy Nullification, Cancellation, and Non-Renewal A. Policy Nullification for Fraud, Misrepresentation, or Making False Statements 1. With respect to all insureds under this policy, this policy is void and has no legal force and effect if at any time, before or after a loss, you or any other insured or your agent have, with respect to this policy or any other NFIP insurance: a. Concealed or misrepresented any material fact or circumstance; b. Engaged in fraudulent conduct; or c. Made false statements. 2. Policies voided under A.1 cannot be renewed or replaced by a new NFIP policy. 3. Policies are void as of the date the acts described in A.1.above were committed. 4. Fines, civil penalties, and imprisonment under applicable Federal laws may also apply to the acts of fraud or concealment described above. B. Policy Nullification for Reasons Other Than Fraud 1. This policy is void from its inception, and has no legal force or effect, if: a. The property listed on the application is located in a community that was not participating in the NFIP on this policy's inception date and did not join or reenter the ***program*** during the policy term and before the loss occurred; b. The property listed on the application is otherwise not eligible for coverage under the NFIP at the time of the initial application; c. You never had an insurable interest in the property listed on the application; d. You provided an agent with an application and ***payment***, but the ***payment*** did not clear; or e. We receive notice from you, prior to the policy effective date, that you have determined not to take the policy and you are not subject a requirement to obtain and maintain flood insurance pursuant to any statute, regulation, or contract. 2. In such cases, you will be entitled to a full refund of all premium, fees, and surcharges received. However, if a claim was paid for a policy that is void, the claim ***payment*** must be returned to FEMA or offset from the premiums to be refunded before the refund will be processed. C. Cancellation of the Policy by You 1. You may cancel this policy in accordance with the terms and conditions of this policy and the applicable rules and regulations of the NFIP. 2. If you cancel this policy, you may be entitled to a full or partial refund of premium, surcharges, or fees under the terms and conditions of this policy and the applicable rules and regulations of the NFIP. D. Cancellation of the Policy by Us 1. Cancellation for Underpayment of Amounts Owed on This Policy. This policy will be cancelled, pursuant to VIII.D.2, if it is determined that the premium amount you paid is not sufficient to buy any amount of coverage, and you do not pay the additional amount of premium owed to increase the coverage to the originally requested amount within the required time period. 2. Cancellation Due to Lack of an Insurable Interest. a. If you no longer have an insurable interest in the insured property, we will cancel this policy. You will cease to have an insurable interest if: (1) For building coverage, the building was sold, destroyed, or removed. (2) For contents coverage, the contents were sold or ***transferred*** ownership, or the contents were completely removed from the described location. b. If your policy is cancelled for this reason, you may be entitled to a partial refund of premium under the applicable rules and regulations of the NFIP. 3. Cancellation of Duplicate Policies. a. Except as allowed under Article I.F, your property may not be insured by more than one NFIP policy, and ***payment*** for damages to your property will only be made under one policy. b. Except as allowed under Article I.G, if the property is insured by more than one NFIP policy, we will cancel all but one of the policies. The policy, or policies, will be selected for cancellation in accordance with 44 CFR 62.5 and the applicable rules and guidance of the NFIP. c. If this policy is cancelled pursuant to VIII.D.3.a, you may be entitled to a full or partial refund of premium, surcharges, or fees under the terms and conditions of this policy and the applicable rules and regulations of the NFIP. 4. Cancellation Due to Physical Alteration of Property. a. If the insured building has been physically altered in such a manner that it is no longer eligible for flood insurance coverage, we will cancel this policy. b. If your policy is cancelled for this reason, you may be entitled to a partial refund of premium under the terms and conditions of this policy and the applicable rules and regulations of the NFIP. E. Non-Renewal of the Policy by Us Your policy will not be renewed if: 1. The community where your insured property is located is suspended or stops participating in the NFIP; 2. Your building is otherwise ineligible for flood insurance under the Act; 3. You have failed to provide the information we requested for the purpose of rating the policy within the required deadline. X. Liberalization Clause If we make a change that broadens your coverage under this edition of our policy, but does not require any additional premium, then that change will automatically apply to your insurance as of the date we implement the change, provided that this implementation date falls within 60 days before or during the policy term stated on the Declarations Page. XI. What Law Governs This policy and all disputes arising from the insurer's policy issuance, policy administration, or the handling of any claim under the policy are governed exclusively by the flood insurance regulations issued by FEMA, the National Flood Insurance Act of 1968, as amended (42 U.S.C 4001, et seq.), and Federal common law. In Witness Whereof, we have signed this policy below and hereby enter into this Insurance Agreement. Administrator, Federal Insurance and Mitigation Administration [[Page 33014]] PART 62--SALE OF INSURANCE AND ADJUSTMENT OF CLAIMS 0 15. Revise the authority citation for Part 62 to read as follows: Authority: 42 U.S.C 4001 et seq.; 6 U.S.C 101 et seq. 0 16. Revise Sec. 62.3 to read as follows: Sec. 62.3 Servicing Agent. (a) Pursuant to sections 1345 and 1346 of the Act, the Federal Insurance Administrator may enter into an agreement with a servicing agent to authorize it to assist in issuing flood insurance policies under the ***Program*** in communities designated by the Federal Insurance Administrator and to accept responsibility for delivery of policies and ***payment*** of claims for losses as prescribed by and at the discretion of the Federal Insurance Administrator. (b) The servicing agent will arrange for the issuance of flood insurance to any person qualifying for such coverage under parts 61 and 64 of this subchapter who submits an application to the servicing agent in accordance with the terms and conditions of the contract between the Agency and the servicing agent. 0 17. Revise Sec. 62.5 to read as follows: Sec. 62.5 Nullifications, Cancellations, and Premium Refunds. (a) Nullification. (1) Property Ineligible at Time of Application. FEMA will void a policy for a property that was not eligible for coverage at the time of the initial application from the commencement of the policy. FEMA must pay the policyholder a refund of all premium, fees, and surcharges paid from the date of commencement of the policy, but no more than 5 ***years*** prior to the date of date of receipt of verifiable evidence that the property was ineligible for coverage at the time of the initial application. If FEMA paid a claim for an ineligible property, the policyholder must return the claim ***payment*** to FEMA, or offset the ***payment*** from the premiums to be refunded, before FEMA will process the refund. (2) Property Later Becomes Ineligible. FEMA may not renew a policy for a property that was eligible for coverage at the time of the initial application, but later became ineligible for coverage. In such instances, the FEMA must nullify the policy from the first renewal date after the property became ineligible. FEMA must refund all premium, fees, and surcharges paid from the first renewal date after the property became ineligible, but no more than 5 ***years*** prior to the date of receipt of verifiable evidence that the property was eligible for coverage at the time of the initial application, but later became ineligible for coverage. If FEMA paid a claim for a property after it became ineligible for coverage, the policyholder must return the claim ***payment*** to FEMA or FEMA must offset the amount of claim ***payment*** from the premiums to be refunded before FEMA may process the refund. (3) Nullification Prior to Policy Effective Date. If FEMA nullifies a policy prior to the policy effective date, that policy will be void from the commencement of the nullified policy term. In such case, FEMA will refund all premium, fees, and surcharges paid for the current policy term only. If FEMA paid a claim for a policy that was improperly issued, the policyholder must return the claim ***payment*** to FEMA or FEMA must offset the amount of claim ***payment*** from the premiums to be refunded before the NFIP may process the refund. (b) Cancellation Due to Lack of an Insurable Interest. If the policyholder had an insurable interest, but no longer has an insurable interest, in the insured property, FEMA must cancel the policy on the insured property. If FEMA cancels a policy for this reason, FEMA must refund the policyholder a pro rata share of the premium from the date the policyholder lost an insurable interest in the property, but no more than 5 ***years*** prior to the date of the cancellation request. FEMA must pay the policyholder a refund of all fees or surcharges for any full policy term during which the policyholder had no insurable interest in the insured property, but no more than 5 ***years*** prior to the date of the cancellation request. A policyholder ceases to have an insurable interest if: (1) For building coverage, the building was sold, destroyed, or removed. (2) For contents coverage, the contents were sold or ***transferred*** ownership, or the contents were completely removed from the described location. (c) No Insurance Coverage Requirement. A policyholder may cancel a policy if the policyholder was subject to a requirement by a lender, loss payee, or other Federal agency to obtain and maintain flood insurance pursuant to statute, regulation, or contract, but there is no longer such a requirement. The policyholder will receive a refund of a pro rata share of the premium for the current policy term only, calculated from the date of the cancellation request, but will not receive a refund of any fees or surcharges. (d) Establishment of a Common Expiration Date. A policyholder may purchase a new policy and cancel an existing policy in order to establish a common expiration date between flood insurance coverage and other coverage. The policyholder will receive a refund of a pro rata share of the premium calculated from the effective date of the new policy to the end date of the previous policy. The policyholder will not receive a refund of any fees or surcharges. In order to rewrite and cancel the policy, the following conditions must apply: (1) The new policy must be written with the same company for the same or higher amount of coverage. If the policy is written for a higher amount or different type of coverage, the waiting period in Sec. 61.11 will apply. (2) The other insurance coverage for which the common expiration date is being established must be for coverage on the same building that is insured by the flood policy being cancelled and rewritten. (3) The coverage for the new policy must be effective prior to the cancelling the existing policy. (e) Cancelation or Nullification of Duplicate NFIP Policies. (1) Generally. (i) Except as described in 44 CFR 62.5(e)(2), if an insured property is covered by more than one NFIP policy not in accordance with applicable regulations and the Standard Flood Insurance Policy, FEMA must nullify the policy with the later effective date. The policy with the earlier effective date will continue. The policyholder will receive a pro rata refund of all premium for the nullified policy from the effective date of the nullified policy, but no more than 5 ***years*** prior to the date of receipt of verifiable evidence that the insured property is covered by more than one NFIP policy. The policyholder will receive a refund of all fees or surcharges for any full policy term during which the policyholder was covered by more than one policy, but no more than 5 ***years*** prior to the date of receipt of verifiable evidence that the insured property is covered by more than one NFIP policy. (ii) If both polices have the same policy effective date, the policyholder may choose which policy will remain in effect, and the policyholder will receive a refund of all premium, fees, and surcharges for the cancelled policy from the effective date of the cancelled policy, but no more than 5 ***years*** prior to the date of receipt of verifiable evidence that the insured property is covered by more than one NFIP policy. (2) Exceptions. In the following cases, the policyholder may maintain the policy with the later policy effective [[Page 33015]] date while cancelling the policy with the earlier policy effective date: (i) Earlier Policy Expired--The policy with the earlier effective date has expired for more than 30 days. In such cases, the policyholder will receive a refund of a pro rata share of the premium, calculated from the effective date of the policy with the later effective date to the end date of the policy with the earlier effective date, but no more than 5 ***years*** prior to the date of cancellation. The policyholder will also receive a refund of all fees and surcharges for any full policy terms during which the insured property is covered by both policies, but no more than 5 ***years*** prior to the date of the cancellation request. (ii) Group Flood Insurance Policy (GFIP)--The policy with the earlier policy effective date is a Group Flood Insurance Policy. In such cases, there will be no refund of any premium, fees, or surcharges. (iii) Cancellations to Establish a Common Expiration Date--The policy with the earlier effective date is cancelled to establish a common policy expiration date pursuant to paragraph (d) of this section. In such cases, refunds will be provided in accordance with paragraph (d) of this section. (iv) Force-Placed Policy--The policy with the earlier effective date was force placed pursuant to 42 U.S.C 4012a using the NFIP's Mortgage Portfolio Protection ***Program***. In such cases, the policyholder will receive a refund of the pro rata share of the premium calculated from the policy effective date of the new policy to the expiration date of the cancelled policy. There will be no refund of any fees or surcharges. (v) Condominium Unit Covered by a Dwelling Form Policy and an RCBAP--The policy with the earlier effective date is a Dwelling Form Policy with building coverage on a condominium unit that is also covered by a Residential Condominium Building Association Policy (RCBAP) that is issued at the statutory maximum coverage limit for buildings. In such cases, the policyholder will receive a refund of a pro rata share of the premium for the building coverage issued under the Dwelling Form policy, as calculated from the effective date of the RCBAP policy to the end date of the Dwelling Form policy. The policyholder will also receive a refund of all fees and surcharges for any full policy terms during which the condominium unit is covered by both a Dwelling Form policy and an RCBAP in which the coverage equals the statutory maximum coverage limits for buildings, but no more than 5 ***years*** prior to the date of the cancellation request. (f) Other Cancellations and Nullifications. Except as indicated below, FEMA will not refund premiums, assessments, fees, or surcharges if FEMA cancels a policy for any of the following reasons: (1) Fraud. FEMA will cancel a policy for fraud committed by the policyholder or the agent. FEMA may cancel a policy for misrepresentation of a material fact by the policyholder or agent. Such cancellations will take effect as of the date of the fraudulent act or material misrepresentation of fact. (2) Administrative Cancellation. FEMA may cancel and rewrite a policy to correct an administrative error, such as when the policy is written with the wrong policy effective date. In such cases, FEMA will apply any premium, assessments, fees, or surcharges to the new policy. FEMA will refund any excess premium, fees, surcharges, or assessments paid. (3) Nullification for Properties Ineligible Due to Physical Alteration of Property. A policy insuring a building or its contents, or both, may be cancelled if the building has been physically altered in such a manner that the building and its contents are no longer eligible for flood insurance coverage. The policyholder will receive a refund of a pro rata share of the premium for the current policy term only, but the policyholder will not receive a refund of any fees or surcharges. 0 18. Revise Sec. 62.6 to read as follows: Sec. 62.6 Brokers and Agents Writing NFIP Policies through the NFIP Direct Servicing Agent. (a) A broker or agent selling policies of flood insurance placed with the NFIP at the offices of its servicing agent must be duly licensed by the state insurance regulatory authority in the state in which the property is located. (b) The earned commission which will be paid to any property or casualty insurance agent or broker, with respect to each policy or renewal the agent duly procures on behalf of the insured, in connection with policies of flood insurance placed with the NFIP at the offices of its servicing agent, but not with respect to policies of flood insurance issued pursuant to Subpart C of this Part, will not be less than $10 and is computed as follows: \* \* \* \* \* Sec. 62.22 [Amended] 0 19. In Sec. 62.22, amend paragraph (a) by removing the two instances of the words ``Federal Insurance Administration'' and replacing them with ``Federal Insurance and Mitigation Administration.'' Brock Long, Administrator, Federal Emergency Management Agency. [FR Doc. 2018-13292 Filed 7-13-18; 8:45 am] BILLING CODE 9111-52-P

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Impact News Service

January 11, 2018 Thursday

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**Body**

Washington: U.S.Department of Labor has issued the following news release:

UNEMPLOYMENT INSURANCE WEEKLY CLAIMS SEASONALLY ADJUSTED DATA In the week ending January 6, the advance figure for seasonally adjusted initial claims was 261,000, an increase of 11,000 from the previous week's unrevised level of 250,000. The 4-week moving average was 250,750, an increase of 9,000 from the previous week's unrevised average of 241,750. Claims taking procedures continue to be disrupted in the Virgin Islands. The claims taking process in Puerto Rico has still not returned to normal. The advance seasonally adjusted insured unemployment rate was 1.3 percent for the week ending December 30, a decrease of 0.1 percentage point from the previous week's unrevised rate. The advance number for seasonally adjusted insured unemployment during the week ending December 30 was 1,867,000, a decrease of 35,000 from the previous week's revised level. This is the lowest level for insured unemployment since December 29, 1973 when it was 1,805,000. The previous week's level was revised down by 12,000 from 1,914,000 to 1,902,000. The 4-week moving average was 1,913,250, a decrease of 5,500 from the previous week's revised average.

The previous week's average was revised down by 3,750 from 1,922,500 to 1,918,750. UNADJUSTED DATA The advance number of actual initial claims under state ***programs***, unadjusted, totaled 402,979 in the week ending January 6, an increase of 51,659 (or 14.7 percent) from the previous week. The seasonal factors had expected an increase of 35,257 (or 10.0 percent) from the previous week. There were 414,742 initial claims in the comparable week in 2017. The advance unadjusted insured unemployment rate was 1.6 percent during the week ending December 30, an increase of 0.1 percentage point from the prior week. The advance unadjusted number for persons claiming UI benefits in state ***programs*** totaled 2,294,563, an increase of 230,842 (or 11.2 percent) from the preceding week. The seasonal factors had expected an increase of 273,895 (or 13.3 percent) from the previous week. A ***year*** earlier the rate was 1.8 percent and the volume was 2,467,654. The total number of people claiming benefits in all ***programs*** for the week ending December 23 was 2,101,620, an increase of 82,336 from the previous week. There were 2,294,430 persons claiming benefits in all ***programs*** in the comparable week in 2016. Extended benefits were available in Alaska during the week ending December 23. Initial claims for UI benefits filed by former Federal civilian employees totaled 819 in the week ending December 30, a decrease of 104 from the prior week. There were 505 initial claims filed by newly discharged veterans, a decrease of 135 from the preceding week. There were 16,376 former Federal civilian employees claiming UI benefits for the week ending December 23, an increase of 2,540 from the previous week. Newly discharged veterans claiming benefits totaled 8,467, a decrease of 245 from the prior week. The highest insured unemployment rates in the week ending December 23 were in Puerto Rico (4.4), Alaska (4.1), New Jersey (2.5), Connecticut (2.4), Montana (2.3), Pennsylvania (2.3), Massachusetts (2.2), California (2.1), Illinois (2.1), and Minnesota (2.1). The largest increases in initial claims for the week ending December 30 were in New Jersey (+9,507), Pennsylvania (+6,850), Michigan (+5,920), Ohio (+5,773), and Wisconsin (+5,274), while the largest decreases were in California (-9,876), Kentucky (-5,485), Texas (-4,219), Oklahoma (-1,737), and Florida (-1,528). UNEMPLOYMENT INSURANCE DATA FOR REGULAR STATE ***PROGRAMS*** WEEK ENDING January 6 December 30 Change December 23 Prior Year1 Initial Claims (SA) 261,000 250,000 +11,000 247,000 245,000 Initial Claims (NSA) 402,979 351,320 +51,659 324,915 414,742 4-Wk Moving Average (SA) 250,750 241,750 +9,000 238,250 252,250 WEEK ENDING December 30 December 23 Change December 16 Prior Year1 Insured Unemployment (SA) 1,867,000 1,902,000 -35,000 1,948,000 2,081,000 Insured Unemployment (NSA) 2,294,563 2,063,721 +230,842 1,983,093 2,467,654 4-Wk Moving Average (SA) 1,913,250 1,918,750 -5,500 1,921,000 2,081,000 Insured Unemployment Rate (SA)2 1.3% 1.4% -0.1 1.4% 1.5% Insured Unemployment Rate (NSA)2 1.6% 1.5% +0.1 1.4% 1.8% INITIAL CLAIMS FILED IN FEDERAL ***PROGRAMS*** (UNADJUSTED) WEEK ENDING December 30 December 23 Change Prior Year1 Federal Employees (UCFE) 819 923 -104 1,002 Newly Discharged Veterans (UCX) 505 640 -135 675 PERSONS CLAIMING UI BENEFITS IN ALL ***PROGRAMS*** (UNADJUSTED) WEEK ENDING December 23 December 16 Change Prior Year1 Regular State 2,061,483 1,980,794 +80,689 2,250,276 Federal Employees 16,376 13,836 +2,540 14,165 Newly Discharged Veterans 8,467 8,712 -245 12,695 Extended Benefits31,280 1,333 -53 0 State Additional Benefits46,046 6,566 -520 6,695 STC / Workshare 5 7,968 8,043 -75 10,599 TOTAL 2,101,620 2,019,284 +82,336 2,294,430 FOOTNOTES SA - Seasonally Adjusted Data, NSA - Not Seasonally Adjusted Data 1.Prior ***year*** is comparable to most recent data. 2.Most recent week used covered employment of 140,510,815 as denominator. 3.Information on the EB ***program*** can be found here: EB ***Program*** information 4.Some states maintain additional benefit ***programs*** for those claimants who exhaust regular, extended and emergency benefits.Information on states that participate, and the extent of benefits paid, can be found starting on page 4-5 of this link: Extensionsand Special ***Programs*** PDF 5.Information on STC/Worksharing can be found starting on page 4-9 of the following link: Extensions and Special ProgramsPDF Advance State Claims - Not Seasonally Adjusted Initial Claims Filed During Week Ended January 6 Insured Unemployment For Week Ended December 30 Advance Prior Wk Change Advance Prior Wk Change 7,307 4,252 3,055 24,866 19,842 5,024 1,311 1,197 114 12,253 12,632 -379 3,444 2,787 657 19,567 21,706 -2,139 2,993 3,339 -346 17,086 15,595 1,491 47,822 35,363 12,459 353,783 348,237 5,546 3,095 2,242 853 25,087 21,327 3,760 5,389 4,906 483 47,547 39,528 8,019 1,036 1,486 -450 7,110 5,878 1,232 678 280 398 8,333 8,874 -541 7,697 5,443 2,254 36,240 43,874 -7,634 19,237 7,559 11,678 43,066 30,446 12,620 1,988 1,333 655 8,770 7,287 1,483 2,183 2,944 -761 11,825 10,375 1,450 18,137 17,248 889 134,738 124,463 10,275 6,608 4,538 2,070 21,072 18,387 2,685 6,573 8,120 -1,547 33,772 26,131 7,641 3,194 3,953 -759 14,736 11,511 3,225 5,276 7,142 -1,866 22,754 21,824 930 1,980 1,688 292 16,995 19,517 -2,522 1,708 1,317 391 7,828 6,969 859 5,463 7,651 -2,188 37,282 35,383 1,899 10,689 14,960 -4,271 85,738 76,565 9,173 19,659 23,005 -3,346 80,428 75,384 5,044 9,092 7,227 1,865 72,502 58,202 14,300 1,250 1,435 -185 9,830 10,528 -698 9,459 10,634 -1,175 36,768 29,770 6,998 1,502 1,625 -123 11,869 10,160 1,709 1,921 2,792 -871 8,707 6,366 2,341 3,040 2,987 53 22,738 24,287 -1,549 920 1,260 -340 5,090 4,240 850 16,085 24,411 -8,326 116,238 96,337 19,901 1,029 950 79 10,994 10,775 219 49,640 22,470 27,170 197,133 157,940 39,193 3,888 1,785 2,103 20,086 20,841 -755 1,170 1,115 55 8,602 6,135 2,467 15,088 17,518 -2,430 83,167 69,089 14,078 1,514 1,475 39 15,570 15,782 -212 6,181 6,354 -173 35,186 31,087 4,099 34,317 28,909 5,408 141,102 127,834 13,268 1,778 2,338 -560 28,784 38,524 -9,740 1,940 3,578 -1,638 12,412 9,019 3,393 6,017 4,222 1,795 21,504 18,861 2,643 433 480 -47 3,103 2,721 382 4,832 3,431 1,401 22,910 21,313 1,597 14,731 9,919 4,812 148,247 133,078 15,169 1,700 1,439 261 11,624 10,936 688 932 1,570 -638 6,322 4,564 1,758 NA NA NA NA 4,505 4,213 292 28,133 24,874 3,259 9,118 9,197 -79 69,521 62,013 7,508 1,530 1,169 361 14,623 11,807 2,816 15,301 13,393 1,908 56,901 41,067 15,834 599 671 -72 4,021 3,836 185 STATE Alabama Alaska Arizona Arkansas California Colorado Connecticut Delaware District of Columbia Florida Georgia Hawaii Idaho Illinois Indiana Iowa Kansas Kentucky Louisiana Maine\* Maryland Massachusetts Michigan Minnesota Mississippi Missouri Montana Nebraska Nevada New Hampshire New Jersey New Mexico New York North Carolina North Dakota Ohio Oklahoma Oregon Pennsylvania Puerto Rico Rhode Island South Carolina South Dakota Tennessee Texas Utah Vermont Virgin Islands Virginia Washington West Virginia Wisconsin Wyoming US Total 402,979 351,320 51,659 2,294,563 2,063,721 230,842 Note: Advance Claims are not directly comparable to claims reported in prior weeks. Advance claims are reported by the state liable for paying the unemployment compensation, whereas previous weeks reported reflect claimants by state of residence. In addition, claims reported as 'workshare equivalent' in the previous week are added to the advance claims as a proxy for the current week's 'workshare equivalent' activity. \*Denotes state estimate. Seasonally Adjusted US Weekly UI Claims (in thousands) Week Ending Initial Claims Change from Prior Week 4-Week Average Insured Unemployment Change from Prior Week 4-Week Average IUR December 31, 2016 241 -17 253.75 2,081 -21 2,081.00 1.5 January 7, 2017 245 4 252.25 2,061 -20 2,085.25 1.5 January 14, 2017 241 -4 246.25 2,083 22 2,081.75 1.5 January 21, 2017 252 11 244.75 2,063 -20 2,072.00 1.5 January 28, 2017 250 -2 247.00 2,067 4 2,068.50 1.5 February 4, 2017 237 -13 245.00 2,071 4 2,071.00 1.5 February 11, 2017 248 11 246.75 2,052 -19 2,063.25 1.5 February 18, 2017 247 -1 245.50 2,057 5 2,061.75 1.5 February 25, 2017 227 -20 239.75 2,059 2 2,059.75 1.5 March 4, 2017 252 25 243.50 2,025 -34 2,048.25 1.5 March 11, 2017 246 -6 243.00 1,987 -38 2,032.00 1.4 March 18, 2017 261 15 246.50 2,052 65 2,030.75 1.5 March 25, 2017 259 -2 254.50 2,035 -17 2,024.75 1.5 April 1, 2017 235 -24 250.25 2,028 -7 2,025.50 1.5 April 8, 2017 234 -1 247.25 1,978 -50 2,023.25 1.4 April 15, 2017 243 9 242.75 1,987 9 2,007.00 1.4 April 22, 2017 257 14 242.25 1,979 -8 1,993.00 1.4 April 29, 2017 238 -19 243.00 1,920 -59 1,966.00 1.4 May 6, 2017 236 -2 243.50 1,899 -21 1,946.25 1.4 May 13, 2017 233 -3 241.00 1,924 25 1,930.50 1.4 May 20, 2017 235 2 235.50 1,919 -5 1,915.50 1.4 May 27, 2017 255 20 239.75 1,929 10 1,917.75 1.4 June 3, 2017 245 -10 242.00 1,936 7 1,927.00 1.4 June 10, 2017 238 -7 243.25 1,942 6 1,931.50 1.4 June 17, 2017 242 4 245.00 1,945 3 1,938.00 1.4 June 24, 2017 244 2 242.25 1,965 20 1,947.00 1.4 July 1, 2017 250 6 243.50 1,949 -16 1,950.25 1.4 July 8, 2017 248 -2 246.00 1,977 28 1,959.00 1.4 July 15, 2017 234 -14 244.00 1,965 -12 1,964.00 1.4 July 22, 2017 245 11 244.25 1,967 2 1,964.50 1.4 July 29, 2017 241 -4 242.00 1,956 -11 1,966.25 1.4 August 5, 2017 244 3 241.00 1,954 -2 1,960.50 1.4 August 12, 2017 232 -12 240.50 1,954 0 1,957.75 1.4 August 19, 2017 235 3 238.00 1,945 -9 1,952.25 1.4 August 26, 2017 236 1 236.75 1,951 6 1,951.00 1.4 September 2, 2017 298 62 250.25 1,935 -16 1,946.25 1.4 September 9, 2017 281 -17 262.50 1,979 44 1,952.50 1.4 September 16, 2017 260 -21 268.75 1,911 -68 1,944.00 1.4 September 23, 2017 269 9 277.00 1,921 10 1,936.50 1.4 September 30, 2017 258 -11 267.00 1,904 -17 1,928.75 1.4 October 7, 2017 244 -14 257.75 1,896 -8 1,908.00 1.3 October 14, 2017 223 -21 248.50 1,900 4 1,905.25 1.4 October 21, 2017 234 11 239.75 1,884 -16 1,896.00 1.3 October 28, 2017 229 -5 232.50 1,904 20 1,896.00 1.4 November 4, 2017 239 10 231.25 1,868 -36 1,889.00 1.3 November 11, 2017 252 13 238.50 1,915 47 1,892.75 1.4 November 18, 2017 240 -12 240.00 1,960 45 1,911.75 1.4 November 25, 2017 238 -2 242.25 1,911 -49 1,913.50 1.4 December 2, 2017 236 -2 241.50 1,889 -22 1,918.75 1.3 December 9, 2017 225 -11 234.75 1,936 47 1,924.00 1.4 December 16, 2017 245 20 236.00 1,948 12 1,921.00 1.4 December 23, 2017 247 2 238.25 1,902 -46 1,918.75 1.4 December 30, 2017 250 3 241.75 1,867 -35 1,913.25 1.3 January 6, 2018 261 11 250.75 Initial Claims Filed During Week Ended December 30 INITIAL CLAIMS Insured Unemployment For Week Ended December 23 INSURED UNEMPLOYMENT STATE STATE CHANGE FROM UCFE 1UCX 1STATE (%) 2CHANGE FROM UCFE 1UCX 1ALL ***PROGRAMS*** EXCLUDING RAILROAD RETIREMENT LAST WEEK ***YEAR*** AGO LAST WEEK ***YEAR*** AGO Alabama 4252 157 -538 10 9 19842 1.1 3072 -3272 60 77 19979 Alaska 1197 25 -68 4 0 12632 4.1 622 -2661 233 28 14173 Arizona 2787 -512 -367 23 0 21706 0.8 33 -3724 274 79 22059 Arkansas 3339 -258 -56 2 6 15595 1.3 1827 -2448 80 87 15762 California 35363 -9876 -2612 218 58 348237 2.1 -356 -1472 3261 1805 353303 Colorado 2242 -645 -446 17 22 21327 0.8 -730 -6148 442 234 22003 Connecticut 4906 -1368 -3460 2 2 39528 2.4 2637 -480 49 87 39664 Delaware 1486 608 168 3 0 5878 1.4 575 -1220 27 10 5915 District of Columbia 280 -99 4 5 0 8874 1.6 123 18 355 12 9241 Florida 5443 -1528 -727 10 41 43874 0.5 2580 -258 270 190 44334 Georgia 7559 1564 -1016 29 32 30446 0.7 2434 -3816 362 222 31030 Hawaii 1333 150 100 4 5 7287 1.2 210 -258 75 57 7419 Idaho 2944 300 268 38 1 10375 1.5 1270 -2455 324 18 10717 Illinois 17248 1005 2811 10 9 124463 2.1 8558 -15190 378 249 125090 Indiana 4538 13 -47 2 4 18387 0.6 751 -12133 53 55 18495 Iowa 8120 1175 434 5 2 26131 1.7 3785 -5640 51 40 26222 Kansas 3953 946 1191 1 1 11511 0.9 703 -2971 46 43 11600 Kentucky 7142 -5485 -1365 17 1 21824 1.2 3921 237 163 137 22124 Louisiana 1688 -823 -163 2 6 19517 1.0 406 -4917 47 27 19591 Maine 1317 -144 -5 3 1 6969 1.2 296 -1302 22 11 7002 Maryland 7651 2046 90 16 7 35383 1.4 1231 -4389 445 118 35946 Massachusetts 14960 3800 945 8 12 76565 2.2 5409 -2094 318 154 77037 Michigan 23005 5920 2048 17 11 75384 1.8 9508 -4543 249 113 75746 Minnesota 7227 939 409 3 2 58202 2.1 3885 -6499 133 78 58413 Mississippi 1435 -427 -522 0 0 10528 1.0 795 -3254 51 29 10608 Missouri 10634 2705 2088 17 2 29770 1.1 4792 -4312 713 52 30535 Montana 1625 -165 52 67 1 10160 2.3 593 -1904 561 30 10751 Nebraska 2792 1423 844 6 1 6366 0.7 550 -1945 17 14 6397 Nevada 2987 -188 381 11 5 24287 1.9 655 -1651 200 75 24562 New Hampshire 1260 417 -112 1 4 4240 0.7 -32 -817 1 3 4244 New Jersey 24411 9507 1038 10 15 96337 2.5 1164 -5508 227 264 96828 New Mexico 950 -245 -140 4 0 10775 1.4 218 -2082 349 68 11192 New York 22470 1971 -773 24 24 157940 1.7 7441 -9850 713 417 159070 North Carolina 1785 -1212 -1358 4 4 20841 0.5 -626 -4573 80 158 21079 North Dakota 1115 -45 123 0 0 6135 1.5 460 -1308 13 6 6154 Ohio 17518 5773 2936 9 36 69089 1.3 4188 -9188 193 213 69495 Oklahoma 1475 -1737 -973 3 5 15782 1.0 1191 -3461 71 93 15946 Oregon 6354 620 -175 39 12 31087 1.7 2159 -2591 691 117 31895 Pennsylvania 28909 6850 3644 48 38 127834 2.3 10842 -8522 1278 319 129431 Puerto Rico 2338 -790 633 3 10 38524 4.4 -9480 15776 38 46 38608 Rhode Island 3578 1346 -125 1 0 9019 1.9 668 -472 21 22 9062 South Carolina 4222 1166 -1677 1 8 18861 1.0 669 -410 52 59 18972 South Dakota 480 29 115 3 0 2721 0.7 129 -614 36 6 2763 Tennessee 3431 -70 -965 9 3 21313 0.7 1974 -256 420 126 21859 Texas 9919 -4219 -1796 30 78 133078 1.1 -6120 -35639 1296 1352 135726 Utah 1439 -86 -39 42 1 10936 0.8 385 -1644 373 19 11328 Vermont 1570 247 39 0 2 4564 1.5 632 -1182 14 3 4581 Virgin IslandsNA NA NA NA NA NA NA NA NA NA NA NA Virginia 4213 57 -931 10 5 24874 0.7 381 -2179 334 330 25538 Washington 9197 368 800 9 11 62013 2.0 2118 1164 563 630 63206 West Virginia 1169 -143 -88 0 4 11807 1.8 60 -2545 52 43 11902 Wisconsin 13393 5274 88 12 2 41067 1.5 1974 -10527 114 28 41209 Wyoming 671 69 64 7 2 3836 1.5 98 -2161 188 14 4038 Totals 351320 26405 769 819 505 2063721 1.5 80628 -189290 16376 8467 2089844 Figures Appearing In columns showing Over-The-Week Changes reflect all revisions in data for prior week submitted by State agencies. 1.The Unemployment Compensation ***program*** for Federal Employees (UCFE) and the Unemployment Compensation for Ex-servicemembers (UCX) exclude claims filedjointly under other ***programs*** to avoid duplication. 2.Rate is not seasonally adjusted. The source of US total covered employment is BLS. UNADJUSTED INITIAL CLAIMS FOR WEEK ENDED DECEMBER 30, 2017 STATES WITH AN INCREASE OF MORE THAN 1,000 State Change State Supplied Comment NJ +9,507 Layoffs in the educational service, transportation and warehousing, accommodation and food PA MI OH WI MA MO MD NY service, and public administration industries. +6,850 Layoffs in the transportation and warehousing, construction, and manufacturing industries. +5,920 Layoffs in the manufacturing industry.+5,773 Layoffs in the manufacturing industry. +5,274 Layoffs in the construction, manufacturing, and transportation and warehousing industries. +3,800 Layoffs in the construction and transportation and warehousing industries. +2,705 No comment. +2,046 No comment. +1,971 Layoffs in the accommodation and food service, information, and transportation and GA NE RI IA SC IL warehousing industries. +1,564 No comment. +1,423 No comment. +1,346 Layoffs in the educational service, manufacturing, and business service industries. +1,175 Layoffs in the construction industry. +1,166 No comment. +1,005 Layoffs in the construction, transportation and warehousing, and administrative, support, waste management and remediation service industries. STATES WITH A DECREASE OF MORE THAN 1,000 State Change State Supplied Comment CA -9,876 Fewer layoffs in service industry. KY -5,485 No comment. TX -4,219 No comment. OK -1,737 No comment. FL -1,528 Fewer layoffs in the ***agriculture***, forestry, fishing, and hunting, construction, manufacturing, wholesale trade, retail trade, and service industries. CT -1,368 No comment. NC -1,212 Fewer layoffs in the administrative, support, waste management and remediation service, accommodation and food service, and professional, scientific, and technical service industries. TECHNICAL NOTES This news release presents the weekly unemployment insurance (UI) claims reported by each state's unemployment insurance ***program*** offices. These claims may be used for monitoring workload volume, assessing state ***program*** operations and for assessing labor market conditions. States initially report claims directly taken by the state liable for the benefit ***payments***, regardless of where the claimant who filed the claim resided. These are the basis for the advance initial claims and continued claims reported each week. These data come from ETA 538, Advance Weekly Initial and Continued Claims Report. The following week initial claims and continued claims are revised based on a second reporting by states that reflect the claimants by state of residence. These data come from the ETA 539, Weekly Claims and Extended Benefits Trigger Data Report. A. Initial Claims An initial claim is a claim filed by an unemployed individual after a separation from an employer. The claimant requests a determination of basic eligibility for the UI ***program***. When an initial claim is filed with a state, certain programmatic activities take place and these result in activity counts including the count of initial claims. The count of U.S initial claims for unemployment insurance is a leading economic indicator because it is an indication of emerging labor market conditions in the country. However, these are weekly administrative data which are difficult to seasonally adjust, making the series subject to some volatility. B. Continued Weeks Claimed A person who has already filed an initial claim and who has experienced a week of unemployment then files a continued claim to claim benefits for that week of unemployment. Continued claims are also referred to as insured unemployment. The count of U.S continued weeks claimed is also a good indicator of labor market conditions. Continued claims reflect the current number of insured unemployed workers filing for UI benefits in the nation. While continued claims are not a leading indicator (they roughly coincide with economic cycles at their peaks and lag at cycle troughs), they provide confirming evidence of the direction of the U.S economy. C. Seasonal Adjustments and Annual Revisions Over the course of a ***year***, the weekly changes in the levels of initial claims and continued claims undergo regularly occurring fluctuations. These fluctuations may result from seasonal changes in weather, major holidays, the opening and closing of schools, or other similar events. Because these seasonal events follow a more or less regular pattern each ***year***, their influence on the level of a series can be tempered by adjusting for regular seasonal variation. These adjustments make trend and cycle developments easier to spot. At the beginning of each ***calendar*** ***year***, the Bureau of Labor Statistics provides the Employment and Training Administration (ETA) with a set of seasonal factors to apply to the unadjusted data during that ***year***. Concurrent with the implementation and release of the new seasonal factors, ETA incorporates revisions to the UI claims historical series caused by updates to the unadjusted data.

**Load-Date:** January 12, 2018

**End of Document**



[***The art of careful planning; IHT remains a thorny subject for clients and advisers to grasp - and the possibility of future rule changes should also be taken into account, writes Peter Nellist***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SGG-9GM1-DY9P-N270-00000-00&context=1516831)

Money Management

June 1, 2018

Edition 1, National Edition

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**Section:** FEATURES; Pg. 47,48,49

**Length:** 2303 words

**Byline:** Peter Nellist

**Body**

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As I was leaving, I asked one of the owners what they planned to do about inheritance tax (IHT) - had they considered leaving items to the nation/local museum? The response was to the effect that by the time they were dead everything would have been given to their beneficiaries.

To be successful, a strategy of gifting a significant number of chattels to avoid an anticipated IHT charge has some hurdles to overcome. First, the gift must be completed seven ***years*** before death. Second, reservation of benefit rules must be observed - just leaving items in the house and saying they now belong to a beneficiary will not be successful. Third, is there a potential charge to capital gains tax (CGT) on the gift? Ignoring the rules brings its own difficulties and could prove a disastrous course to take. A criminal offence could have been committed, leaving personal representatives, beneficiaries and possibly their advisers open to sanction. Ignoring rules also assumes HMRC will not discover the breach. That assumption underestimates the depth of HMRC's checking and intelligence-gathering ability, particularly its powerful Connect computer ***program***.

Chattels have to be acquired and collectors will often purchase at auction. Most auction records are likely to be linked to HMRC's ***program***, as will many other records stored on third-parties' computers.

IHT penalties The case of Hutchings v CRC 2014 shows the severe financial penalties that can be imposed by HMRC for not disclosing lifetime gifts in an IHT return. Here, the deceased held an offshore bank account with a balance of £443,000. In March 2009, the balance was ***transferred*** to a son; in October 2009, the father died.

This gift was not disclosed to the executors when the IHT account was being prepared. The report of the case states that in 2011, HMRC received anonymous information that the son held an offshore bank account. The son had seen his solicitor, had inadvertently disclosed he held an offshore account and was advised to report it.

The appeal by the son concerned the penalty imposed by HMRC. The tax charged was approximately £175,000, spread between the son (some £47,000), and the balance from the father's estate where the son was the residuary legatee. The lifetime gift of the bank account took the full benefit of the £325,000 nil-rate band. A penalty was sought from the son as the recipient of the lifetime gift of the bank account.

Initially, HMRC asked for 35 per cent of the unpaid tax as a penalty and then increased that to 65 per cent. The tribunal reduced the penalty to 50 per cent - that is, another £87,000 - as the maximum penalty that can be imposed for "prompted disclosure". Altogether the principal tax and penalty took 60 per cent of the bank deposit. There would have also been professional fees incurred leading up to the tribunal hearing, and then for representation at said hearing.

A pyrrhic victory The initial decision by the father to open - but not disclose to HMRC - the existence of an offshore bank account could have been an attempt to evade higher and additional rates of income tax. There was likely to have been a HMRC investigation into the source of the deposit(s) and more tax and penalties levied, at least on the undisclosed interest credited to the deposit account.

HMRC would also take the view that if a taxpayer cheats in one area, all of the taxpayer's financial affairs are worth an in-depth investigation, resulting in more professional fees to pay at the very least.

Compared with estate duty, IHT rates are relatively benign. But there is now a real risk that rates could increase with a change of government. With this in mind, it is sensible for advisers to reassess all clients' potential IHT liabilities. Higher tax rates can prompt more attempts to cheat the system, which is where HMRC's Connect ***program*** will fight back.

With IHT in mind the checklist in Box One shows some of the questions to ask clients resident and domiciled in England and Wales. Box Two shows some areas that can be opened up following the answers to those questions.

Life insurance One way to make an immediate difference to a potential IHT liability is to use life insurance. Often clients seem reluctant to spend the money on premiums. Where appropriate, a compromise could be to effect whole-of-life cover with no savings element (with any proceeds written in trust and trustees appointed) and to encourage the client(s) to effect their own savings ***programme*** for the intended beneficiaries.

The savings/gifts could be made up of a mixture of outright gifts/Junior Isas/pensions/trusts, and use immediate IHT reliefs as much as possible.

When the premiums on the whole-of-life policy come up for the 10-***yearly*** review, a decision could be taken at that time as to whether to continue or to allow the cover to lapse. Beneficiaries nearly always seem to focus on how much IHT their inheritance suffers, rarely appreciating what remains after ***payment*** of the tax. Receipt of insurance proceeds is always well received.

A fallacy in IHT planning is to assume that the current regime will continue until the client's death. As mentioned, a change of government could transform the position. Taxing inherited wealth produces some worthwhile and increasing tax receipts for the Treasury - those tax receipts could be substantially increased by a Labour government by curtailing existing business and ***agricultural*** reliefs, particularly the packaged products currently on the market, and by raising taxation rates.

Tax receipts might have to be increased to pay for Labour's policy proposals - perhaps back to some of the less appealing features of the 1970s, when death tax (estate duty) often took threequarters of an estate. In those circumstances, the existence of a separate insurance policy would seem very prescient.

Another death tax This ***year*** I met a lady in her late 60s whose husband had recently died following a long illness. This lady complained about the shock generated by the amount of tax she had to pay following her husband's death. In reply to my question, there was confirmation that the tax charged was at the rate of 55 per cent.

Benefit crystallisation events (BCEs) arising within the pension regime are not always considered before they occur. For those advising on IHT, it is worth having a basic knowledge of when BCEs can occur.

BCE 7 arises when there is a ***payment*** of a lump sum death benefit when a person dies before reaching the age of 75. BCE 5 (and 5A and 5B) arises when the pensioner reaches the age of 75.

The object of BCEs is to test the value of the pension funds against the available lifetime allowance (LTA). So for those clients under the age of 75, it should be part of a planning routine to see what result a BCE would produce if calculated at the time of giving advice. If the LTA is exceeded, there is an opportunity to discuss what action to take, if any. At least the family can be forewarned.

There will also be clients under the age of 75 with money purchase arrangements who are partly in drawdown and retain undrawn funds. The drawdown fund needs constant management to ensure growth within that fund is restrained and does not trigger an excess over the LTA when the undrawn fund is crystallised. A BCE calculation looks at all BOX 1 QUESTIONS TO ASK UK-DOMICILED CLIENTS 1. Is the client married? 2. Has the client and any partner/spouse ever served in the armed forces or emergency services? 3. Are there any known health problems? 4. Is there any income being saved? 5. Are all existing capital resources still needed? 6. Is the client/partner/spouse a carer or being cared for by a relative? 7. Are total assets just over £2m in value? BOX 2 FOR DISCUSSION WITH CLIENTS 1. If not married/in a civil partnership, explain the reliefs that would be available if a formal union occurred.

2. Explore any past illness/injury or if there could be future health problems.

3. A health problem should inject some focus. I recall an acquaintance saying he had 15 ***years*** left to live a fortnight before he died.

4. Can start a discussion on gifting.

5. There can be significant valuation discounts based on legal estoppel principles for assets (usually houses) in estates destined for/gifted to carers.

6. £2m is the limit that triggers a reduction in the residence nil-rate band. Can a gift be made to get within that limit? pension funds held (see page 27 for more on LTA issues).

Constant management of the situation will often involve taking more income than is needed from the drawdown fund. There are two points to keep in mind. First, it may be worthwhile to incur an income tax charge at 40 per cent to keep the value of the fund down. While the band at which the 40 per cent charge comes into play is increasing, income tax rates are more likely to rise than fall. What if national insurance is amalgamated into income tax so all pay one combined tax - would that mean more tax from those in retirement? Second, retaining the net income withdrawn is not sensible - it would simply increase the client's estate when the IHT charge arises. Hopefully, the withdrawal will be surplus income, so should be available for the immediate IHT exemption, if gifted and set up as part of a pattern or a resolution to gift.

When the client dies Usually there is a family solicitor who will be instructed to administer the late client's estate. But who will undertake the day-today processes of administration? One of the developments in probate administration over the past few ***years*** has been to deskill work. Often a significant saving in tax - IHT, CGT and income tax - can occur with proactive estate administration. Is this going to happen? This is an important area where an adviser can add tangible value, particularly if IHT is going to be payable. A starting point will be the IHT Manual published on HMRC's website.

Last summer I met an acquaintance whose infant grandchild owned a collection of vintage Aston Martins. The observation made was that he did not find the manual helpful, particularly with the many deletions as a result of the Freedom of Information Act.

The manual is not designed to help taxpayers reduce IHT: it is a summary of HMRC's practice in applying the legislation. It is not always as detailed as it could be (for example, 09072 - Negotiating a settlement: examples of negotiating situations) and occasionally is not correct (for example, 14883 - When a gift of land is completed), but it does give a helpful broad picture of what to expect. If whoever is to administer the client's estate is unaware that negotiation with HMRC is possible or is unfamiliar with this manual, that is not an encouraging starting point.

Box Three contains other pointers for preliminary discussion with a probate practitioner, and Box Four highlights some of the matters that could be raised when answering those enquiries.

Peter Nellist is a previous winner of Money Management's Financial Planner of the ***Year*** Award To read more Go to [*www.ftadviser.com/mm*](http://www.ftadviser.com/mm) BOX 3 QUESTIONS TO PROBATE PRACTITIONERS 1. If the estate contains 'qualifying investments' (stockmarket securities), what steps are available to reduce IHT/any CGT during the administration? 2. If absolutely entitled beneficiaries are higher-rate income taxpayers, when will income be distributed? Will it be worthwhile ensuring that net accrued income charged to IHT does not also bear higher income tax rates for those beneficiaries? 3. What happens about IHT if chattels or land are sold during the course of the estate's administration? 4. Will the estate accounts contain an IHT reconciliation statement? 5. What if some of the beneficiaries do not need all or part of their inheritance? BOX 4 FOR DISCUSSION WITH PROBATE PRACTITIONERS 1. For sales by the 'qualifying person' (usually the personal representatives), there are IHT reductions available if losses arise within one ***year*** of death, or within four ***years*** for land. For gains, the estate also has a basic annual CGT allowance (£11,300 for 2017-18) in the fiscal ***year*** of death and the two following fiscal ***years***. There is also the ability to ***transfer*** assets to beneficiaries immediately before sale to use that beneficiary's CGT allowance.

2. Beware deemed distribution rules for income tax - a reason as to why a will should specifically dispose of chattels and not let them fall into general residue. Otherwise the 669 Income Tax (Trading and Other Income) Act 2005 ensures net income charged to IHT is not charged to higher income tax rates on absolutely entitled beneficiaries of residue - if the relief is claimed.

3. HMRC will usually expect the gross sale proceeds to be substituted for the probate valuation, resulting in the estate paying IHT on all the expenses of sale. HMRC's Connect ***program*** can pick up non-disclosure. There are ways to avoid this happening: for example, not selling until the estate has been administered.

4. This is important. It enables a check to be made from the estate accounts that the correct amount of IHT has been paid. When not shown in the estate accounts, it is surprising how often an attempt to reconcile will throw up a mistake in the IHT calculation.

5. Deeds of variation can be useful and flexible.

To be successful, a strategy of gifting a significant number of chattels to avoid an anticipated IHT charge has some hurdles to overcome

A fallacy in IHT planning is to assume that the current regime will continue until the client's death - a change of government could transform the position

**Load-Date:** June 4, 2018

**End of Document**



[***The art of careful planning***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SF6-0WG1-JCJY-G0XK-00000-00&context=1516831)

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**Section:** PENSIONS; Version:1

**Length:** 2397 words

**Byline:** Peter Nellist

**Body**

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BCE 7 arises when there is a ***payment*** of a lump sum death benefit when a person dies before reaching the age of 75. BCE 5 (and 5A and 5B) arises when the pensioner reaches the age of 75.

The object of BCEs is to test the value of the pension funds against the available lifetime allowance (LTA). So for those clients under the age of 75, it should be part of a planning routine to see what result a BCE would produce if calculated at the time of giving advice. If the LTA is exceeded, there is an opportunity to discuss what action to take, if any. At least the family can be forewarned.

There will also be clients under the age of 75 with money purchase arrangements who are partly in drawdown and retain undrawn funds. The drawdown fund needs constant management to ensure growth within that fund is restrained and does not trigger an excess over the LTA when the undrawn fund is crystallised. A BCE calculation looks at all pension funds held (see page 27 for more on LTA issues).

Constant management of the situation will often involve taking more income than is needed from the drawdown fund. There are two points to keep in mind. First, it may be worthwhile to incur an income tax charge at 40 per cent to keep the value of the fund down. While the band at which the 40 per cent charge comes into play is increasing, income tax rates are more likely to rise than fall. What if national insurance is amalgamated into income tax so all pay one combined tax - would that mean more tax from those in retirement?

Second, retaining the net income withdrawn is not sensible - it would simply increase the client's estate when the IHT charge arises. Hopefully, the withdrawal will be surplus income, so should be available for the immediate IHT exemption, if gifted and set up as part of a pattern or a resolution to gift.

When the client dies

Usually there is a family solicitor who will be instructed to administer the late client's estate. But who will undertake the day-to-day processes of administration?

One of the developments in probate administration over the past few ***years*** has been to deskill work. Often a significant saving in tax - IHT, CGT and income tax - can occur with proactive estate administration. Is this going to happen?

This is an important area where an adviser can add tangible value, particularly if IHT is going to be payable. A starting point will be the IHT Manual published on HMRC's website.

Box 3: Questions to probate practitioners

1. If the estate contains 'qualifying investments' (stockmarket securities), what steps are available to reduce IHT/any CGT during the administration?

2. If absolutely entitled beneficiaries are higher-rate income taxpayers, when will income be distributed? Will it be worthwhile ensuring that net accrued income charged to IHT does not also bear higher income tax rates for those beneficiaries?

3. What happens about IHT if chattels or land are sold during the course of the estate's administration?

4. Will the estate accounts contain an IHT reconciliation statement?

5. What if some of the beneficiaries do not need all or part of their inheritance?

Last summer I met an acquaintance whose infant grandchild owned a collection of vintage Aston Martins. The observation made was that he did not find the manual helpful, particularly with the many deletions as a result of the Freedom of Information Act.

The manual is not designed to help taxpayers reduce IHT: it is a summary of HMRC's practice in applying the legislation. It is not always as detailed as it could be (for example, 09072 - Negotiating a settlement: examples of negotiating situations) and occasionally is not correct (for example, 14883 - When a gift of land is completed), but it does give a helpful broad picture of what to expect. If whoever is to administer the client's estate is unaware that negotiation with HMRC is possible or is unfamiliar with this manual, that is not an encouraging starting point.

Box Three contains other pointers for preliminary discussion with a probate practitioner, and Box Four highlights some of the matters that could be raised when answering those enquiries.

Box 4: For discussion with probate practitioners

1. For sales by the 'qualifying person' (usually the personal representatives), there are IHT reductions available if losses arise within one ***year*** of death, or within four ***years*** for land. For gains, the estate also has a basic annual CGT allowance (£11,300 for 2017-18) in the fiscal ***year*** of death and the two following fiscal ***years***. There is also the ability to ***transfer*** assets to beneficiaries immediately before sale to use that beneficiary's CGT allowance.

2. Beware deemed distribution rules for income tax - a reason as to why a will should specifically dispose of chattels and not let them fall into general residue. Otherwise the 669 Income Tax (Trading and Other Income) Act 2005 ensures net income charged to IHT is not charged to higher income tax rates on absolutely entitled beneficiaries of residue - if the relief is claimed.

3. HMRC will usually expect the gross sale proceeds to be substituted for the probate valuation, resulting in the estate paying IHT on all the expenses of sale. HMRC's Connect ***program*** can pick up non-disclosure. There are ways to avoid this happening: for example, not selling until the estate has been administered.

4. This is important. It enables a check to be made from the estate accounts that the correct amount of IHT has been paid. When not shown in the estate accounts, it is surprising how often an attempt to reconcile will throw up a mistake in the IHT calculation.

5. Deeds of variation can be useful and flexible.

Peter Nellist is a previous winner of Money Management's Financial Planner of the ***Year*** Award

**Load-Date:** May 29, 2018

**End of Document**



[***Register of Commission documents: European Parliament resolution of 14 November 2018 on the Multiannual Financial Framework 2021-2027 – Parliament’s position with a view to an agreement (COM(2018)0322 – C8-0000/2018 – 2018/0166R(APP)) Document date: 2018-11-14 P8\_TA-PROV(2018)0449 Texts adopted (provisional edition***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TRN-7SN1-F0YC-N1TC-00000-00&context=1516831)

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**Body**

Brussels: Public Register European Parliament has issued the following document:

2014-2019 TEXTS ADOPTED Provisional edition P8\_TA-PROV(2018)0449 Interim report on the Multiannual Financial Framework 2021-2027 – Parliament's position with a view to an agreement European Parliament resolution of 14 November 2018 on the Multiannual Financial Framework 2021-2027 – Parliament’s position with a view to an agreement (COM(2018)0322 – C8-0000/2018 – 2018/0166R(APP)) The European Parliament, – having regard to Articles 311, 312 and 323 of the Treaty on the Functioning of the European Union (TFEU), – having regard to the Commission communication of 2 May 2018 entitled ‘A Modern Budget for a Union that Protects, Empowers and Defends – The Multiannual Financial Framework for 2021-2027’ (COM(2018)0321), – having regard to the Commission proposal of 2 May 2018 for a Council regulation laying down the multiannual financial framework for the ***years*** 2021 to 2027 (COM(2018)0322), and the Commission proposals of 2 May 2018 on the system of Own Resources of the European Union (COM(2018)0325, COM(2018)0326, COM(2018)0327 and COM(2018)0328), – having regard to the Commission proposal of 2 May 2018 for an Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management (COM(2018)0323), – having regard to the Commission proposal of 2 May 2018 for a regulation of the European Parliament and of the Council on the protection of the Union’s budget in case of generalised deficiencies as regards the rule of law in the Member States (COM(2018)0324), 2/55 RR\A8-0358/2018EN.docx EN – having regard to its resolutions of 14 March 2018 on ‘The next MFF: preparing the Parliament’s position on the MFF post-2020’ and on the reform of the European Union’s system of own resources1, – having regard to its resolution of 30 May 2018 on the 2021-2027 multiannual financial framework and own resources2, – having regard to the ratification of the Paris Agreement by the European Parliament on 4 October 20163 and by the Council on 5 October 20164, – having regard to UN General Assembly Resolution 70/1 of 25 September 2015 entitled ‘Transforming our world: the 2030 Agenda for Sustainable Development’, which entered into force on 1 January 2016, – having regard to the EU’s collective commitment to achieve the target of spending 0,7 % of gross national income (GNI) on official development assistance (ODA) within the time frame of the post-2015 agenda, – having regard to its resolution of 19 January 2017 on a European Pillar of Social Rights5, – having regard to Rule 99(5) of its Rules of Procedure, – having regard to the interim report of the Committee on Budgets, the opinions of the Committee on Foreign Affairs, the Committee on Development, the Committee on International Trade, the Committee on Budgetary Control, the position in the form of amendments of the Committee on Employment and Social Affairs, the opinions of the Committee on the Environment, Public Health and Food Safety, the Committee on Industry, Research and Energy, the Committee on Transport and Tourism, the Committee on Regional Development, the Committee on ***Agriculture*** and Rural Development, the Committee on Culture and Education, the Committee on Constitutional Affairs and the position in the form of amendments of the Committee on Women’s Rights and Gender Equality (A8-0358/2018), A. whereas, pursuant to Article 311 TFEU, the Union must provide itself with the means necessary to attain its objectives and carry through its policies; B. whereas the current multiannual financial framework (MFF) 2014-2020 was established, for the first time, at a lower level than its predecessor in terms of both commitment and ***payment*** appropriations; whereas the late adoption of the MFF and the sectoral legislative acts had a very negative impact on the implementation of the new ***programmes***; 1 Texts adopted, P8\_TA(2018)0075 and P8\_TA(2018)0076. 2 Texts adopted, P8\_TA(2018)0226. 3 OJ C 215, 19.6.2018, p. 249. 4 OJ L 282, 19.10.2016, p. 1. 5 OJ C 242, 10.7.2018, p. 24. RR\A8-0358/2018EN.docx 3/55 EN C. whereas the MFF quickly proved its inadequacy in responding to a series of crises, new international commitments and new political challenges that were not integrated and/or anticipated at the time of adoption; whereas, for the purposes of securing the necessary funding, the MFF was pushed to its limits including an unprecedented recourse to the flexibility provisions and special instruments, after exhausting the available margins; whereas high-priority EU ***programmes*** on research and infrastructure were even cut a mere two ***years*** after their adoption; D. whereas the MFF mid-term revision launched at the end of 2016 proved to be imperative in broadening the potential of the existing flexibility provisions, while falling short of revising the MFF ceilings; whereas this revision was assessed positively by both Parliament and the Council; E. whereas the establishment of the new MFF will be a critical moment for the Union of 27, as it will provide for the possibility to endorse a common, long-term vision and decide on the future political priorities as well as the ability of the Union to deliver them; whereas the 2021-2027 MFF should provide the Union with the necessary resources to boost sustainable economic growth, research and innovation, empower young people, effectively address the challenges of migration, fight unemployment, persistent poverty and social exclusion, further strengthen economic, social and territorial cohesion, address sustainability, biodiversity loss and climate change, strengthen the EU’s security and defence, protect its external border and support the neighbourhood countries; F. whereas, in light of the global challenges that Member States cannot address alone, it should be possible to acknowledge European common goods and to assess areas where European spending would be more effective than national spending in order to ***transfer*** the corresponding financial resources to Union level and, therefore, to strengthen the Union’s strategic importance without necessarily increasing overall public expenditure; G. whereas on 2 May 2018, the Commission presented a set of legislative proposals on the 2021-2027 MFF and EU Own Resources, followed by legislative proposals for the setting-up of new EU ***programmes*** and instruments; 1. Stresses that the 2021-2027 MFF must guarantee the Union’s responsibility for and ability to meet emerging needs, additional challenges and new international commitments, and attain its political priorities and objectives; points to the serious problems linked to the underfinancing of the 2014-2020 MFF, and reiterates the necessity of avoiding a repetition of previous mistakes by securing, from the outset, a strong and credible EU budget for the benefit of citizens over the next seven-***year*** period; 2. Considers that the Commission proposals on the 2021-2027 MFF and the Union’s Own Resources system represent the starting-point for the upcoming negotiations; expresses its position on these proposals, in anticipation of the Council’s negotiating mandate which is not yet available; 3. Underlines that the Commission proposal regarding the global level of the next MFF, set at 1,08 % of the EU-27 GNI (1,11 % after the integration of the European Development Fund), represents, in terms of GNI percentage, a reduction in real terms 4/55 RR\A8-0358/2018EN.docx EN compared to the current MFF; considers that the proposed level of the MFF will not allow the Union to deliver on its political commitments and respond to the important challenges ahead; intends, therefore, to negotiate the necessary increase; 4. Declares, moreover, its opposition to any reduction in the level of long-standing EU policies enshrined in the Treaties, such as cohesion policy and the common ***agricultural*** and fisheries policies; is particularly opposed to any radical cuts that will have an adverse impact on the very nature and objectives of these policies, such as the cuts proposed for the Cohesion Fund or for the European ***Agricultural*** Fund for Rural Development; opposes, in this context, the proposal to reduce the European Social Fund Plus (ESF+) despite its enlarged scope, and the integration of four existing social ***programmes***, notably the Youth Employment Initiative; 5. Underlines, furthermore, the importance of the horizontal principles that should underpin the MFF and all related EU policies; reaffirms, in this context, its position that the EU must deliver on its commitment to be a front-runner in implementing the UN Sustainable Development Goals, and deplores the lack of a clear and visible commitment to that end in the MFF proposals; requests, therefore, the mainstreaming of the Sustainable Development Goals in all EU policies and initiatives of the next MFF; further emphasises that all ***programmes*** under the next MFF should be in line with the Charter of Fundamental Rights; highlights the importance of delivering on the European Pillar of Social Rights, on the elimination of discrimination, including against LGBTI persons, and on the creation of a portfolio for minorities, including Roma, all of which are vital to fulfilling the EU’s commitments towards an inclusive Europe; underlines that, in order to meet its obligations under the Paris Agreement, the EU’s contribution to the climate objectives target should reach at least 25 % of expenditure over the MFF 2021-2027 period, and 30 % as soon as possible, at the latest by 2027; 6. Regrets, in this context, that despite the joint statement on gender mainstreaming annexed to the 2014-2020 MFF Regulation, no significant progress has been made in this area, and that the Commission took no account of its implementation in the MFF mid-term review; deeply regrets that gender mainstreaming has been completely sidelined in the MFF proposal, and deplores the lack of clear gender equality goals, requirements and indicators in the proposals on the relevant EU policies; calls for the annual budgetary procedures to evaluate and integrate the full impact of EU policies on gender equality (gender budgeting); expects a renewed commitment by Parliament, the Council and the Commission to gender mainstreaming in the next MFF, and its effective monitoring, including during the MFF mid-term revision; 7. Underlines that increased accountability, simplification, visibility, transparency and performance-based budgeting must underpin the next MFF; recalls, in this context, the need to strengthen the focus of future spending on performance and results, based on ambitious and relevant performance targets and a comprehensive and shared definition of European added value; asks the Commission, taking into account the above-mentioned horizontal principles, to streamline performance reporting, to extend it to a qualitative approach that includes environmental and social indicators, and to clearly present information on the main EU challenges still to be tackled; RR\A8-0358/2018EN.docx 5/55 EN 8. Is conscious of the serious challenges that the Union is facing and fully assumes its responsibility to secure, in a timely manner, a budget that is commensurate to the needs, expectations and concerns of EU citizens; stands ready to enter immediately into negotiations with the Council, in order to improve the Commission proposals and build

**Load-Date:** November 16, 2018

**End of Document**



[***FEDERAL REGISTER: Financial Responsibility Requirements Under CERCLA Section 108(b) for Classes of Facilities in the Hardrock Mining Industry Pages 7556 - 7588 [FR DOC # 2017-26514]***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RPP-PDK1-JDG9-Y0HM-00000-00&context=1516831)

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**Body**

Washington: Office of the Federal Register has issued the following notice:

 Environmental Protection Agency ----------------------------------------------------------------------- 40 CFR Part 320 Financial Responsibility Requirements Under CERCLA Section 108(b) for Classes of Facilities in the Hardrock Mining Industry; Final Rule Federal Register / Vol. 83 , No. 35 / Wednesday, February 21, 2018 / Rules and Regulations [[Page 7556]] ----------------------------------------------------------------------- ENVIRONMENTAL PROTECTION AGENCY 40 CFR Part 320 [EPA-HQ-SFUND-2015-0781; FRL-9971-50-OLEM] RIN 2050-AG61 Financial Responsibility Requirements Under CERCLA Section 108(b) for Classes of Facilities in the Hardrock Mining Industry AGENCY: Environmental Protection Agency (EPA). ACTION: Final action.

----------------------------------------------------------------------- SUMMARY: The Environmental Protection Agency (EPA or Agency) is announcing its decision to not issue final regulations on its proposed regulations for financial responsibility requirements applicable to hardrock mining facilities that were published on January 11, 2017. This decision is based on the record for this rulemaking. This final rulemaking is the Agency's final action on the proposed rule. DATES: This final action is effective on March 23, 2018. ADDRESSES: EPA has established a docket for this action under Docket ID No. EPA-HQ-SFUND-2015-0781. All documents in the docket are listed on the [*https://www.regulations.gov*](https://www.regulations.gov) website. Although listed in the index, some information is not publicly available, e.g , Confidential Business Information (CBI) or other information whose disclosure is restricted by statute. Certain other material, such as copyrighted material, is not placed on the internet and will be publicly available only in hard copy form. Publicly available docket materials are available electronically through   [*https://www.regulations.gov*](https://www.regulations.gov) FOR FURTHER INFORMATION CONTACT: Office of Resource Conservation and Recovery, Mail Code 5303P, Environmental Protection Agency, 1200 Pennsylvania Avenue NW, Washington, DC 20460; Barbara Foster, (703) 308-7057, [*Foster.Barbara@epa.gov*](mailto:Foster.Barbara@epa.gov); or Michael Pease, (703) 308-0008, [*Pease.Michael@epa.gov*](mailto:Pease.Michael@epa.gov) SUPPLEMENTARY INFORMATION: Table of Contents I. Executive Summary A. Overview B. Purpose of the Regulatory Action C. Summary of the Major Provisions of the Regulatory Action D. Costs and Benefits of the Regulatory Action II. Authority III. Background Information A. Overview of Section 108(b) and Other CERCLA Provisions B. History of This Rulemaking C. Recent Litigation Under Section 108(b) D. Hardrock Mining Priority Notice E. Hardrock Mining Proposed Rule IV. Statutory and Record Support for This Final Rulemaking A. Statutory Interpretation B. Evaluation of the Administrative Record 1. Reports on Risk Posed by Hardrock Mining Facilities 2. Federal and State Regulatory Requirements a. Federal Environmental Statutes b. Federal Reclamation Laws c. Other Existing Regulatory Requirements 3. Risk of ***Payments*** From the Fund C. Comments Supporting a Final Rulemaking D. Comments Opposing a Final Rulemaking 1. Comments Regarding Appropriateness of Information Used a. Use of Information Not Relevant to the Mines To Be Regulated Under the Rule b. Use of Data That Did Not Directly Demonstrate Risk at Current Hardrock Mining Operations 2. Comments That EPA Failed To Consider Relevant Information a. Comments Providing Information on the Role of Federal and State ***Programs*** and Protective Mining Practices in Reducing Risks at Current Hardrock Mining Operations (1) Examples of Federal ***Programs*** (2) Examples of State ***Programs*** b. Comments Providing Information on Reduced Costs to the Taxpayer Resulting From Effective Hardrock Mining ***Programs*** and Owner or Operator Responses E. Evidence Rebutting EPA's Site Examples 1. Example of Sites Now Not Relevant to the Mines To Be Regulated Under the Rule 2. Example Reflecting Reassessment of Costs to the Taxpayers Based on Additional Information 3. Example Where ***Program*** Requirements Were Subsequently Modified To Address the Problem F. Information Regarding Financial Responsibility Instrument Availability V. Decision to Not Issue the General Facility Requirements of Subparts A Through C in This Final Rulemaking VI. Obstacles to Developing and Implementing Section 108(b) Financial Responsibility Requirements for Hardrock Mining Facilities A. Potential Disruption of State, Tribal, or Local Mining ***Programs*** B. Challenges To Determine the Level of Financial Responsibility C. Concerns Regarding Costs and Economic Impacts of the Proposed Rule 1. Overall Concerns Regarding Cost and Economic Impact 2. Concerns Particular to Impacts on Small Entities/Businesses D. Concerns Regarding Financial Responsibility Instrument Availability E. Challenges To Identify the Facility VII. Statutory and Executive Order Reviews A. Executive Order 12866: Regulatory Planning and Review and Executive Order 13563: Improving Regulation and Regulatory Review B. Executive Order 13771: Reducing Regulation and Controlling Regulatory Costs C. Paperwork Reduction Act D. Regulatory Flexibility Act E. Unfunded Mandates Reform Act F. Executive Order 13132: Federalism G. Executive Order 13175: Consultation and Coordination With Indian Tribal Governments H. Executive Order 13045: Protection of Children From Environmental Health and Safety Risks I. Executive Order 13211: Actions That Significantly Affect Energy Supply, Distribution, or Use J. National Technology ***Transfer*** and Advancement Act K. Executive Order 12898: Federal Actions To Address Environmental Justice in Minority Populations and Low-Income Populations L. Congressional Review Act I. Executive Summary A. Overview EPA is announcing its decision on its proposed regulations for financial responsibility requirements applicable to hardrock mining facilities that were published on January 11, 2017. EPA has decided not to issue final regulations because the Agency has determined that final regulations are not appropriate. This decision is based on EPA's interpretation of the statute and analysis of its record developed for this rulemaking. EPA has analyzed the need for financial responsibility based on risk of taxpayer funded cleanups at hardrock mining facilities operating under modern management practices and modern environmental regulations, i.e , the type of facilities to which financial responsibility regulations would apply. That risk is identified by examining the management of hazardous substances at such facilities, as well as by examining federal and state regulatory controls on that management and federal and state financial responsibility requirements. With that focus, the record demonstrates that, in the context of CERCLA section 108(b), the degree and duration of risk associated with the modern production, transportation, treatment, storage or disposal of hazardous substances by the hardrock mining industry does not present a level of risk of taxpayer funded response actions that warrant imposition of financial responsibility requirements for this sector. This determination reflects EPA's interpretation of the statute, EPA's evaluation of the record for the proposed rule, and the public comment received by EPA. [[Page 7557]] The decision not to issue final regulations will address the concerns of those federal and state regulators and members of the regulated community who commented that the proposed requirements were unnecessary and would, therefore, impose an undue burden on the regulated community. This decision will provide assurance to state regulators who were concerned that the proposed requirements would be disruptive of state mining ***programs***. This decision also will address the information provided by the insurance industry regarding the lack of availability of financial instruments that meet the requirements of section 108(c)(2). This decision is based on the record for this rulemaking, and does not affect the process for site-specific risk determinations, or determinations of the need for a particular CERCLA response, at individual sites, nor does this decision affect EPA's authority to take appropriate CERCLA response actions. Decisions on risk under other environmental statutes would continue under those statutes. This final rulemaking is the Agency's final action on the proposed rule. B. Purpose of the Regulatory Action Section 108(b) of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), also known as Superfund, directs EPA to develop regulations that require classes of facilities to establish and maintain evidence of financial responsibility consistent with the degree and duration of risk associated with the production, transportation, treatment, storage, or disposal of hazardous substances. The statute further requires that the level of financial responsibility be established to protect against the level of risk the President, in his discretion, believes is appropriate, based on factors including the ***payment*** experience of the Fund. The President's authority under this section for non-transportation-related facilities has been delegated to the EPA Administrator.\1\ --------------------------------------------------------------------------- \1\ See E.O 12580, 52 FR 2923 (January 23, 1987). --------------------------------------------------------------------------- In a Federal Register notice dated July 28, 2009,\2\ EPA identified the classes of facilities within hardrock mining \3\ as the classes for which it would first develop financial responsibility requirements based on consideration of many factors, including factors unrelated to modern facilities, such as legacy contamination, and factors not demonstrating risk, in and of themselves, such as Toxic Release Inventory (TRI) reports under Superfund Amendments and Reauthorization Act of 1986 (SARA) section 313. --------------------------------------------------------------------------- \2\ Identification of Priority Classes of Facilities for Development of CERCLA Section 108(b) Financial Responsibility Requirements, 74 FR 37213, July 28, 2009. \3\ For purposes of this final rulemaking, EPA includes within the term ``hardrock mining'' the facilities included in the definition of that term developed for purposes of the Priority Notice, that is, facilities that extract, beneficiate, or process metals (e.g , copper, gold, iron, lead, magnesium, molybdenum, silver, uranium, and zinc), and non-metallic non-fuel minerals (e.g , asbestos, gypsum, phosphate rock, and sulfur). --------------------------------------------------------------------------- On January 11, 2017, the Agency published proposed financial responsibility requirements applicable to hardrock mining facilities.\4\ The proposal identified two goals for section 108(b) regulations--the goal of providing funds to address CERCLA liabilities at sites, and the goal of creating incentives for sound practices that will minimize the likelihood of need for a future CERCLA response. As discussed below, EPA now believes that these goals have been met for the hardrock mining classes of facilities. --------------------------------------------------------------------------- \4\ Financial Responsibility Requirements Under CERCLA Section 108(b) for Classes of Facilities in the Hardrock Mining Industry, 82 FR 3388, January 11, 2017. --------------------------------------------------------------------------- The proposal identified for public comment a range of options and supporting information, as described in the proposed rule preamble.\5\ The proposed rule set forth, in proposed 40 CFR part 320, subparts A through C, requirements for a comprehensive financial responsibility ***program*** under section 108(b) that would be applicable to hardrock mining facilities as well as to future industry sectors for which requirements under section 108(b) are later developed. In addition, the proposed rule set forth, in proposed part 320, subpart H, requirements specifically applicable to hardrock mining facilities. --------------------------------------------------------------------------- \5\ See 82 FR 3388, January 11, 2017. --------------------------------------------------------------------------- EPA provided information and analysis demonstrating releases and potential releases of hazardous substances at hardrock mining facilities. EPA also discussed the relationship of section 108(b) to other federal law and to state law.\6\ However, despite making a commitment to do so in the notice entitled ``Identification of Priority Classes of Facilities for Development of CERCLA Section 108(b) Financial Responsibility Requirements'' (2009 Priority Notice), published on July 28, 2009, in the development of the proposed rule the Agency did not consider other federal and state ***programs*** when determining the need for section 108(b) regulations.\7\ Instead, the proposed rule would have considered other ***programs*** only after financial responsibility requirements are imposed, as a means to reduce such requirements. EPA now believes that it is appropriate to consider such ***programs*** at the outset, when evaluating both the degree and duration of risk associated with the production, transportation, treatment, storage, or disposal of hazardous substances as well as when evaluating the risk of taxpayer financed response costs. --------------------------------------------------------------------------- \6\ 82 FR 3402-03 (concluding that section 108(b) applies even when a facility is subject to financial responsibility requirements under federal law). \7\ 74 FR 37219 and n. 50. --------------------------------------------------------------------------- EPA's final action on the proposed rule is a decision not to promulgate it.\8\ As explained below, EPA has reconsidered whether the rulemaking record supports the proposed rule in light of the Agency's interpretation of the statute, the Agency's evaluation of the record, and the information and data received through public comment. As a result of this reconsideration, EPA has determined that the rulemaking record it assembled does not support imposing financial responsibility requirements under section 108(b) on current hardrock mining operations. This determination is based on information in the record on the degree and duration of risk posed by modern production, transportation, treatment, storage or disposal of hazardous substances at mining sites operating under modern regulations that demonstrates that financial responsibility requirements are not necessary to address the risk of taxpayer financed response actions at hardrock mines. EPA has reconsidered its assessment of the risks posed by hardrock mining operations presented in the proposed rule, and determined that that assessment did not adequately consider the degree to which existing federal and state regulatory ***programs*** and improved mining practices at modern mines reduce the risk that there would be unfunded response liabilities at currently operating mines. Furthermore, EPA notes that even under the analysis in the proposed rule, the [[Page 7558]] projected level of risk of EPA-funded response actions was relatively low ($15 to $15.5 million per ***year***), and was significantly less than the projected cost to industry of providing the additional financial responsibility that would have been required by the proposed rule ($111-$171 million per ***year***). --------------------------------------------------------------------------- \8\ EPA has made editorial changes to this document from the prepublication version, including replacing various references to the action being a ``final rule,'' in accordance with the Office of the Federal Register's (OFR) interpretations of its implementing regulations (1 CFR 5.9 and parts 21 and 22), the Federal Register Act (44 U.S.C chapter 15) and Document Drafting Handbook. OFR regulations, however, expressly disclaim a legal effect from these publication requirements. ``In prescribing regulations governing headings, preambles, effective dates, authority citations, and similar matters of form, the Administrative Committee does not intend to affect the validity of any document that is filed and published under law.'' 1 CFR 5.1(c). Accordingly, these editorial changes do not affect the legal status of the action as a final regulation under CERCLA. --------------------------------------------------------------------------- The Agency's decision that a section 108(b) rule for the hardrock mining industry is not appropriate relies on the record developed for this rulemaking as well as information submitted by commenters on three key points, which in combination demonstrate significantly reduced risk at current hardrock mining operations: (1) The reduction in risks due to the requirements of existing federal and state mining ***programs*** and voluntary protective practices of current hardrock mining owners and operators, (2) the reduced costs to the taxpayer resulting from effective hardrock mining ***programs***, enforcement actions, and owner or operator responses, including financial assurance requirements pursuant to these other ***programs***, and (3) the resulting reduction in the risk of the need for federally financed response actions at hardrock mines. The record thus evaluated also supports EPA's determination that federal and state regulation and practices at modern facilities reduce the risks posed by operating facilities and, therefore, the imposition of section 108(b) financial responsibility requirements is not appropriate. This determination also addresses concerns regarding disruption and duplication of state and federal financial responsibility requirements, the difficulty in tailoring financial responsibility to a specific level of risk, as well as concerns raised by the financial industry regarding challenges in providing financial instruments that meet the requirements of the statute and the proposed rule. As discussed below, the proposed rule created the potential for the preemption of state financial responsibility requirements. In addition, EPA acknowledges that the formula through which EPA had proposed to determine the level of financial assurance relied on information unrelated to risks of taxpayer financed costs posed by the current facilities to which the proposed rule would apply. Finally, as discussed below, members of the financial industry commented that section 108(c)(2), which allows direct claims against a guarantor providing evidence of financial responsibility, is at odds with relevant commercial law and practice and would significantly deter the financial industry from providing such instruments and services. This final rulemaking does not affect, limit, or restrict EPA's authority to take a response action or enforcement action under CERCLA at any individual hardrock mining facility, including the currently operating facilities described elsewhere in this final rulemaking and in the Technical Support Document for this final rulemaking,\9\ and to include requirements for financial responsibility as part of such response action. The set of facts in the rulemaking record related to the individual facilities discussed in this final rulemaking support the Agency's decision not to issue financial responsibility requirements under section 108(b) for currently operating hardrock mining facilities as a class, but a different set of facts could demonstrate a need for a CERCLA response at those sites. This final rulemaking also does not affect the Agency's authority under other authorities that may apply at hardrock mining facilities, such as the Clean Water Act (CWA), the Resource Conservation and Recovery Act (RCRA), the Clean Air Act (CAA), and the National Environmental Policy Act (NEPA). --------------------------------------------------------------------------- \9\ See: EPA, ``CERCLA Section 108(b) Hardrock Mining Final Rule Technical Support Document,'' December 1, 2017. --------------------------------------------------------------------------- C. Summary of the Major Provisions of the Regulatory Action EPA is not requiring evidence of financial responsibility under section 108(b) at hardrock mining facilities in this action. Thus, there are no regulatory provisions associated with this final action. D. Costs and Benefits of the Regulatory Action The Regulatory Impact Analysis for the proposed rule demonstrated that the projected level of taxpayer liability that would have been avoided by the proposed rule was relatively small, and that the costs of meeting the proposed financial responsibility requirements were an order of magnitude greater than the costs avoided by the federal government as a result of such requirements. EPA is not requiring evidence of financial responsibility under section 108(b) at hardrock mining facilities in this action. EPA therefore has not conducted a Regulatory Impact Analysis for this action. II. Authority This final rulemaking is issued under the authority of sections 101, 104, 108 and 115 of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C 9601, 9604, 9608 and 9615, and Executive Order 12580. 52 FR 2923, 3 CFR, 1987 Comp., p. 193. III. Background Information A. Overview of Section 108(b) and Other CERCLA Provisions CERCLA, as amended by the Superfund Amendments and Reauthorization Act of 1986 (SARA), establishes a comprehensive environmental response and cleanup ***program***. Generally, CERCLA authorizes EPA \10\ to undertake removal or remedial actions in response to any release or threatened release into the environment of ``hazardous substances'' or, in some circumstances, any other ``pollutant or contaminant.'' As defined in CERCLA section 101, removal actions include actions to ``prevent, minimize, or mitigate damage to the public health or welfare or to the environment,'' and remedial actions are ``actions consistent with [a] permanent remedy[.]'' Remedial and removal actions are jointly referred to as ``response actions.'' CERCLA section 111 authorizes the use of the Superfund Trust Fund (the Fund) established under title 26, United States Code, including financing response actions undertaken by EPA. In addition, CERCLA section 106 gives EPA \11\ authority to compel action by liable parties in response to a release or threatened release of a hazardous substance that may pose an ``imminent and substantial endangerment'' to public health or welfare or the environment. --------------------------------------------------------------------------- \10\ Although Congress conferred the authority for administering CERCLA on the President, most of that authority has since been delegated to EPA. See Exec. Order No. 12580, 52 FR 2923 (Jan. 23, 1987). The executive order also delegates to other federal agencies specified CERCLA response authorities at certain facilities under their ``jurisdiction, custody or control.'' This can include CERCLA authorities at mines located on federal lands under the jurisdiction of BLM and the Forest Service. \11\ CERCLA sections 106 and 122 authority is also delegated to other federal agencies in certain circumstances. See Exec. Order No. 13016, 61 FR 45871 (Aug. 28, 1996). --------------------------------------------------------------------------- CERCLA section 107 imposes liability for response costs on a variety of parties, including certain past owners and operators, current owners and operators, and certain transporters of hazardous substances. Such parties are liable for any costs of removal or remedial action incurred by the federal government, so long as the costs incurred are ``not inconsistent with the national contingency plan,'' (NCP).\12\ Section 107 also imposes liability for natural resource damages and health assessment costs.\13\ As has been the case since [[Page 7559]] CERCLA's enactment, these provisions of CERCLA are available according to their terms, to the federal government and other parties, regardless of whether an owner or operator has provided evidence of financial responsibility under section 108(b). --------------------------------------------------------------------------- \12\ See CERCLA section 107 (a)(4)(A). \13\ See CERCLA section 107 (a)(4)(C)-(D). --------------------------------------------------------------------------- In accordance with CERCLA, in 1990 EPA issued the current version of the NCP.\14\ These regulations provide the organizational structure and procedures for preparing for, and responding to, discharges of oil and releases of hazardous substances, pollutants, and contaminants. The NCP is codified at 40 CFR part 300. Among other provisions, the NCP provides procedures for hazardous substance response including site evaluation, removal actions, remedial investigation/feasibility studies (RI/FS), remedy selection, remedial design/remedial action (RD/RA), and operation and maintenance.\15\ The NCP also designates federal, state, and tribal trustees for natural resource damages, and identifies their responsibilities under the NCP.\16\ Under the NCP, EPA undertakes response actions that address or prevent risk to human health and the environment from the release of hazardous substances, pollutants or contaminants. A determination whether a release of hazardous substances, pollutants or contaminants presents a risk to be addressed under other sections of CERCLA or under other law is a separate determination from whether under section 108(b) risk associated with the management of hazardous substances at current hardrock mining operations warrants imposition of financial responsibility requirements. Nothing in this final action restricts EPA's other authorities. The Agency's decision not to issue final regulations under section 108(b) applicable to hardrock mining facilities does not change or substitute for EPA's procedures for site-specific evaluations of risk, and for determining the need for response, in accordance with the NCP. --------------------------------------------------------------------------- \14\ See 55 FR 8666, March 8, 1990. \15\ See 40 CFR part 300, subpart E. \16\ See 40 CFR part 300, subpart G. --------------------------------------------------------------------------- Section 108(b) establishes an authority to require owners and operators of classes of facilities to establish and maintain evidence of financial responsibility. Section 108(b)(1) directs EPA to develop regulations requiring owners and operators of facilities (in addition to those under Subtitle C of the Solid Waste Disposal Act and other federal law) to establish evidence of financial responsibility ``consistent with the degree and duration of risk associated with the production, transportation, treatment, storage, or disposal of hazardous substances.'' In turn, section 108(b)(2) directs that the level of financial responsibility shall be initially established, and, when necessary, adjusted to protect against the level of risk that EPA in its discretion believes is appropriate based on the ***payment*** experience of the Fund, commercial insurers, courts settlements and judgments, and voluntary claims satisfaction. Section 108(b)(2) does not, however, preclude EPA from considering other factors in addition. The statute prohibited promulgation of such regulations before December 1985. In addition, section 108(b)(1) provides for publication within three ***years*** of the date of enactment of CERCLA of a ``priority notice'' identifying the classes of facilities for which EPA would first develop financial responsibility requirements. It also directs that priority in the development of requirements shall be accorded to those classes of facilities, owners, and operators that present the highest level of risk of injury. B. History of This Rulemaking In November 2003, EPA initiated a study of the Superfund ***program***, commonly referred to as the ``120 Day Study.'' \17\ This ``120 Day Study'' resulted in more than 100 recommendations. In 2005, EPA initiated an Action Plan for implementing the recommendations of the 120-Day Study of the Superfund ***Program***. Under that plan, EPA conducted an analysis to determine whether action under section 108(b) was appropriate (Recommendation 12). This analysis resulted in two detailed studies specifically designed to help identify classes of facilities for priority consideration under section 108(b), carried out from 2006 through 2008. The report of these studies, labeled ``draft'' and dated February 2009, are titled: ``CERCLA 108(b) Financial Responsibility, Phase 1: Preliminary Analysis'' (hereinafter Phase 1 Report) and ``CERCLA 108(b) Financial Responsibility, Phase 2 Preliminary Analysis'' (hereinafter Phase 2 Report).\18\ Another analysis,\19\ referred to as the 40 TSD Study, also recommended by the 120-Day Study (Recommendations 10 and 11), on the sufficiency of financial assurance requirements imposed on hazardous waste treatment, storage, and disposal (TSD) facilities regulated under RCRA also provides relevant information. --------------------------------------------------------------------------- \17\ See Superfund: Building on the Past, Looking to the Future (Washington DC: April 22, 2004), EPA-HQ-SFUND-2015-0781-0501. \18\ EPA-HQ-SFUND-2009-0265-0019 and EPA-HQ-SFUND-2009-0265- 0020. \19\ See ``Analysis of 40 Potential TSDs: Potential RCRA Treatment, Storage, and Disposal Facilities Proposed to the Superfund National Priority List after 1990,'' Office of Solid Waste, January 19, 2007. --------------------------------------------------------------------------- In the Phase 1 and Phase 2 analyses, EPA interpreted the financial responsibility requirements of section 108(b) to apply to currently operating facilities and current or future risks. Accordingly, in the analyses performed from 2006 through 2008, the Agency attempted to exclude historic practices and legacy contamination resulting from such practices by using 1990 as a date to distinguish between modern and legacy practices. The Agency stated that it used 1990 because by that date most of the regulations under RCRA relating to management of hazardous waste had been promulgated. This approach was consistent with the 40 TSD study, which excluded facilities proposed to the National Priorities List (NPL) before 1990 to exclude facilities with legacy contamination that predated the RCRA hazardous waste regulatory ***program***. However, because EPA determined in 1986 under section 3001(b)(3)(C) of RCRA that solid waste from the extraction and beneficiation of ores and minerals do not present sufficient risk to warrant regulation under subtitle C of RCRA,\20\ 1990 is not a precise date for the advent of modern regulation of mining. As discussed below, commenters noted that state and federal mining regulations developed over a period of time. For mining regulated under state law, commenters suggest the mid-1990s represent the advent of modern mining regulation.\21\ --------------------------------------------------------------------------- \20\ 51 FR 24496 (July 3, 1986). \21\ State mining laws are discussed below. --------------------------------------------------------------------------- In 2009, the Agency changed its interpretation of the statute. A July 2, 2009, memorandum attached to the Phase 1 and Phase 2 reports states that EPA decided that the reports were deficient because they excluded sites listed on the NPL before 1990. Accordingly, EPA did not finalize the reports and did not proceed to an analysis of the federal and state regulatory requirements and the modern practices of any specific industry sector.\22\ Instead, in a Federal Register notice dated July 28, 2009,\23\ EPA identified certain classes of facilities within the hardrock mining sector as the classes for which it would first develop financial responsibility requirements. [[Page 7560]] EPA based that identification on consideration of many factors, including factors unrelated to risk posed by the production, transportation, treatment, storage, and disposal of hazardous substances at facilities that would be regulated under the proposed rule, such as legacy contamination, and non-risk based information, such as Toxic Release Inventory reports under SARA section 313. This notice represented a substantial departure from previous EPA interpretation of the statute to exclude legacy activities when determining the need for financial responsibility requirements under section 108(b).\24\ -----

---------------------------------------------------------------------- \22\ EPA-HQ-SFUND-2009-0265-0019 and EPA-HQ-SFUND-0265-0020. \23\ Identification of Priority Classes of Facilities for Development of CERCLA Section 108(b) Financial Responsibility Requirements, 74 FR 37213, July 28, 2009. \24\ Compare EPA's Phase I and Phase II reports (EPA-HQ-SFUND- 2009-0265-0019 and EPA-HQ-SFUND-0265-0020) to 74 FR 37213. --------------------------------------------------------------------------- In the 2009 Priority Notice, EPA identified hardrock mining facilities as a priority without considering the impacts of modern federal and state regulations. Instead, EPA stated: ``EPA will carefully examine specific activities, processes, and/or metals and minerals in order to determine what proposed financial responsibility requirements may be appropriate. As part of this process, EPA will conduct a close examination and review of existing Federal and State authorities, policies, and practices that currently focus on hardrock mining activities.'' \25\ --------------------------------------------------------------------------- \25\ 74 FR 37219. --------------------------------------------------------------------------- On January 11, 2017, the Agency published proposed financial responsibility requirements applicable to hardrock mining facilities.\26\ The proposed rule adopted two goals for section 108(b) regulations--to provide funds to address CERCLA liabilities at sites, and to create incentives for sound practices that will minimize the likelihood of need for a future CERCLA response. --------------------------------------------------------------------------- \26\ 82 FR 3388 (January 11, 2017). --------------------------------------------------------------------------- The proposal identified for public comment a range of options and supporting information, as described in the proposed rule preamble. The proposed rule set forth, in proposed part 320, subparts A through C, requirements for a comprehensive financial responsibility ***program*** under section 108(b) that would be applicable to hardrock mining facilities, as well as to future industry sectors for which requirements under section 108(b) are later developed. In addition, the proposed rule set forth, in proposed part 320, subpart H, requirements specifically applicable to hardrock mining facilities. The proposed rule provided information and analyses on releases and potential releases of hazardous substances at hardrock mining facilities. The proposed rule identified several classes of hardrock mining facilities that were excluded from the financial responsibility requirements because they involved a lower risk, and sought comment on whether additional classes should be excluded from the scope of a final rule.\27\ The proposed rule also discussed the relationship of section 108(b) to other federal law and to state law.\28\ However, contrary to the commitment made in the 2009 Priority Notice, the proposed rule did not consider reductions in risk as a result of such laws when determining the need for financial responsibility requirements. Instead, the proposed rule would have established such requirements at a level based on the activities already covered by reclamation bonds as well as the cost of cleaning up historic mining sites and then, based on information provided by the facility, would have allowed reductions in the amount of financial responsibility,\29\ or release from the requirement for financial responsibility entirely.\30\ --------------------------------------------------------------------------- \27\ 82 FR 3456-59; Hoffman Memo, ``Mining Classes Not Included in Identified Classes of Hardrock Mining,'' June 2009. See 82 FR 3455 n. 145. See exclusions from the rule at proposed 40 CFR 320.60(a)(2). EPA solicited comments on whether to identify additional exclusions based on a finding of minimal risk, citing iron ore, phosphates and uranium mines as examples. 82 FR 3456. \28\ 82 FR 3402-03. \29\ Proposed 40 CFR 320.63 \30\ Proposed 40 CFR 320.27 --------------------------------------------------------------------------- EPA received over 11,000 public comment submissions on the proposed rule. Other federal agencies, state agencies, and industry representatives overwhelmingly opposed financial responsibility requirements under section 108(b) for the hardrock mining industry. Environmental groups urged adoption of the proposed rule. EPA also received a large number of identical comments from individuals through multiple letter-writing campaigns, advocating both for and against adoption of the rule. Among other concerns, commenters objecting to the proposed rule expressed the view that the Agency's assessment of the information relating to risks posed by hardrock mining operations as presented in the proposed rule was deficient because the Agency: (1) Relied on inappropriate evidence, such as data that did not demonstrate risk, and evidence not relevant to the facilities to be regulated under the rule; and (2) failed to consider relevant evidence, such as the role of federal and state mining ***programs*** and voluntary protective mining practices in reducing risks at current \31\ hardrock mining operations, and the reduced costs to the taxpayer resulting from effective hardrock mining ***programs***, including existing financial responsibility requirements, and owner or operator responses. --------------------------------------------------------------------------- \31\ A discussion of which mining operations are considered ``current'' or ``modern'' can be found in section IV.D.1 of this final rulemaking. --------------------------------------------------------------------------- EPA has considerable discretion under the statute and, as explained below, has reconsidered whether the rulemaking record supports the proposed rule in light of EPA's interpretation of the statute, review of the record, and the information and data received through public comment. As a result, EPA has determined that the assessment of the information relating to risks posed by hardrock mining operations as presented in the proposed rule was not supported by the record. This reassessment relies on the information in the record on three key points: (1) The reduction in risks due to the requirements of existing federal and state mining ***programs*** and protective practices of current hardrock mining owners and operators, (2) the reduced costs to the taxpayer resulting from effective hardrock mining ***programs***, including existing financial responsibility requirements, and owner or operator responses, and (3) the resulting reduction in the risk of the need for federally financed response actions at hardrock mines. C. Recent Litigation Under Section 108(b) On March 11, 2008, Sierra Club, Great Basin Resource Watch, Amigos Bravos, and Idaho Conservation League filed a suit against then EPA Administrator Steven Johnson and then Secretary of the U.S Department of Transportation Mary E. Peters, in the U.S District Court for the Northern District of California. Sierra Club, et al. v. Johnson, No. 08-01409 (N.D Cal.). On February 25, 2009, that court ordered EPA to publish the Priority Notice required by section 108(b)(1) later that ***year***. The court later dismissed the remaining claims.\32\ --------------------------------------------------------------------------- \32\ See Sierra Club v. Johnson, 2009 U.S Dist. LEXIS 68436 (N.D Cal. Aug. 5, 2009). --------------------------------------------------------------------------- EPA continued to work on a proposed rule for the next several ***years***. However, developing a regulation that meets the statutory requirements presented a significant challenge.\33\ Dissatisfied with the pace of EPA's progress, in August 2014, the Idaho Conservation League, Earthworks, Sierra Club, Amigos Bravos, [[Page 7561]] Great Basin Resource Watch, and Communities for a Better Environment filed a new lawsuit in the U.S Court of Appeals for the District of Columbia Circuit, seeking a writ of mandamus requiring issuance of section 108(b) financial responsibility rules for the hardrock mining industry and for three other industries--chemical manufacturing; petroleum and coal products manufacturing; and electric power generation, transmission, and distribution.\34\ Companies and organizations representing business interests in the hardrock mining and other sectors also sought to intervene in the case. --------------------------------------------------------------------------- \33\ See the discussion regarding instrument availability in section IV., and the discussions in section VII of some of the obstacles to developing a rule under section 108(b). \34\ In re: Idaho Conservation League, et al., No. 14-1149. --------------------------------------------------------------------------- Following oral argument, the court issued an Order in May 2015 requiring the parties to submit, among other things, supplemental submissions addressing a schedule for further administrative proceedings under section 108(b). The Court's May 19, 2015 Order encouraged the parties to confer regarding a schedule and, if possible, to submit a jointly agreed upon proposal. Petitioners and EPA agreed to a schedule calling for the Agency to sign for publication in the Federal Register a proposed rule for the hardrock mining industry by December 1, 2016, and a notice of its final action on the proposal by December 1, 2017. The parties submitted this schedule to the court, and on January 29, 2016, the court granted the parties' joint motion and issued an order that mirrored the submitted schedule in substance.\35\ With this action the Agency has now satisfied both of these obligations. --------------------------------------------------------------------------- \35\ In re Idaho Conservation League, 811 F.3d 502. --------------------------------------------------------------------------- D. Hardrock Mining Priority Notice As described above, section 108(b)(1) requires the President to identify those classes of facilities for which requirements will be first developed and to publish notice of such identification in the Federal Register. On July 28, 2009, EPA issued a ``Priority Notice'' entitled ``Identification of Priority Classes of Facilities for Development of Section 108(b) Financial Responsibility Requirements.'' \36\ In the 2009 Priority Notice, EPA explained how it then chose to evaluate indicators of risk and its related effects, to inform its decision on the classes of facilities for which it would first develop requirements.\37\ The 2009 Priority Notice pointed to eight factors that EPA considered,\38\ and stated that its review of those factors and the associated information in the docket led the Agency to conclude that hardrock mining facilities present the type of risk that, in light of its evaluation, justified them being the first for which EPA would develop section 108(b) requirements.\39\ The 2009 Priority Notice satisfied the notice requirement in section 108(b)(1). --------------------------------------------------------------------------- \36\ See 74 FR 37213 (July 28, 2009). \37\ See Id. at 37214. \38\ These eight factors were: (1) Annual amounts of hazardous substances released to the environment; (2) the number of facilities in active operation and production; (3) the physical size of the operation; (4) the extent of environmental contamination; (5) the number of sites on the CERCLA site inventory (including both NPL sites and non-NPL sites); (6) government expenditures; (7) projected cleanup expenditures; and (8) corporate structure and bankruptcy potential (74 FR 37214, July 28, 2009). \39\ Id. --------------------------------------------------------------------------- E. Hardrock Mining Proposed Rule On January 11, 2017, EPA proposed requirements in a new 40 CFR part 320 that owners and operators of hardrock mining facilities subject to the rule demonstrate and maintain financial responsibility as specified in the proposed rule. The proposed rule identified two goals for section 108(b) regulations--the goal of providing funds to address CERCLA liabilities at sites, and the goal of creating incentives for sound practices that will minimize the likelihood of need for a future CERCLA response. The proposed rule explained that first, when releases of hazardous substances occur, or when a threat of release of hazardous substances must be averted, a Superfund response action may be necessary. Therefore, the costs of such response actions can fall to the taxpayer if parties responsible for the release or potential release of hazardous substances are unable to assume the costs.\40\ Second, the likelihood of a CERCLA response action being needed, as well as the costs of such a response action, are likely to be higher where protective management practices were not utilized during facility operations.\41\ --------------------------------------------------------------------------- \40\ The proposed rule discussion acknowledged the existence of federal and state financial responsibility requirements but took the position that they do not duplicate CERCLA financial responsibility requirements. 83 FR 3402. For example, the proposed rule claimed that state regulations include but are not limited to hazardous substance releases. 83 FR 3403. \41\ As discussed below, the Agency now believes that protective management practices must be considered when determining the need for financial responsibility requirements. --------------------------------------------------------------------------- The proposed rule discussed information assembled by EPA in the record for the action, which, as discussed below, included information on legacy practices and legacy contamination, as well as information not related to risk. Based on that record, EPA had proposed to presume that hardrock mining facilities as a class present the type of risks that section 108(b) addresses. The proposed rule then proceeded to establish a methodology to determine a level of financial responsibility in accordance with a proposed formula. The formula then allowed adjustments to the level of those requirements if a facility could demonstrate site specific conditions that rebut the presumption that the hardrock mining facilities that would be regulated under the rule pose a risk.\42\ --------------------------------------------------------------------------- \42\ See proposed 40 CFR 320.63 --------------------------------------------------------------------------- EPA proposed limiting the applicability of the rule to owners and operators of facilities that are authorized to operate or should be authorized to operate on the effective date of the rule (hereinafter referred to as ``current hardrock mining operations'').\43\ EPA explained its interpretation of the statute on this issue.\44\ The proposed rule also relied, in part, on the grounds that these owners and operators are more likely to further the regulatory goals of section 108(b) requirements than are owners and operators of facilities that are closed or abandoned. EPA also proposed limiting the applicability of the rule to current hardrock mining operations because those facilities are readily identifiable and, since they are ongoing concerns, they are more likely to be able to obtain the kind of financial responsibility necessary under the regulation.\45\ EPA continues to believe that this focus upon current hardrock mining operations is appropriate. --------------------------------------------------------------------------- \43\ See proposed 40 CFR 320.2 \44\ 82 FR 3404-05. \45\ The proposed rule also excluded 55 specific substances (see footnote 25 infra). --------------------------------------------------------------------------- IV. Statutory and Record Support for This Final Rulemaking A. Statutory Interpretation Section 108(b) provides EPA only general instructions in paragraphs (b)(1) and (b)(2), on how to determine what financial responsibility requirements to impose for a particular class of facility. Section 108(b)(1) directs EPA to develop regulations requiring owners and operators of facilities to establish evidence of financial responsibility ``consistent with the degree and duration of risk associated with the production, transportation, treatment, storage, or disposal of hazardous substances. Section 108(b)(2) directs that the level of financial responsibility shall be initially established, and, when necessary, adjusted to protect against the level of risk that EPA in its discretion believes is appropriate based on the ***payment*** experience of the Fund, commercial insurers, courts settlements [[Page 7562]] and judgments, and voluntary claims satisfaction. Section 108(b)(2) does not indicate that this list of factors is exclusive. Read together, it is clear that the statutory language on determining the degree and duration of risk presented by a class, and in setting the level of financial responsibility as it determines is appropriate, confers a significant amount of discretion upon the Agency. EPA discusses these key phrases in turn below. Section 108(b)(1) directs EPA to develop regulations requiring owners and operators of classes of facilities that EPA identifies, to establish evidence of financial responsibility ``consistent with the degree and duration of risk associated with the production, transportation, treatment, storage, or disposal of hazardous substances.'' Thus, the statute indicates that EPA is to evaluate risk from a selected class. However, EPA does not interpret this direction to require a precise calculation of risk associated with the selected classes of facilities. Standard dictionary definitions of the term ``consistent'' include merely ``being in agreement'' or ``compatible.'' \46\ Moreover, section 108(b) requirements are necessarily imposed in the absence of any response action, although it is through such response actions that the precise level of risk associated with a particular site is ascertained. The statute thus confers upon EPA wide latitude to determine, for purposes of a section 108(b) rulemaking proceeding, what the degree and duration of risk presented by the identified class is. Section 108(b)(2) in turn directs that the level of financial responsibility shall be initially established, and, when necessary, adjusted to protect against the level of risk that EPA in its discretion believes is appropriate based on the ***payment*** experience of the Fund, commercial insurers, courts settlements and judgments, and voluntary claims satisfaction. This statutory direction does not specify a particular methodology for the evaluation, indicating simply that the level of financial responsibility be established to protect against the level of risk that EPA ``in [its] discretion believes is appropriate.'' Thus, this decision is committed to the discretion of the Administrator. While the statute does provide a list of information sources in section 108(b)(2) on which EPA is to base its decision--the ***payment*** experience of the Superfund, courts settlements and judgments, and voluntary claims satisfaction--that list is not exclusive, nor does the statute specify how the information from these sources is to be used, for example, by indicating how the categories are to be weighted relative to one another. As discussed elsewhere in this final rulemaking and in the Technical Support Document, the record and comments received by EPA, provide details about the ***payment*** history of the Fund, experience with enforcement actions and court settlements resulting in operational changes, and voluntary actions by companies to reduce risks at specific sites that were used by the Administrator in his judgement to evaluate the risks from current hardrock mining operations. EPA has, therefore, taken multiple considerations into account, including information in these categories which, taken together, inform the exercise of its statutory discretion. --------------------------------------------------------------------------- \46\ 301 Webster's II New Riverside University Dictionary (1988). --------------------------------------------------------------------------- Among the types of information the statute authorizes EPA to consider are the existence of federal and state regulations and financial responsibility requirements. Section 108(b)(1) directs EPA to promulgate financial responsibility requirements ``for facilities in addition to those under subtitle C of the Solid Waste Disposal Act and other Federal law.'' According to the 1980 Senate Report on legislation that was later enacted as CERCLA, Congress felt it was appropriate for EPA to examine those additional requirements when evaluating the degree and duration of risk: The bill requires also that facilities maintain evidence of financial responsibility consistent with the degree and duration of risks associated with the production, transportation, treatment, storage, and disposal of hazardous substances. These requirements are in addition to the financial responsibility requirements promulgated under the authority of section 3004(6) of the Solid Waste Disposal Act. It is not the intention of the Committee that operators of facilities covered by section 3004(6) of that Act be subject to two financial responsibility requirements for the same dangers.\47\ \47\ S. Rept. 96-848 (2d Sess, 96th Cong.), at 92. --------------------------------------------------------------------------- While the report language addresses section 3004(6) of RCRA specifically, EPA believes that it is consistent with Congressional intent for EPA to consider other potentially duplicative Federal financial responsibility requirements when examining the ``degree and duration of risk'' or the ``level of risk'' when determining whether and what financial responsibility requirements are appropriate. EPA also believes that it is consistent with Congressional intent for EPA to consider state laws before imposing federal financial responsibility requirements on facilities. Consideration of state laws before developing financial responsibility regulations is consistent with section 114(d) of CERCLA, which prevents states from imposing financial responsibility requirements for liability for releases of the same hazardous substances after a facility is regulated under section 108 of CERCLA. Just as Congress clearly intended to prevent states from imposing duplicative financial assurance requirements after EPA had acted to impose such requirements under Section 108, EPA believes it reasonable to also conclude that Congress did not mean for EPA to disrupt existing state ***programs*** that are already successfully regulating industrial operations to minimize risk, including the risk of taxpayer liability for response actions under CERCLA, and that specifically include appropriate financial assurance requirements under State law. Both reviews (of state and other Federal ***programs***) help to identify whether and at what level there is current risk that is appropriate to address under section 108 of CERCLA. EPA also believes that, when evaluating whether and at what level it is appropriate to require evidence of financial responsibility, EPA should examine information from hardrock mining facilities operating under modern conditions. These modern conditions include state and federal regulatory requirements and financial responsibility requirements that currently apply to operating facilities. This reading of section 108(b) is consistent with statements in the legislative history of the statute. The 1980 Senate Report states that the legislative language that became section 108(b) ``requires those engaged in businesses involving hazardous substances to maintain evidence of financial responsibility commensurate with the risk which they present.'' \48\ This reading of section 108(b) is also supported by testimony given by EPA before Congress during consideration of legislation that led to CERCLA. In 1979, Thomas C. Jorling, the EPA Assistant Administrator for Water and Waste Management, testified before a Senate subcommittee that new financial responsibility requirements in a hazardous substance liability law would be important to increase ``standards of care'' with respect to management of such substances. Mr. Jorling testified that this goal is not ``relevant'' to sites where ``it is already too late; emergency assistance and containment are [[Page 7563]] required.'' \49\ EPA notes that nothing in Mr. Jorling's testimony suggests that there are not other potential mechanisms, such as successful regulatory ***programs*** under state and other Federal laws, that can ensure appropriate ``standards of care.'' --------------------------------------------------------------------------- \48\ S. Rept. 96-848 (2d Sess, 96th Cong.), at 92. \49\ See Statement of Thomas C. Jorling, Assistant Administrator for Water and Waste Management, USEPA regarding S.1341/S.1480 (Sen. Comm. on Env't and Public Works, Subcommittees on Resource Protection and Environmental Pollution, June 20, 1979). --------------------------------------------------------------------------- This statutory interpretation was also reflected in the proposed rule. The proposed rule would have applied to currently operating facilities.\50\ As explained in the preamble to the proposal, EPA sought to document the extent to which hardrock mining facilities as a class continued to present risk associated with hazardous substance management.\51\ Moreover, this direction to identify requirements ``consistent with'' the risks found also led EPA to recognize that imposition of financial responsibility requirements under section 108(b) would not be necessary for facilities that present minimal current risks \52\ and to seek comment on whether other classes of facilities should be excluded.\53\ --------------------------------------------------------------------------- \50\ See proposed 40 CFR 320.2 and 82 FR 3404-05. \51\ See 82 FR 3470-80. \52\ See exclusions from the rule at proposed 40 CFR 320.60(a)(2), as well as the opportunity to obtain a release from financial responsibility requirements at proposed 40 CFR 320.27 Both were proposed based on an evaluation of the level of risk posed by the facilities. 82 FR 3455-59. \53\ 82 FR 3456. --------------------------------------------------------------------------- Despite its focus on currently operating facilities, the proposed rule relied on a record of releases of hazardous substances from facilities and ***payments*** to respond to such releases that does not present the same risk profile as the modern facilities to which the rule would apply.\54\ As a result, EPA has determined that the analysis of risk presented in the proposed rule is inconsistent with the scope of the proposed rule and EPA's intended approach under the statute. --------------------------------------------------------------------------- \54\ 82 FR 3460-61. --------------------------------------------------------------------------- The final rulemaking does not seek to rely on historical practices, many of which would be illegal under current environmental laws and regulations,\55\ to identify the degree and duration of risk posed by the facilities that would be subject to financial responsibility requirements. Instead, in this final rulemaking EPA has considered modern federal and state regulation of hazardous substance production, transportation, treatment, storage, or disposal at hardrock mining facilities. As discussed below, the record does not document significant risks associated with such facilities. Further, this final rulemaking does not rely on the cost of responding to historic mining activities and instead reflects the reduction in the risk of federally financed response actions at modern hardrock mining facilities that result from modern practices and modern regulation. With a few exceptions, discussed below, EPA has made minimal expenditures for modern hardrock mining operations. In addition, EPA engaged in significant discussions with, and received significant comments from, commercial insurers and other financial instrument providers. These providers have submitted information indicating that the availability of financial responsibility instruments would likely be limited for regulated entities, should EPA require companies to obtain them. Thus, to the extent that risks remain at current hardrock mining operations, the information provided by commenters has further convinced EPA that it is not appropriate to establish financial responsibility requirements on this class of facilities. --------------------------------------------------------------------------- \55\ See, for example, Clean Water Act effluent limitations applicable to mining, discussed below. --------------------------------------------------------------------------- Nor does EPA believe that issuing final financial responsibility requirements is necessary to achieve the stated goals of the proposed section 108(b) rules for hardrock mining, namely, the goal to increase the likelihood that regulated entities will provide funds necessary to address CERCLA liabilities if and when they arise, and the goal to create an incentive for sound practices. EPA's economic analysis showing that the proposed rule would avoid governmental costs of only $15-$15.5 million a ***year*** supports this conclusion. Based on these estimates, commenters objected that the projected annualized costs to industry ($111-$171 million) are an order of magnitude higher than the avoided costs to the government ($15-15.5 million) sought by the rule. Further, given the fact that federal and state laws, including potential liability under CERCLA, have already created an incentive for sound practices, promulgating financial responsibility regulations for hardrock mining facilities under section 108(b) also is not necessary to advance that goal. This final rulemaking is based on the record assembled for this action. This decision does not substitute for any site-specific determinations of risk made in the context of individual CERCLA site responses. Those decisions will continue to be made in accordance with preexisting procedures. EPA has reached these conclusions on the record for this rulemaking, including public comments. The major concerns raised by commenters are described below in Sections C and D. Section E below, and the Technical Support Document for this final rulemaking, discuss case examples in EPA's record that correspond to these major concerns. It should be noted that much of the public comment received on the proposed rule addressed specific provisions of the proposal. Because EPA has decided not to issue regulatory text under section 108(b) for hardrock mining facilities, or the general provisions in proposed subparts A through C, comments on specific regulatory provisions are outside the scope of this final rulemaking. B. Evaluation of the Administrative Record EPA has reevaluated the administrative record for this rulemaking regarding risk at current hardrock mining operations in light of its interpretation of the statute discussed above, and has determined that that record does not support the proposed rule and supports, instead, a final Agency action of no rule. This determination is based on an evaluation of the three primary reports that the proposed rule relied on to identify risk to be addressed by section 108(b): Evidence of CERCLA Hazardous Substances and Potential Exposures at Section 108(b) Mining and Mineral Processing Sites (hereinafter referred to as the ``Evidence Report''); Releases from Hardrock Mining Facilities (hereinafter referred to as the ``Releases Report''); and Comprehensive Report: An Overview of Practices at Hardrock Mining and Mineral Processing Facilities and Related Releases of CERCLA Hazardous Substances (hereinafter referred to as the ``Practices Report'').\56\ This determination also is based on EPA's consideration of the reduction of risk as a result of federal and state regulatory and financial assurance requirements. Finally, this determination is based on the record of ***payments*** from the Superfund Trust Fund to address hazardous substance releases from modern mining facilities. --------------------------------------------------------------------------- \56\ See Releases from Hardrock Mining Facilities, EPA-HQ-SFUND- 2015-0781-0497; Comprehensive Report: An Overview of Practices at Hardrock Mining and Mineral Processing Facilities and Related Releases of CERCLA Hazardous Substances, EPA-HQ-SFUND-2015-0781- 0144; and Evidence of CERCLA Hazardous Substances and Potential Exposures at Section 108(b) Mining and Mineral Processing Sites, EPA-HQ-SFUND-2015-0781-0505. --------------------------------------------------------------------------- [[Page 7564]] 1. Reports on Risks Posed by Hardrock Mining Facilities Evidence Report As described in the preamble to the proposed rule, the Evidence Report documents EPA's preliminary efforts from 2009-2012 to examine CERCLA site-specific documents for estimated exposures of human and ecological receptors to CERCLA hazardous substances from mining and mineral processing sites cleaned up under Superfund in the past. This report also collected available information on potential exposures of human and ecological receptors to CERCLA hazardous substances from mining and mineral processing sites that were operational in 2009 (the most current available data at the time the evaluation took place). The proposed rule relied on the following conclusions from the Evidence Report: Overall, the compiled information demonstrates that sites requiring cleanup under Superfund in the past, and sites operational in 2009 share characteristics related to the potential release of CERCLA hazardous substances and the exposure of human and ecological receptors, and illustrated the applicability of EPA's CERCLA experience to evaluating currently operating mines and processors.\57\ \57\ 82 FR 3475. --------------------------------------------------------------------------- Upon review, EPA has now determined that those conclusions are not supported by the information provided in the Evidence Report. Further, these conclusions are not a primary factor in determining the ``degree and duration of risk'' presented by currently operating mines under modern environmental regulations. As a result, the Evidence Report does not support a rulemaking under section 108(b). First, the Evidence Report compares releases of hazardous substances at 24 facilities on the NPL that continued to operate after 1980 (called post-1980 historical sites) to facilities operating in 2009. It does not specify whether or not 1980 can be considered a date by which mining facilities could be considered modern facilities subject to modern regulations. The report does not identify or consider whether the releases from the historical sites were due to pre-1980 activities and practices or whether the releases were caused by practices that are no longer typical of current mines. Instead, the report conflates risks posed by the historical facilities to risks posed by the 2009 facilities by comparing mining practices and contaminants of concern released at the facilities. When comparing mining practices, the report does not take into account the fact that by 2009, practices at mining facilities were already heavily regulated. For example, the effluent limitation for processes that use cyanide to extract gold or silver is zero discharge.\58\ --------------------------------------------------------------------------- \58\ See 40 CFR 440.100(d). --------------------------------------------------------------------------- When comparing contaminants of concern, the Evidence Report identifies contaminants of concern at the historic sites through CERCLA response action documentation.\59\ In contrast, at the 2009 operating sites, contaminants of concern are identified through reports of TRI releases and through discharge monitoring reports submitted pursuant to Clean Water Act permits.\60\ The report fails to acknowledge that the evidence presented regarding releases of hazardous substances from facilities operating in 2009 is not evidence of risk. ``TRI data do not reveal whether or to what degree the public is exposed to listed chemicals.'' \61\ Further, releases reported under Clean Water Act permits are regulated releases. The fact that the same hazardous substances may be present at historic modern hardrock mining facilities is simply a consequence of the type of ores and processes used at hardrock mines. The mere presence of hazardous substances is not equivalent to risk. Similarly, the existence of common environmental receptors at historic and modern mines is not determinative of risk. The presence of a receptor does not indicate that there are releases of hazardous substances at levels that cause risk. Rather, the primary determinant of risk is how current operations at the mine are conducted, including the current regulatory regime under which they operate. As documented in this final action, it is in this respect that most of the historic examples discussed in the proposed rule differ from the modern mines that would actually be subject to its requirements. --------------------------------------------------------------------------- \59\ Evidence Report, at 9. \60\ Evidence Report, at 17. \61\ See [*https://www.epa.gov/sites/production/files/2015-06/documents/factors\_to\_consider\_6.15.15\_final.pdf*](https://www.epa.gov/sites/production/files/2015-06/documents/factors_to_consider_6.15.15_final.pdf) --------------------------------------------------------------------------- Finally, the Evidence Report admits that the releases identified as a cause of past fund expenditures are now regulated under the Clean Air Act and RCRA.\62\ --------------------------------------------------------------------------- \62\ Evidence Report, at 55-56. --------------------------------------------------------------------------- As a result of these limitations, the Evidence Report fails to identify substantial risks associated with modern hardrock mining facilities and therefore does not support a rule that would impose financial responsibility requirements on the current hardrock mining sector. Releases Report and Practices Report Implicitly recognizing the limitations of the Evidence Report, as well as the inability to rely on reports that are decades old,\63\ EPA developed two additional reports to attempt to provide record support for a rule under section 108(b), the Releases Report and the Practices Report. --------------------------------------------------------------------------- \63\ See the 1992 and 1997 reports cited at 82 FR 3475. --------------------------------------------------------------------------- The Releases Report was intended to ``substantiate the ongoing existence of environmental risk from releases to the environment from hardrock mining and mineral processing operations in spite of improved regulation of and practices instituted by the hardrock mining and mineral processing industry.'' \64\ It purports to document releases from facilities ``that had no previous significant legacy mining issues.'' \65\ --------------------------------------------------------------------------- \64\ Releases Report, at 1. \65\ 82 FR 3471. --------------------------------------------------------------------------- The report lists sites that required CERCLA, CERCLA-like, and potential CERCLA actions, and describes the release and response narratively. However, the limitations of this report prevent it from supporting a determination that requirements under section 108(b) for hardrock mining facilities are appropriate. As discussed in section E, below, and in the Technical Support Document for this final rulemaking,\66\ the Releases Report included facilities with significant mining activity that pre-dated modern regulation, creating legacy contamination. The report also fails to address whether or not the releases resulted in the expenditure of federal dollars or appropriately distinguish releases that predate modern regulation and are now prohibited by law or otherwise regulated. --------------------------------------------------------------------------- \66\ See: EPA, CERCLA Section 108(b) Hardrock Mining Final Rule: Technical Support Document, December 1, 2017. --------------------------------------------------------------------------- The Practices Report purports to present information on the potential for future releases at operating hardrock mining facilities.\67\ However, the Practices Report acknowledges that it cannot be used to draw conclusions about future releases, stating that: ``Many sites and facilities within the non-operating and currently operating samples have been active for a century or longer. When a post-1980 release occurred at these facilities, it was difficult to determine if the equipment or practice responsible for the release was newly constructed or part of the site's past operations.'' \68\ The Practices Report acknowledges that ``a number of [[Page 7565]] factors limited the inferences that can be drawn from data about releases at currently operating facilities.'' \69\ --------------------------------------------------------------------------- \67\ Practices Report, at 1. \68\ Id., at 5. \69\ Practices Report, at 9. --------------------------------------------------------------------------- Both reports also lack important information on whether or not the releases resulted in the expenditure of federal dollars or whether the releases identified are now prohibited by law or otherwise regulated. As noted in section E, below, and the Technical Support Document for this final rulemaking, many of the releases discussed in those reports are being addressed by the responsible parties. Despite the limitations of the Releases Report and the Practices Report, the proposed rule claimed that they validated the conclusions of earlier reports stating that: ``EPA believes the results of this relatively recent effort to further document the state of current mining practices substantiates the findings from the other documents described herein [the Evidence Report and the reports from 1992 and 1997] and further reinforces the Agency's belief that currently operating hardrock mining and mineral processing facilities subject to this proposal continue to present risks of release of hazardous substances.'' \70\ --------------------------------------------------------------------------- \70\ 82 FR 3475. --------------------------------------------------------------------------- As discussed above, upon reexamination, EPA now believes that none of these reports provide an appropriate basis for identification of the risk of hazardous substance releases at the facilities that would be regulated under the proposed rule or the risk of federally financed response actions at such facilities. Additional relevant information on many of the sites discussed in these reports which helped inform EPA's conclusions in this final rulemaking is documented in section IV.E below and in the Technical Support Document. 2. Federal and State Regulatory Requirements EPA has determined that modern regulation of hardrock mining facilities, among other factors, reduces the risk of federally financed response actions to a low level such that no additional financial responsibility requirements for this industry are appropriate. This section summarizes the regulations that support that determination. a. Federal Environmental Statutes The proposed rule proposed to regulate facilities that engage in the extraction, beneficiation, and processing of metals, (e.g , copper, gold, iron, lead, magnesium, molybdenum, silver, uranium, and zinc) and non-metallic, non-fuel minerals (e.g , asbestos, phosphate rock, and sulfur), other than placer mining, exploration only activities, and mines and processers disturbing less than five acres.\71\ This scope includes mines, processors, and smelters. --------------------------------------------------------------------------- \71\ See Proposed 40 CFR 320.60 --------------------------------------------------------------------------- While much mining and beneficiation is exempt from RCRA,\72\ these activities are regulated under the Clean Water Act and the Clean Air Act. In addition, some waste material from covered mineral processing facilities is regulated under RCRA. Finally, permissions to mine on federal land are subject to review under the National Environmental Policy Act and may require the preparation of an Environmental Impact Statement. --------------------------------------------------------------------------- \72\ See 51 FR 24496. --------------------------------------------------------------------------- Clean Water Act The Clean Water Act (CWA) prohibits discharges to waters of the United States, unless in compliance with another portion of the Act.\73\ Principal among those other provisions is the permitting ***program*** established under section 402 of the Act, the National Pollution Discharge Elimination System (NPDES).\74\ Existing dischargers of toxic and nonconventional pollutants are required to install best available control technology that is economically achievable.\75\ New dischargers must meet new source performance standards, based on the best available demonstrated control technology. If these technology-based standards do not fully protect water quality, then a facility must adopt additional controls to meet applicable water quality standards (water quality-based effluent limitations).\76\ --------------------------------------------------------------------------- \73\ 33 U.S.C 1311. \74\ 33 U.S.C 1342. \75\ 33 U.S.C 1311. \76\ 33 U.S.C 1311(b)(1)(C). --------------------------------------------------------------------------- Technology-based effluent limitations for hardrock mining are found at 40 CFR part 440. The Ore Mining and Dressing Effluent Guidelines apply to facilities in twelve subcategories as follows: Iron Ore Aluminum Ore Uranium, Radium and Vanadium Ores Mercury Ore Titanium Ore Tungsten Ore Nickel Ore Vanadium Ore (Mined Alone and Not as a Byproduct) Antimony Ore Copper, Lead, Zinc, Gold, Silver, and Molybdenum Ores Platinum Ores Gold Placer Mining The Background Document for the proposed financial responsibility formula states: ``Nearly three-quarters of the 354 currently operating facilities report mining five commodities (gold, iron, copper, phosphate, and uranium), with gold mines alone making up nearly half of the universe.'' \77\ Accordingly, subpart J, the Copper, Lead, Zinc, Gold, Silver, and Molybdenum Ores Subcategory, is of particular relevance. Last amended in 1982 (effective January 1983), this subpart applies to: --------------------------------------------------------------------------- \77\ EPA-HQ-2015-0781-0500 at 3-11. --------------------------------------------------------------------------- (1) Mines that produce copper, lead, zinc, gold, silver, or molybdenum bearing ores, or any combination of these ores from open-pit or underground operations other than placer deposits; (2) Mills that use the froth-flotation process alone or in conjunction with other processes, for the beneficiation of copper, lead, zinc, gold, silver, or molybdenum ores, or any combination of these ores; (3) Mines and mills that use dump, heap, in-situ leach, or vat- leach processes to extract copper from ores or ore waste materials; and (4) Mills that use the cyanidation process to extract gold or silver.\78\ --------------------------------------------------------------------------- \78\ 40 CFR 440.100 --------------------------------------------------------------------------- Under this subpart, the following activities must meet an effluent limitation of zero discharge: (1) Mine areas and mills processes and areas that use dump, heap, in situ leach or vat-leach processes to extract copper from ores or ore waste materials (40 CFR 440.103(c)); and (2) Mills that use the cyanidation process to extract gold or silver (40 CFR 440.103(d)). In addition, drainage from all mines in this subcategory and discharges from mills in this category that use a froth-flotation process must meet limitations for copper, zinc, lead, mercury, and cadmium. Discharges to water from mineral mining and processing facilities are regulated under 40 CFR part 436. Last amended in 1979, these regulations require best practicable control technology for wastewater discharges from mine drainage, mineral processing operations and stormwater runoff. This part includes subpart R, which applies to the mining and the processing of phosphate bearing rock, ore or earth for the phosphate content. These regulations regulate the pH of discharges from phosphate mines and limit discharges of total suspended solids from such mines to a daily maximum concentration of 60 mg/l. The Clean Water Act regulates discharges of pollutants from smelters under 40 CFR part 421 (Nonferrous Metals Manufacturing Category). Last [[Page 7566]] amended in 1984, these regulations limit pH and the concentration of metals in discharges. Clean Air Act The Clean Air Act regulates air emissions from industrial processes like mining and mineral processing. These include National Emissions Standards for Hazardous Air Pollutants (NESHAPs) as well as New Source Performance Standards (NSPS). The 2011 NESHAP for gold ore processing and production facilities controls mercury air emissions from these facilities. 40 CFR part 63, subpart EEEEEEE. On June 12, 2002, EPA promulgated final air toxics standards for the Primary Copper Smelting major sources 40 CFR part 63, subpart QQQ. These regulations control emissions of arsenic, beryllium, cadmium, chromium, lead, manganese and nickel. On June 4, 1999, EPA promulgated a NESHAP for primary lead smelting (40 CFR part 63, subpart TTT) that controls emissions of lead. In 2007, EPA promulgated a NESHAP for zinc, cadmium and beryllium smelters (40 CFR part 63, subpart GGGGGG), and those regulations established a particulate matter standard. Under section 111 of the CAA, New Source Performance Standards (NSPS) applicable to metallic mineral-processing plants have been established (40 CFR part 60, subpart LL control emissions of particulate matter). EPA's 1976 NSPS for primary lead smelting (40 CFR part 60, subpart R) controls emissions of particulate matter. RCRA While most hardrock mining and beneficiation waste is exempt from RCRA subtitle C,\79\ mineral processing waste (other than twenty ``special wastes'') are not.\80\ Thus, mineral processing facilities may be regulated under RCRA Subtitle C. The management of hazardous wastes is generally subject to strict minimum technology requirements.\81\ Land disposal of hazardous wastes is prohibited unless treatment standards are met.\82\ --------------------------------------------------------------------------- \79\ 51 FR 24496 (July 3, 1986). \80\ See the list at   [*https://www.epa.gov/hw/special-wastes#mining*](https://www.epa.gov/hw/special-wastes#mining). \81\ 42 U.S.C 6924(o). \82\ 42 U.S.C 6924(d)-(g). --------------------------------------------------------------------------- National Environmental Policy Act The National Environmental Policy Act (NEPA) requires an environmental review of major federal actions significantly affecting the quality of the human environment.\83\ Major federal actions include the issuance of federal permits or permission to use federal lands.\84\ Mining activities on federal lands are generally subject to NEPA. Accordingly, the potential environmental impacts of those activities are considered and publicly disclosed before they occur. These reviews include consideration of impacts to surface water, ground water, air, soils, ecosystems, wetlands, endangered species, and flood plains. --------------------------------------------------------------------------- \83\ 42 U.S.C 4332. \84\ 40 CFR 1508.18 --------------------------------------------------------------------------- b. Federal Land Management Laws The Bureau of Land Management (BLM) and the Forest Service (herein referred to at the Federal Land Management Agencies (FLMAs), have both promulgated regulations that apply to hardrock mining operations on land they manage. BLM has promulgated regulations under the Federal Land Policy and Management Act (43 U.S.C 1701 et seq.) that apply to hardrock mining operations on BLM land. These regulations include a requirement to develop a plan for reclamation of disturbed areas and a financial guarantee sufficient to fund completion of the reclamation plan.\85\ --------------------------------------------------------------------------- \85\ 43 CFR part 3800, subpart 3809. --------------------------------------------------------------------------- In order to obtain a permit to mine on public lands, the operator must submit a plan of operations that includes plans for water management, rock characterization and handling, spill contingency, and reclamation.\86\ The plan of operations for the mine cannot be approved until thirty days after a final environmental impact statement has been prepared and filed with EPA.\87\ The required reclamation plan must detail stabilization of land disturbed for mining, reclaiming and reshaping the land, wildlife rehabilitation, controlling potentially hazardous materials, and post-closure management.\88\ --------------------------------------------------------------------------- \86\ 43 CFR 3809.1-6. \87\ 43 CFR 3809.1-6. \88\ 43 CFR 3809.1-3(d). --------------------------------------------------------------------------- Like BLM, the Forest Service also requires a plan of operation that includes a plan for reclamation of mining disturbances on Forest Service lands.\89\ The requirements for environmental protection are set forth in 36 CFR 228.8 and include compliance with all air quality, water quality, and solid waste standards; protection of scenic values; and reclamation to control erosion and water runoff, isolate, remove or control toxic materials, reshape and revegetate disturbed areas, and rehabilitate fisheries and wildlife habitat. The Forest Service requires a bond to cover the cost of stabilizing, rehabilitating, and reclaiming the area of operations.\90\ Like a BLM plan of operations, approval of a Forest Service plan of operations also is subject to NEPA. --------------------------------------------------------------------------- \89\ 36 CFR part 228. \90\ 36 CFR 228.13 --------------------------------------------------------------------------- The Forest Service regulations allow the Forest Service to require a modification to the Plan of Operations and reclamation plan (36 CFR 228.4(e)) and adjust the bond to cover the modified plan (36 CFR 228.13(c)). EPA's conclusion that BLM and Forest Service regulations address risks at hardrock mining facilities is further supported by the comments submitted by these agencies, discussed below. c. Other Existing Regulatory Requirements The proposed rule stated that addressing CERCLA liabilities is different from the mine reclamation bonding requirements required by BLM, the Forest Service, or state requirements that seek to ensure compliance with technical engineering requirements imposed through a permit, or to ensure proper closure or reclamation of an operating mine.\91\ This discussion in the proposed rule was intended to highlight legal distinctions between the section 108(b) requirements and the requirements of other federal and state ***programs***. However, even when developing the proposed rule, EPA acknowledged the overlap between the risks to be addressed by section 108(b) and existing federal and state regulations. EPA now recognizes that the existence of these other ***programs***, whatever legal differences there may be in their intent and implementation, are critical to understanding ``the degree and duration of risk associated with the production, transportation, treatment, storage, or disposal of hazardous substances'' as well as the risk to taxpayers of being required to fund response activities under CERCLA, which are the primary factors relevant to EPA's determination of the need for and appropriate level of financial responsibility requirements under section 108(b). --------------------------------------------------------------------------- \91\ 82 FR 3403. --------------------------------------------------------------------------- For example, 16 of the 27 sites discussed in the Releases Report are called ``CERCLA-like'' releases. Thus, according to the Releases Report, these sites present the same type of risk that is to be addressed under section 108(b). However, as discussed below and in the Technical Support Document for this final rulemaking, we have documented no expenditure of funds by EPA for those ``CERCLA-like'' releases, which, [[Page 7567]] as is explained in the Releases Report, are being addressed under other state and Federal ***programs***, demonstrating that modern regulation adequately addresses the risk of Fund financed response action posed by these sites.\92\ --------------------------------------------------------------------------- \92\ The limited number of sites referenced in the Releases Report for which there were CERCLA actions and EPA expenditures are discussed below. --------------------------------------------------------------------------- Even the methodology used in the proposed rule to develop the proposed financial responsibility requirements shows that the actual physical risks addressed by modern regulations are essentially the same as the risks to be addressed by section 108(b). The Background Document for the financial responsibility formula demonstrates that the costs of existing federal and state reclamation and closure requirements were used to develop costs for the categories of response activities that are the building blocks of financial responsibility requirements under the proposed rule.\93\ Thus, the proposed financial responsibility requirements largely address the same risks that are addressed by existing regulatory requirements. --------------------------------------------------------------------------- \93\ See CERCLA 108(b) Financial Responsibility Formula For Hardrock Mining Facilities, Background Document, Sept. 19, 2016 (EPA-HQ-2015-0781-0500), at 2-17, Table 2.2 See also 82 FR 3462 (``EPA found that such engineering cost data was readily available from cost estimates developed for state and Federal mining reclamation and closure plans, and associated documents.''). --------------------------------------------------------------------------- This conclusion is further supported by comments submitted by the Forest Service, and a number of states opposing the proposed rule. The Forest Service demonstrated in their comments how their regulations address the same physical risks that are captured in the response categories that are the building blocks of the proposed section 108(b) financial responsibility formula.\94\ The states of Alaska, Nevada, New Mexico, and South Dakota each provided a similar analysis for their state, and the Interstate Mining Compact Commission provided analyses for Arizona, South Dakota, and Utah.\95\ The National Mining Association (NMA) also compiled similar information for 15 states.\96\ --------------------------------------------------------------------------- \94\ See comment from the Forest Service, EPA-HQ-SFUND-2015- 0781-2400, at page 2. \95\ Alaska (Attachment 5/Attachment D to EPA-HQ-SFUND-2015- 0781-2785); Nevada (Appendix to EPA-HQ-SFUND-2015-0781-2651); New Mexico (Attachment A at p. 17 of EPA-HQ-SFUND-2015-0781-2676); South Dakota (Attachment to EPA-HQ-SFUND-2015-0781-2419); IMCC (showing results for Arizona, South Dakota, and Utah at EPA-HQ-SFUND-2015- 0781-2758 & EPA-HQ-SFUND-2015-0781-2757). \96\ EPA-HQ-SFUND-2015-0781-2794 at Appendix A. --------------------------------------------------------------------------- In conclusion, EPA is convinced by the arguments made by state and Federal commenters that the risks sought to be addressed by the proposed rule are already addressed by existing state and Federal ***programs***. The proposed rule would have considered the risk reduction of existing regulations only as a means to reduce the amount of otherwise required financial responsibility and sought comment on several aspects of this approach. EPA is now convinced that those regulations obviate the need for additional financial responsibility requirements under section 108(b) on the hardrock mining sector. As stated by the Forest Service: [T]he fact that EPA refers to existing regulations as a rationalization for building the requirements of a particular reduction [in financial responsibility] serves to underline that these existing regulations serve the purpose that EPA hopes is served by the proposed rule: To reduce the risk of a release of a hazardous or toxic substance. Therefore, the specific requirements in the reductions are unnecessary, because other ***programs*** with more site-specific presence than EPA has, are already requiring these actions, using site-specific conditions as criteria for design of the mitigations in question. Thus, the outcome is that EPA is attempting to regulate that which is already regulated.\97\ --------------------------------------------------------------------------- \97\ See comment EPA-HQ-SFUND-2015-0781-2400, at page 11. --------------------------------------------------------------------------- 3. Risk of ***Payments*** From the Fund According to the preamble of the proposed rule, EPA estimated that the historical costs of responding to releases from 243 hardrock mining and minerals processing facilities totaled $12.9 billion, of which approximately $4 billion was paid for through EPA's Superfund ***program***. EPA relied on this estimate to conclude that: ``Such significant cleanup costs may be considered as an indication of the relative risks present at these sites, and the potential magnitude of environmental liabilities associated with this industry overall.'' \98\ --------------------------------------------------------------------------- \98\ 82 FR 3479. --------------------------------------------------------------------------- As discussed above, EPA has now determined that as a result of modern regulations, the degree and duration of risk associated with the modern production, transportation, treatment, storage or disposal of hazardous substances by the hardrock mining industry does not present a level of risk of taxpayer funded response actions that warrant imposition of financial responsibility requirements for this sector. EPA acknowledges that the Agency has incurred response costs at mining sites. However, as many commenters have noted, the vast majority of those costs have been to address legacy practices. EPA also acknowledges that there are a handful of examples of sites where EPA has incurred response costs, notwithstanding regulation under the Clean Water Act, or other state and federal law. However, the Agency does not believe that these few examples are an appropriate basis for regulation under CERCLA section 108(b). The record for the proposed rule includes background information on response costs, expenditures, and settlements at 185 NPL sites and 134 non-NPL sites to inform the proposed financial responsibility formula.\99\ To develop this information, EPA collected and reviewed data available in the Comprehensive Environmental Response, Compensation, and Liability Information System (CERCLIS), the Integrated Financial Management System (IFMS), and the Office of Enforcement and Compliance Assurance (OECA) settlements database, as well as a 2004 report of the EPA Inspector General, and a 2010 report from the Government Accountability Office.\100\ As part of this analysis, EPA combined data from CERCLIS and IFMS into a Microsoft Access file to summarize Fund expenditures incurred at each hardrock mining facility for which EPA had data (as of 2011).\101\ A link to an FTP site containing these files was provided in the docket.\102\ --------------------------------------------------------------------------- \99\ CERCLA 108(b) Financial Responsibility Formula For Hardrock Mining Facilities, Background Document, Sept. 19, 2016 (EPA-HQ-2015- 0781-0500), at sections 2.1 and 2.2, and Appendix B. The formula also includes estimated costs for natural resources damages and public health assessments. However, both are a function of a release that requires a response action. In the formula, health assessment costs are simply a fixed cost of $550,000 and the natural resource damages are assumed based on a percentage of the response costs. Id. at section 5 and page 6-2. \100\ Id. at 2-1. EPA was able to obtain cost information for 319 hardrock mining facilities. \101\ Id. at 2-2. If EPA itself had incurred expenditures at a hardrock mining facility, those expenditures would have been included in the data pulled from these databases. \102\ It also is available here:   [*ftp://newftp.epa.gov/CERCLA108B*](ftp://newftp.epa.gov/CERCLA108B). --------------------------------------------------------------------------- While the purpose of this data collection was to support the development of the financial responsibility formula, it also can be used to examine Fund expenditures at specific sites. For example, the results of a query of the Microsoft Access file on site expenditures results in a table that has data for only eight of the 27 sites identified in the Releases Report.\103\ The [[Page 7568]] discussion of why the releases at these sites do not support the proposed rule is discussed in the Technical Support Document accompanying this final rulemaking.\104\ Of the eight, seven are gold or gold and silver mines. Of the seven, six were operational after the effective date of Clean Water Act effluent limitations applicable to cyanide heap leach mining processes. Thus, regulation does not always prevent releases. In fact, the release at the Summitville Mine in Colorado was significant and the response was very costly. As discussed in the Technical Support Document accompanying this final rulemaking, the costs of response at that site included costs of addressing acid mine drainage from legacy (since 1890) operations, unrelated to the releases from cyanide heap leach process. Further, Colorado has since changed its regulation to prevent a repeat of the releases that occurred from the heap leach process at Summitville. Thus, Summitville mine is not an example of current risk. However, it also is important to understand that, according to a 1996 retrospective review of Summitville prepared by an EPA Region 8 employee and the Colorado Department of Natural Resources, the Colorado-issued Clean Water Act permit, which assumed no discharge from the heap leach process, was based on an erroneous water balance calculation for the site. The permit assumed that evaporation would be greater than precipitation.\105\ EPA's financial responsibility formula similarly relies on water balance data, and could be subject to the same type of error, demonstrating that neither regulation nor financial responsibility requirements are infallible.\106\ --------------------------------------------------------------------------- \103\ See the site expenditure table from the D Site Exp.accdb file on the FTP site. These sites are Barite Hill, a gold and silver mine in South Carolina ($6.3 million), Brewer Gold, a gold and silver mine in South Carolina ($12.3 million), Cimarron Mine, a gold mine in New Mexico ($3.5 million), Formosa Mine, a copper and zinc mine in Oregon ($3.1 million), Gilt Edge mine, a gold and silver mine in South Dakota ($75 million), Grouse Creek mine, a gold mine in Idaho ($314,000), Silver Mountain, a gold and silver mine in Washington ($1.4 million), and Summitville, a gold and silver mine in Colorado ($226 million). These numbers are presented in nominal dollars and are current as of 2011. The Microsoft Access file on settlements available at the same FTP site shows past cost settlements totaling $12.7 million at Gilt Edge, response work and past cost settlements totaling over $9 million at Grouse Creek, and past cost and future cost settlements at Summitville totaling approximately $49 million. See the settlements table from the cerclis\_historical\_sites\_41612.accdb file on the FTP site. \104\ The Technical Support Document addresses all but two of the eight sites discussed in the Releases Report for which there is a record of Fund expenditures. Silver Mountain is a gold and silver mine that operated beginning in 1928 and that used a cyanide heap leach process before the promulgation of strict Clean Water Act regulations for those processes. See Releases Report, at 7. Grouse Creek was operated by Hecla Mining Company and the Microsoft Access files on the FTP site show only $314,000 in EPA expenditures and a greater amount in cost recoveries. Thus, these sites are not evidence of risk of Fund-financed response actions at currently operating sites. \105\ The Mining History and Environmental Clean-up at the Summitville Mine. Colorado Geological Society Open File Report 96-4. Available at   [*http://2fdpn7hy0ht206jws2e9og41.wpengine.netdna-cdn.com/wp-content/uploads/2013/08/38.pdf*](http://2fdpn7hy0ht206jws2e9og41.wpengine.netdna-cdn.com/wp-content/uploads/2013/08/38.pdf) \106\ EPA-HQ-2015-0781-0500, at section 3.4 --------------------------------------------------------------------------- Issues with the financial responsibility formula in the proposed rule are also discussed in, January 19, 2017 comments submitted by the Small Business Administration (SBA) Office of Advocacy. SBA used data in the record to compare the results of the proposed financial responsibility formula against actual site costs at six mining sites. The formula both underestimated, and in some cases greatly overestimated the costs of response. For example, at one mine the actual costs to address an open pit were $77,000, while the formula would have required financial responsibility in the amount of $197,900,000 for this response activity.\107\ At another site, the formula would have required evidence of financial responsibility to cover interim operation and maintenance at a level of $69 million while the actual costs reported by the site operator who is paying for the response action pursuant to its reclamation plan were over $96 million.\108\ EPA acknowledges that any formula with limited site specific information is necessarily a very imprecise means of determining potential response costs, and may significantly over or underestimate actual costs, as documented in the SBA comments. As noted by several commenters, financial assurance amounts established by state and other Federal regulatory ***programs*** are usually informed by site- specific assessments by on-the-ground regulators and are thus likely to better reflect actual response costs. --------------------------------------------------------------------------- \107\ EPA-HQ-SFUND-2015-0781-1406, at 18. \108\ Id. (discussing Hycroft Resources, an active gold mine in Nevada). See also discussions of Hycroft in the Background Document for the financial capability formula. EPA-HQ-SFUND-2015-0781-0500. --------------------------------------------------------------------------- The conclusion that modern regulation has greatly reduced the risk of taxpayer financed response actions also is supported by the experience of other federal agencies. For example, in letters sent to Senator Murkowski, BLM and the Forest Service stated that no modern mines permitted since 1990 by either BLM or the Forest Service have been added to the NPL. When asked how many mining plans of operation BLM and Forest Service have approved since 1990, and how many of the corresponding sites have been placed on the NPL, BLM responded that it had approved 659 plans since 1990 and none had been added to the NPL and the Forest Service reported approval of 2,685 plans since 1990 with no sites being placed on the NPL.\109\ These data support a conclusion that federal financial responsibility ***programs*** (and related mining engineering and permitting requirements) have been effective at lowering risk, reducing taxpayer liability, and contrasts strongly with the historical record involving legacy mines. --------------------------------------------------------------------------- \109\ Letter dated June 21, 2011 from BLM Director Robert Abbey to Senator Lisa Murkowski, dated June 21, 2011; Letter dated July 20, 2011 from USDA Secretary Thomas Vilsack to Senator Lisa Murkowski, dated July 20, 2011. The letters were written in response to several questions posed by Senator Murkowski relating to hardrock mining ***programs*** on BLM and Forest Service lands. --------------------------------------------------------------------------- States have had similar experience with their own ***programs***. The state of Nevada, which has roughly one fourth of hardrock mines in the potentially regulated universe of mines developed by EPA for purposes of analysis in the proposed rule, has not had a case involving taxpayer funded response action since 1991, when the state's new rules were put in place.\110\ --------------------------------------------------------------------------- \110\ Nevada comments, at Appendix 3 (EPA-HQ-SFUND-2015-0781- 2651). --------------------------------------------------------------------------- EPA considered these examples of the limited ***payment*** experience of the Fund, as well as the record relating to ***payments*** covered by federal and state financial responsibility instruments required under other federal and state law, and ***payments*** made pursuant to settlements and voluntary response actions \111\ to further support EPA's determination that the degree and duration of risk associated with the modern production, transportation, treatment, storage or disposal of hazardous substances by the hardrock mining industry does not present a level of risk of taxpayer funded response actions that warrant imposition of financial responsibility requirements for this sector. --------------------------------------------------------------------------- \111\ EPA considers this information to be encompassed by the categories of information set forth in section 108(b)(2) (``***payment*** experience of the Fund, commercial insurers, courts settlements and judgments, and voluntary claims satisfaction''). --------------------------------------------------------------------------- C. Comments Supporting a Final Rulemaking EPA received many comments on the proposed rule that expressed support for promulgation of financial responsibility requirements under section 108(b). Sixty comments from individual private citizens encouraged EPA to issue final requirements, as did four mass mailing letter campaigns sponsored by the Idaho Conservation League, Water Legacy, Friends of the Boundary Waters Wilderness, and Earthworks. The main comment in support of the rule came [[Page 7569]] from Earthworks, representing 35 different environmental groups.\112\ --------------------------------------------------------------------------- \112\ Earthworks submitted comments on the proposed rule representing: Inform, Western Organization Resource Councils, Minnesota Center for Environmental Advocacy, Upper Peninsula Environmental Coalition, Natural Resources Council of Maine, Montana Environmental Information Center, Greater Yellowstone Coalition, Conservation Law Foundation, Northeastern Minnesotans for Wilderness, Friends of The Boundary Waters Wilderness, Northern Alaska Environmental Center, Save Our Sky Blue Waters, Gila Resources Information Project, Brooks Range Council, The Lands Council, Campaign to Save the Boundary Waters, Friends of The Clearwater, Rock Creek Alliance, Save Our Cabinets, Patagonia Area Resources Council, Friends of the Kalmiopsis, Clean Water Alliance, Water Legacy, Park County Environmental Council, Great Basin Resource Watch, Wisconsin Resources Protection Council, Rivers Without Borders, Spokane Riverkeepers, Western Watersheds Project, Okanagan Highlands Alliance, Boise Chapter Great Old Broads for Wilderness, Copper Country Alliance, Nunamta Aulukestai, and Idaho Conservation League. --------------------------------------------------------------------------- Earthworks, et al. commented that CERCLA financial assurance regulations are necessary to ensure enough funds are available to complete cleanup actions without shifting the burden to the general public. They also stated in their comments that the proposed regulations did not duplicate existing state rules, which they argued do not cover pipeline spills, tailings spills, tailings impoundment failures and other releases of hazardous materials which commonly occur at hardrock mines, and can result in substantial liabilities.\113\ In a separate comment on the proposed rule, the Idaho Conservation League stated that the state of Idaho's financial assurance requirements do not authorize bonding for groundwater contamination and water treatment in perpetuity and that a section 108(b) rule is necessary to close that gap.\114\ --------------------------------------------------------------------------- \113\ See comment from Earthworks, et al., EPA-HQ-SFUND-2015- 0781-2739, at page 2. \114\ See comment from Idaho Conservation League, EPA-HQ-SFUND- 2015-0781-2700, at page 1. --------------------------------------------------------------------------- In their comments on the proposed rule, Earthworks stated that: ``Strong CERCLA 108(b) regulations are necessary to protect taxpayers from incurring the cost of mine clean-up, and to ensure that clean-up of hazardous materials at mine sites occur in a timely manner.'' To support their conclusion, they specifically mentioned a 2005 report by the Government Accountability Office (GAO) that concluded that EPA should ``fully use its existing authorities to better ensure that those businesses that cause pollution also pay to have their contaminated sites cleaned up.'' \115\ They also pointed to a 2004 report by EPA's Office of Inspector General (IG) that identified 29 specific sites where, according to the IG, cleanup work was delayed or scaled back in ways harmful to human health and the environment because of funding shortfalls.\116\ In addition to this report, Earthworks identified in their comments other examples of cleanup efforts at mines that they stated remain uncompleted due to insufficient funds being available, or that took an inordinate amount of time to complete, exposing the public to dangerous substances. As discussed in the specific case studies and the accompanying Technical Support Document, a number of the examples cited by the IG and Earthworks are not representative of the risk posed by currently operating hardrock mining facilities. --------------------------------------------------------------------------- \115\ Earthworks, et al., EPA-HQ-SFUND-2015-0781-2739, page 5. \116\ Ibid. page 5, 6. --------------------------------------------------------------------------- EPA appreciates Earthworks' concern that insufficient funds leads to incomplete or slow cleanup and restoration of mine sites. Earthworks acknowledges that the universe of entities that EPA proposed to regulate under the proposed rule excluded mines that are no longer operating. They recommended that the universe be expanded to cover mine operations that are no longer active but still retain a responsible party. They state that, ``Many past hardrock mining facilities are already and/or will be the site of CERCLA liabilities and necessary response actions. The CERCLA 108(b) regulations should apply to these operations.'' \117\ EPA disagrees with this comment, and notes that the Agency has determined the goals of a section 108(b) rule as described in the proposal have already been satisfied. --------------------------------------------------------------------------- \117\ Ibid., page 11. --------------------------------------------------------------------------- Earthworks also commented that ``CERCLA 108(b) regulations are essential because they address risks and liabilities that aren't addressed in most other State or federal land management financial assurance ***programs***, including spills, accidental releases, and tailings failures.'' \118\ To support this conclusion, they point to several instances in ongoing mining operations where there are impacts to natural resources and/or groundwater due to ongoing mining operations which other federal or state rules fail to regulate. Earthworks also submitted comment claiming the need for financial responsibility for long-term water treatment. EPA recognizes that some historical mining operations have resulted in the need for long-term water treatment.\119\ However, modern regulation of both process discharges and runoff, as well as reclamation requirements to control sources of contamination, significantly address those risks. Additionally, as discussed above, while EPA acknowledges that the risk of a release is never totally eliminated by the requirements of other ***programs***, this residual risk is to be evaluated in light of EPA's discretion under the statute on whether to set section 108(b) requirements, and in light of the other information in the record for this action discussed elsewhere in this final rulemaking. Viewed in this manner, such residual risk does not change EPA's conclusion that it is not appropriate to issue final section 108(b) requirements for current hardrock mining operations. --------------------------------------------------------------------------- \118\ Ibid., page 12. \119\ Ibid., page 2. --------------------------------------------------------------------------- Water Legacy and Friends of the Boundary Waters Wilderness submitted separate comments expressing concern that Minnesota's financial assurance laws, for instance, are not adequate to cover mine pit seepage, waste rock pile seepage, tailings dam seepage and/or catastrophic dam failures.\120\ However, as is discussed in the site examples elsewhere in this final rulemaking and accompanying Technical Support Document, commenters submitted information to demonstrate that most releases at currently operating facilities are being addressed by owners and operators, and that the costs of these incidents at modern operations are generally not falling to the taxpayer. --------------------------------------------------------------------------- \120\ See comment from Water Legacy, EPA-HQ-SFUND-2015-0781- 2649, at page 3. --------------------------------------------------------------------------- EPA received comments from three federally-recognized tribes and from three Alaska Native Claims Settlement Act (ANCSA) resource managers regarding section 108(b) financial responsibility. Tribal comments were generally in support of the proposed rule, and cited some concerns about the potential negative impacts of hardrock mining on commercial enterprises and on subsistence living, along with the need to more fully identify the benefits of the rule. A primary ANCSA concern was that the section 108(b) financial responsibility requirements would duplicate existing federal and state requirements, resulting in a negative impact on Alaska Natives and states, that receive royalties through the Regional and Village Corporations. These comments are discussed in section VIII.G [[Page 7570]] D. Comments Opposing a Final Rulemaking 1. Comments Regarding Appropriateness of Information Used a. Use of Information Not Relevant to the Mines To Be Regulated Under the Rule Many commenters on the proposed rule, including mining companies, trade associations, as well as state and federal agencies, commented that EPA's record incorrectly characterized the on-going environmental risk at operating hardrock mining facilities by relying on information related to mines that were constructed and operated before current regulatory requirements were in place, rather than on information specific to current hardrock mining activities, which are highly regulated. Commenters argued that since the rule would not apply to inactive, non-operating sites, EPA should not rely on information related to such sites as part of its rulemaking record to justify the need for financial responsibility requirements for current hardrock mining operations. Several commenters disagreed with EPA's assertion in the proposed rule that the $4 billion spent by EPA through the Superfund for cleanup costs at historical hardrock mining facilities is an indication of the relative risk present at the facilities covered by the proposed rule. Commenters argued that the 2009 Priority Notice and the proposed rule did not differentiate between costs associated with the highly-regulated mining practices of today and pre-regulation practices in developing that number. EPA agrees with commenters that information about facilities that present a level of risk similar to those proposed to be regulated is the most appropriate focus for the Agency's record for this action. EPA also agrees with commenters that because mining practices have changed significantly over the past several decades, information related to risk presented by mines that operated before those changes occurred may not reflect the level of risk presented by currently operating facilities that include controls such as surface water containment structures, engineered storage facilities, water treatment, impermeable liners, and leak detection and recovery systems. Finally, EPA agrees with commenters that the cost of addressing releases from mines that operated without the controls in place today should not be assumed to be comparable to the cost of addressing releases from current operations, where controls such as monitoring assure early detection. Commenters objected to the use of 1980 in the Practices Report,\121\ (CERCLA was enacted in December 1980) as the point when ``historic'' mining practices changed over to ``modern'' ones. They felt this ignored the evolution of mining practices that took place since 1980, in response to other environmental laws, as well as state mining regulations which were still in their infancy in 1980. Some commenters seemed to agree that EPA should consider ``modern'' mining practices to have begun post-1990, and some suggested that the mid- 1990s was the true beginning of modern hardrock mining practices. --------------------------------------------------------------------------- \121\ EPA relied on this date numerous times in the Practices Report (e.g , pages 7, 8, 72, 119, 126, 127, 133, 145). --------------------------------------------------------------------------- In evaluating the record for this rulemaking, EPA considered the issue of when mining operations became ``modern'' or ``current.'' EPA recognizes that there are not nationally-applicable federal standards governing the operation of mines,\122\ and that the current regulatory scheme of federal and state mining ***programs*** has evolved over time. Thus, the requirements of individual hardrock mining ***programs*** developed at different paces and sequences. One commenter provided a table demonstrating the evolution of hardrock mining ***programs*** over time, extending from 1972 to 2014, and including the adoption of regulations in Alaska, Arizona, Arkansas, Montana, New Mexico, Nevada, and Utah during that period of time.\123\ EPA has therefore concluded that no particular date in the past reliably distinguishes between ``historic'' or ``legacy'' and ``current'' or ``modern'' mines nationwide, and that a better approach is to consider operations taking place under the current applicable regulatory scheme as ``current'' operations, and mine operations that took place before the enactment of the currently applicable and relevant requirements as ``historic'' or ``legacy.'' --------------------------------------------------------------------------- \122\ In 1986 EPA made a determination under section 3001(b)(3)(C) of RCRA that wastes from the extraction of ores did not pose a significant enough risk to warrant regulation under Subtitle C of RCRA. 51 FR 24496. \123\ See comment from Freeport-McMoRan, EPA-HQ-SFUND-2015-0781- 2793, Attachment B. --------------------------------------------------------------------------- b. Use of Data That Did Not Directly Demonstrate Risk at Current Hardrock Mining Operations Some commenters who opposed the rule objected to EPA's analysis of the information presented in the 2009 Priority Notice relating to hardrock mining risk. Commenters objected that EPA relied on inappropriate information to demonstrate risk at current hardrock mining operations, by focusing on data that does not address potential exposure to CERCLA hazardous substances, or the possibility that a CERCLA response action may occur in the future, that is--Toxics Release Inventory (TRI), and data from the Hazardous Waste Biennial Report (BR).\124\ Commenters argued that EPA's approach to identifying hardrock mining did not evaluate actual or potential risk. --------------------------------------------------------------------------- \124\ See, for example, comment from Comstock Mining, Inc., EPA- HQ-SFUND-2015-0781-2735, at page 31. --------------------------------------------------------------------------- EPA agrees with commenters that information regarding releases from hardrock mining facilities does not, in and of itself, demonstrate risk. For example, as noted in EPA's ``Factors to Consider When Using Toxics Release Inventory Data'' (2015), ``TRI data do not reveal whether or to what degree the public is exposed to listed chemicals.'' \125\ In fact, TRI data generally encompass releases that are permitted under the Clean Air Act (CAA), the Clean Water Act (CWA), or the Safe Drinking Water Act, as well as the lawful disposal of hazardous substances. Accordingly, EPA agrees that TRI data cannot help predict the risk associated with potential mismanagement and therefore cannot be used to support any determination under CERCLA section 108(b) that imposing financial responsibility requirements on a sector is appropriate. Similarly, EPA agrees that BRS data and National Response System (previously referred to as the Emergency Response Notification System (ERNS) data do not provide information on the risk, if any, posed by the management of hazardous substances at hardrock mines. --------------------------------------------------------------------------- \125\ See   [*https://www.epa.gov/sites/production/files/2015-06/documents/factors\_to\_consider\_6.15.15\_final.pdf*](https://www.epa.gov/sites/production/files/2015-06/documents/factors_to_consider_6.15.15_final.pdf) --------------------------------------------------------------------------- Another commenter stated that EPA's methodology for assessing risk was simply to describe some of the major mining practices that contributed to past CERCLA releases and simplistically conclude that similar practices are used today. The commenter argued that this approach is not accurate because it fails to account for the major changes in mining practices and regulatory requirements that are applied to modern mines. EPA agrees that it is important to consider modern mining practices and current regulatory regimes and has adopted that approach in this final action. 2. Comments That EPA Failed To Consider Relevant Information Commenters on the 2009 Priority Notice and the proposed rule objected [[Page 7571]] that EPA failed to consider relevant information in the 2009 Priority Notice and the proposed rule, specifically on the role of federal and state regulatory ***programs*** and protective practices in reducing risks at current hardrock mining operations, and on information on reduced costs to the taxpayer from regulatory ***programs*** and cleanup by owners and operators. For example, the American Exploration and Mining Association (AEMA) commented that the Federal Land Management Agencies and the states have significantly evolved their financial assurance ***programs*** with specific emphasis on post-closure care and maintenance, thereby minimizing the long-term potential for releases of hazardous substances and un-bonded agency liability. AEMA further commented that existing financial responsibility ***programs*** are working at modern mines and there is no need for a costly EPA ***program***.\126\ --------------------------------------------------------------------------- \126\ See comments from American Exploration and Mining Association at Docket ID Number EPA-HQ-SFUND-2015-0781-2657, page 2. --------------------------------------------------------------------------- a. Comments Providing Information on the Role of Federal and State ***Programs*** and Protective Mining Practices in Reducing Risks at Current Hardrock Mining Operations Many commenters who opposed the rule objected that EPA's analysis failed to consider the technical or engineering requirements specified by other regulatory ***programs*** or the requirements that financial assurance be established to ensure that required measures will be funded when needed. The commenters stated that both types of requirements significantly decrease the risks posed by modern mines, including both risks to the environment and risks that potential future liabilities will not be funded by mining companies.\127\ EPA agrees that due to the increased regulation of hardrock mining practices over the past several decades, mining operations are conducted in a manner that does not present the same level of risk as practices of the past. --------------------------------------------------------------------------- \127\ Freeport-McMoRan Inc; Fertilizer Institute; MiningMinnesota; New Mexico Environment Department and New Mexico Energy, Minerals, and Natural Resources Department; Colorado Department of Natural Resources, Division of Reclamation, Mining and Safety; National Mining Association. --------------------------------------------------------------------------- Commenters provided extensive information regarding the requirements of those ***programs*** including design standards, engineering controls, and environmental monitoring. Commenters argued that engineering controls and best practices reduce the degree and duration of risk associated with the modern production, transportation, treatment, storage, and disposal of hazardous substances to minimal levels and that no additional financial responsibility requirements are necessary to protect the taxpayer or the Superfund. Some of these federal and state ***programs*** are discussed below. (1) Examples of Federal ***Programs*** The regulations of the Bureau of Land Management (BLM) and the Forest Service, applicable to hardrock mining facilities, are described below. Bureau of Land Management BLM's surface management regulations at 43 CFR part 3800, subpart 3809, govern the majority of the hardrock mining operations on the public lands that would be subject to the proposed rule. These regulations were first promulgated in 1980 pursuant to the agency's authority under the Mining Law of 1872,\128\ and its mandate under section 302(b) of the Federal Land Policy and Management Act of 1976 to take any action to prevent ``unnecessary or undue degradation'' of the public lands.\129\ BLM also regulates the development of solid minerals subject to other mineral disposal authorities, such as phosphate, through the issuance of permits and leases under 43 CFR part 3500. BLM's regulatory ***programs*** provide cradle-to-grave oversight of mining operations on the public lands. For example, BLM's subpart 3809 regulations require operators to obtain authorization from BLM to conduct any surface disturbance greater than casual use.\130\ All operations under subpart 3809 must comply with the general and specific performance standards set forth in the regulations which govern, among other things, disposal of mining wastes and handling of acid-forming, toxic, or other deleterious materials.\131\ In addition, subpart 3809 requires all operations to comply with applicable federal and state laws and regulations, including laws related to air and water quality.\132\ For extractive mining operations and some exploration, operators under subpart 3809 must submit and obtain BLM approval of a plan of operations that includes plans for baseline data collection, water management, rock characterization and handling, spill contingency, and reclamation.\133\ BLM's subpart 3809 regulations impose also requirements for design, operation, closure, and reclamation to ensure productive use of the land after mining. The required reclamation plan must detail stabilization of land disturbed for mining, reclaiming and reshaping the land, wildlife rehabilitation, controlling potentially hazardous materials, and post-closure management. --------------------------------------------------------------------------- \128\ 30 U.S.C 22-54, as amended. \129\ 43 U.S.C 1732(b). \130\ 43 CFR 3809.10, 3809.11 \131\ See 43 CFR 3809.420 \132\ See 43 CFR 3809.5, 3890.420(b)(4), (b)(5). \133\ 43 CFR 3809.401 --------------------------------------------------------------------------- BLM's regulations also require operators to provide a financial guarantee before they can begin all hardrock mining operations.\134\ Moreover, financial guarantees for mining operations must remain in effect until BLM determines that reclamation has been completed in accordance with the authorized operations and the agency releases the financial guarantee.\135\ BLM's regulations also allow the agency to initiate forfeiture of the financial guarantee in the event the operator refuses or is unable to conduct reclamation.\136\ --------------------------------------------------------------------------- \134\ See 43 CFR 3504.50, 3809.4500 \135\ 43 CFR 3504.71, 3809.590 \136\ 43 CFR 3504.65, 3809.595 --------------------------------------------------------------------------- Forest Service The U.S Department of ***Agriculture*** (USDA) Forest Service regulations governing mining under the Mining Law of 1872 were promulgated in 1974 \137\ and can be found at 36 CFR part 228, subpart A. Disposal of minerals such as phosphates, sodium, potassium, and hardrock minerals on acquired National Forest System lands are subject to the mineral leasing laws and are regulated by BLM under 43 CFR part 3500. --------------------------------------------------------------------------- \137\ See comment from United States Forest Service, Docket ID: EPA-HQ-SFUND-2015-0781-2400 at page 10; comment from National Mining Association, EPA-HQ-SFUND-2015-0781-2794 at page 29. --------------------------------------------------------------------------- Under the Forest Service regulations at 36 CFR part 228, subpart A, operators must submit and obtain approval of a plan of operations before conducting any operations that might cause significant disturbance of surface resources.\138\ The regulations are designed to minimize adverse environmental impacts both during and after mining operations. The regulations prohibit releases of hazardous substances, and require financial guarantee that is calculated to reasonably insure that operations and reclamation are conducted to avoid releases, and to respond to releases that may occur.\139\ USDA highlighted in its comments how well developed Plans of Operations, site inspections, and monitoring reduce environmental risks before, during, and after mine closure. Specifically, USDA stated that an operator complies with Forest Service [[Page 7572]] regulations by developing a Plan of Operations, which requires that the operator submit enough detail that the agency can analyze various risks associated with the proposed operation and, through the NEPA process, identify proper mitigation measures to reduce or eliminate those risks.\140\ The regulations also require that, ``all operations be conducted so as, where feasible, to minimize adverse environmental impacts on National Forest surface resources'' (36 CFR 228.8). This allows the Agency to be very site-specific in its analysis of risk and mitigation.\141\ A Plan of Operations must also include detailed reclamation and closure plans, which are reviewed and approved to minimize the potential future risk to the environment based on predicted outcomes.\142\ USDA further stated that Plans of Operation must include hazardous materials inventory and handling procedures, spill prevention plans, and transportation mitigation measures.\143\ USDA stated a Plan of Operations for a hardrock mining operation cannot be approved unless hazardous substances are managed so that the threat of present or future release is minimized.\144\ During the mine permitting process, the Forest Service actively engages in memorandums of understanding and agreements with other State and Federal Agencies to ensure that all parties' permits are approved and implemented. Currently this can involve over forty separate permits and authorizations. --------------------------------------------------------------------------- \138\ 36 CFR 228.4(a). \139\ See comment from United States Forest Service, Docket ID: EPA-HQ-SFUND-2015-0781-2400 at page 2. \140\ Ibid. \141\ Ibid. \142\ Ibid., page 5. \143\ Ibid., page 4. \144\ Ibid., page 4. --------------------------------------------------------------------------- The Forest Service requires that mine operators provide a financial guarantee to assure complete reclamation and compliance with environmental laws under the following authorities: 16 U.S.C 551; 30 U.S.C 612; 36 CFR 228.8, 228.13 \145\ USDA stated that regulatory requirements (36 CFR 228.13) require operators to provide a bond sufficient to insure stabilization, rehabilitation, and reclamation of the area of operations.\146\ Environmental protection measures described in under 36 CFR 228.8 also include certification of compliance with all other applicable environmental standards.\147\ Forest Service regulations at 36 CFR 228.4(e) allow the agency to require a modification to the Plan of Operations to allow for bond adjustments to address unforeseen environmental effects.\148\ In its comments on the proposed rule the USDA stressed that financial guarantee requirements further reduce financial risk to the public. The operator must provide a financial guarantee that must be of a sufficient amount to ensure that, upon closure, the operation no longer presents long-term risks to the environment and a liability to the Forest Service and the public.\149\ USDA further noted that any ongoing obligation to continue the protection of the environment is also provided for in a long-term financial assurance instrument required by the Forest Service.\150\ --------------------------------------------------------------------------- \145\ Ibid., page 1. \146\ Ibid., page 3. \147\ Ibid., page 3. \148\ Ibid., page 5. \149\ Ibid., page 5. \150\ Ibid., page 5. --------------------------------------------------------------------------- Commenters also noted the role the NEPA plays in identifying risks at mining operations. NMA stated that a federal plan of operation is also scrutinized under NEPA, usually requiring the preparation of an environmental impact statement, which evaluates potential environmental impacts of the mining operation, assesses alternatives, and requires the identification of mitigation measures to reduce potentially significant environmental impacts.\151\ The Forest Service also offered several examples of the ways in which the NEPA process mitigates risk for mines which require the preparation of an environmental impact statement. Specifically, the Forest Service noted that it identifies closure requirements as part of the NEPA process after in-depth studies using site-specific data.\152\ Moreover, Forest Service noted that proposed reclamation requirements and potential for releases at mines on NFS lands are examined and disclosed in NEPA documents prepared for Forest Service approval of the plan of operations, which are reviewed by EPA.\153\ The Forest Service also noted that EPA reviews all NEPA documents, and comments on the adequacy of mitigation measures and reclamation plans in general. Once an operator incorporates source controls and mitigation measures into their plan, the Forest Service approves that plan, based on the expected outcomes and not the individual engineering standards used.\154\ EPA notes that the NEPA process applies to all federal agencies and thus is not limited to only mines on NFS lands. --------------------------------------------------------------------------- \151\ See comment from National Mining Association, EPA-HQ- SFUND-2015-0781-2794 at page 30. \152\ See comment from United States Forest Service, Docket ID: EPA-HQ-SFUND-2015-0781-2400 at page 3. \153\ Ibid., page 5. \154\ Ibid., page 7. --------------------------------------------------------------------------- (2) Examples of State ***Programs*** A discussion of the mining ***programs*** of five states--Nevada, New Mexico, Alaska, Colorado, and Montana--is provided below. Of the 184 \155\ mining sites in the potentially regulated universe of mines developed by EPA for purposes of analysis in the proposed rule, roughly one fourth are located in Nevada, and roughly one tenth are located in New Mexico, Alaska, Colorado, and Montana combined. In addition to the examples discussed below, the record includes detailed information on the protectiveness of mining ***programs*** in Arizona, Utah, South Dakota, and Idaho that were provided by those states and state organizations.\156\ Additional information on state ***programs*** also was provided by other commenters.\157\ --------------------------------------------------------------------------- \155\ This number does not include the stand-alone mineral processors in the potentially regulated universe of 221 hardrock mining facilities developed by EPA for purposes of analysis in the proposed rule. \156\ See comment and attachments from Beth A. Botsis, Deputy Executive Director, Interstate Mining Compact Commission, comment number EPA-HQ-SFUND-2015-0781-2759; EPA-HQ-SFUND-2015-0781-2758; EPA-HQ-SFUND-2015-0781-2757), discussing the protectiveness of mining ***programs*** in Arizona, Utah, and South Dakota. Together, Arizona and Utah have 35 potentially regulated mines. See also, comment from Governor Butch Otter, noting that that most of the mines in Idaho are on federally managed land and thus would be subject to Forest Service or BLM regulations, comment number EPA-HQ- SFUND-2015-0781-2682. Idaho has nine potentially regulated mines. \157\ See the discussion of comments on state mining ***programs*** in below. --------------------------------------------------------------------------- Nevada The Bureau of Mining, Regulation, and Reclamation of Nevada requires closure and reclamation for hardrock mines under the Nevada Revised Statutes (NRS) 519A.010--NRS 519A.280 and the Nevada Administrative Code (NAC) 519A.010--NAC 519A.415 \158\ Nevada's regulatory ***program*** was enacted in 1989-1990 and includes the authority for the Nevada Division of Environmental Protection (NDEP) to require financial assurance for long-term management of mine-impacted waters.\159\ Commenters reported that Nevada's stringent regulations ``impose extensive permitting, design, operation, monitoring, corrective action, closure, reclamation, and financial assurance requirements on hardrock mining [[Page 7573]] operations in the State.\160\ In addition, because many mines in Nevada operate on federal lands, Nevada and BLM and Forest Service have entered into Memoranda of Understanding to ensure coordination of financial assurance requirements across private and public lands.\161\ Mines in Nevada estimate the amounts of their required financial assurance through use of Nevada's Standardized Reclamation Cost Estimator (SRCE).\162\ The SRCE is well-regarded amongst mining reclamation ***programs*** and is used by several other states and Federal agencies.\163\ --------------------------------------------------------------------------- \158\ See comment from Nevada Lithium Corp, Comment Number: EPA- HQ-SFUND-2015-0781-2681 at page 4. \159\ See comment from Nevada Division of Environmental Protection, comment number EPA-HQ-SFUND-2015-0781-2651 at page 1. \160\ See comment from Newmont Mining Corporation, comment number EPA-HQ-SFUND-2015-0781-2712 at page 46-47. \161\ See comment from Nevada Division of Environmental Protection, comment number EPA-HQ-SFUND-2015-0781-2651, at page 2, and Attachment. \162\ See comment from Nevada Lithium Corp, Comment Number: EPA- HQ-SFUND-2015-0781-2681, Page 4. \163\ See comments from Women's Mining Coalition, Comment number EPA-HQ-SFUND-2015-0781-2705 at page 5, Pershing Gold Corporation, Comment number EPA-HQ-SFUND-2015-0781-2688 at page 6, Hecla Mining Company, Comment number EPA-HQ-SFUND-2015-0781-2688 at page 21, Mining and Metallurgical Society of America, comment number EPA-HQ- SFUND-2015-0781-2734 at page 3. --------------------------------------------------------------------------- Nevada's hardrock mining regulatory ***programs***, including its reclamation surety ***program*** administered by NDEP, include stringent design standards, including standards in liner systems, dam safety, and tailings impoundments that are intended to manage and contain process wastes.\164\ The regulations also specify treatment of spent ore heaps at closure to ensure surface and groundwater impacts are prevented.\165\ NDEP provided comment that no modern mines that commenced operation after the promulgation of the Nevada mine reclamation financial assurance regulations have required public funding for proper closure or reclamation as evidence of the strength of Nevada's ***program***.\166\ --------------------------------------------------------------------------- \164\ See comment from Newmont Mining Corporation, comment number EPA-HQ-SFUND-2015-0781-2712 at page 48. \165\ Ibid., page 49. \166\ See comment from Nevada Division of Environmental Protection, comment number EPA-HQ-SFUND-2015-0781-2651 at page 2. --------------------------------------------------------------------------- New Mexico The New Mexico Mining Act (``Mining Act'') was adopted in 1993 with the purposes of ``promoting responsible utilization and reclamation of lands affected by exploration, mining or the extraction of minerals.'' \167\ The Mining Act broadly defines ``mining'' and ``minerals'' to cover the extraction and processing of hardrock minerals.\168\ --------------------------------------------------------------------------- \167\ See comments from New Mexico Environment Department and the New Mexico Energy, Minerals, and Natural Resources Department, Docket ID Number EPA-HQ-SFUND-2015-0781-2676-2 at page 4. \168\ Ibid. page 4. --------------------------------------------------------------------------- Mining operations in New Mexico, both ``existing'' and ``new,'' \169\ are required to obtain permits which include closeout, or reclamation, plans.\170\ These plans, which are developed in coordination with closure plans required under the Water Quality Act, address the areas disturbed by mining including impacts from any of the thirteen site features identified by EPA as the sources of releases or threatened releases at hardrock mining sites.\171\ The reclamation and remediation of these site features, which include tailings, waste rock, leach piles and open pits, are addressed in the permits issued under the Mining Act and the Water Quality Act. --------------------------------------------------------------------------- \169\ ``existing mining operations'' were producing minerals prior to June 18, 1993, and ``new mining operations'' began producing minerals after that date. Section 69-36-3(E) and (I). \170\ See comments from New Mexico Environment Department and the New Mexico Energy, Minerals, and Natural Resources Department, Docket ID Number EPA-HQ-SFUND-2015-0781-2676-2 at page 5. \171\ 82 FR 3461, fn. 171. --------------------------------------------------------------------------- Mining operations in New Mexico are subject to significant compliance and enforcement provisions. The Mining Act mandates a specific set of minimum inspections for each class of facility including one inspection a month when a mine is conducting significant reclamation activities.\172\ If the agency determines that a facility is in violation of the Act, regulations or the permit or is creating an imminent danger to public health or safety or is causing significant environmental harm, the agency can order a cessation of mining or undertake administrative or judicial enforcement proceedings.\173\ Violations can result in civil penalties of up to $10,000 a day, and knowing or willful violations can bring criminal penalties.\174\ --------------------------------------------------------------------------- \172\ See comments from New Mexico Environment Department and the New Mexico Energy, Minerals, and Natural Resources Department, Docket ID Number EPA-HQ-SFUND-2015-0781-2676-2 at page 5. \173\ Ibid., page 5. \174\ Ibid., page 5. --------------------------------------------------------------------------- Financial assurance is an integral and inseparable part of New Mexico's regulation of hardrock mining and attendant reclamation requirements. Before a permit can be issued under the Mining Act, financial assurance must be filed with the agency. ``The amount of the financial assurance shall be sufficient to assure the completion of the performance requirements of the permit, including closure and reclamation, if the work has to be performed by the director or a third-party contractor.'' \175\ The financial assurance amount is based on a detailed engineering cost estimate to complete the approved reclamation plan and must be based on what it would cost the State, or the State's contractor, to complete the reclamation plan. Financial assurance must include costs for: Contract administration; mobilization; demobilization; engineering redesign; profit and overhead; procurement costs; reclamation or closeout plan management; and contingencies.\176\ --------------------------------------------------------------------------- \175\ Ibid., page 5. \176\ Ibid., page 5. --------------------------------------------------------------------------- The New Mexico Environment Department (NMED) regulates mining operations under the New Mexico Water Quality Act (``Water Quality Act'').\177\ Enacted in 1967, the Water Quality Act requires the New Mexico Water Quality Control Commission (``WQCC'' or ``Commission'') to adopt regulations to protect surface water and groundwater quality. The Commission must ``adopt water quality standards for surface and ground waters of the state,'' \178\ and must also adopt regulations requiring a permit for ``the discharge of any water contaminant.'' \179\ The Commission authorizes NMED to place conditions on discharge permits to protect groundwater, and must deny a discharge permit if the discharge would cause or contribute to contaminant levels in excess of water quality standards at any place of present or potential future use.\180\ The WQCC must adopt procedures for providing notice to interested persons and the opportunity for a public hearing, and must also adopt regulations ``for the operation and maintenance of the permitted facility, including requirements, as may be necessary or desirable, that relate to the continuity of operation, personnel training and financial responsibility.'' \181\ Finally, the Water Quality Act was amended in 2009 to direct the WQCC to adopt regulations for the copper industry, resulting in a comprehensive and prescriptive set of copper mine regulations,\182\ and in accordance with the directives of the Water Quality Act, the Commission has adopted a body of implementing regulations codified in Title 20, Chapter 6 of the New Mexico Administrative Code. --------------------------------------------------------------------------- \177\ Ibid., page 6. \178\ Ibid., page 6. \179\ Ibid., page 6. \180\ Ibid., page 6. \181\ Ibid., page 6-7. \182\ Ibid., page 6. --------------------------------------------------------------------------- The stated purpose of the Ground and Surface Water Protection Regulations is [[Page 7574]] ``to protect all ground water of the state of New Mexico which has an existing concentration of 10,000 [milligrams per liter] or less [total dissolved solids], for present and potential future use as domestic and ***agricultural*** water supply.'' \183\ The regulations include three categories of groundwater quality standards: (1) Maximum numerical standards for thirty-three contaminants for protection of human health; (2) maximum numerical standards for nine contaminants and a range for pH for protection of domestic water supplies; and (3) maximum numerical standards for five contaminants for protection of water for irrigation use.\184\ --------------------------------------------------------------------------- \183\ Ibid., page 6-7. \184\ Ibid., page 6-7. --------------------------------------------------------------------------- The regulations also address discharge permits,\185\ prohibiting any person from causing or allowing a water contaminant to ``discharge so that it may move directly or indirectly into groundwater'' unless that person is discharging pursuant to a discharge permit issued by NMED.\186\ The regulations provide for notice to the public of a proposed discharge permit, and the opportunity to request a public hearing on the permit.\187\ The regulations further provide that a discharge permit may include a closure plan to protect ground water after the cessation of the operations causing the discharge. The closure plan must include ``a description of closure measures, maintenance and monitoring plans, post-closure maintenance and monitoring plans, financial assurance, and other measures necessary to prevent and/or abate . . . contamination.'' \188\ --------------------------------------------------------------------------- \185\ Ibid., page 6-7. \186\ Ibid., page 6-7. \187\ Ibid., page 6-7. \188\ Ibid., page 6-7. --------------------------------------------------------------------------- The Copper Mine Rule \189\ was promulgated in 2013 and the state indicated that it is the most prescriptive rule governing copper mining operations in the United States. The Copper Mine Rule establishes specific operational, monitoring, contingency, closure, and post- closure requirements for copper mines to ensure protection of water quality and prevent the release of contaminants into the environment during operations and following closure. The Copper Mine Rule is supplemental to the general discharge permit regulations, and is implemented through the issuance of ground water discharge permits. --------------------------------------------------------------------------- \189\ Ibid., page 7. --------------------------------------------------------------------------- The Copper Mine Rule covers all aspects of mine operation and closure. The permit application requirements for copper mine facilities result in a comprehensive document that identifies all mine units at the facility including: Impoundments; pipelines; tanks; leach stockpiles; waste rock stockpiles; crushing, milling, concentrating, smelting and tailing impoundments; open pits; underground mines; and, truck and equipment washing units.\190\ Each of these respective mine units is subject to prescriptive engineering design criteria to control and prevent the release of contaminants.\191\ --------------------------------------------------------------------------- \190\ Ibid., page 8. \191\ Ibid., page 8. --------------------------------------------------------------------------- Existing mine units in operation prior to promulgation of the Copper Mine Rule have extensive groundwater monitoring to determine their effectiveness in preventing the release of contaminants to the environment.\192\ Discharge permit requirements for existing mine units include operation of groundwater interceptor systems, as well as seepage and surface runoff capture systems to ensure impacts are contained as close as is practicable.\193\ The Copper Mine Rule requires development and implementation of a site-wide water management plan describing in detail how impacted storm water and groundwater at the site is contained and managed.\194\ Construction and operation of new mine units or expansion of existing mine units is subject to detailed engineering design requirements that include lined leach stockpiles, double lined process water impoundments, leak detection systems, flow metering, and extensive groundwater monitoring.\195\ --------------------------------------------------------------------------- \192\ Ibid., page 8. \193\ Ibid., page 8. \194\ Ibid., page 8. \195\ Ibid., page 8. --------------------------------------------------------------------------- Proposals for new mine units such as waste rock stockpiles and tailing impoundments are required to include an aquifer evaluation to determine the nature and extent of any impacts to groundwater that may occur if these mine units are proposed to be unlined.\196\ Based on the aquifer evaluation, the Copper Mine Rule requires a design report for proposed interceptor systems to ensure containment of groundwater impacted by the stockpile or tailing impoundment such that applicable standards will not be exceeded at monitoring well locations.\197\ As previously stated, monitoring wells must be located as close as practicable to the various mine units being monitored.\198\ Impacted water collected at a mine site typically is used in the process water system, offsetting use of potable water. Any impacted water in excess of process water requirements must be treated prior to release.\199\ In the event a demonstration of containment cannot be satisfactorily made, a liner system placed beneath waste rock or tailing impoundments may be required.\200\ --------------------------------------------------------------------------- \196\ Ibid., page 8. \197\ Ibid., page 8. \198\ Ibid., page 8. \199\ Ibid., page 8. \200\ Ibid., page 8. --------------------------------------------------------------------------- The Copper Mine Rule also contains prescriptive requirements for closure of mine units that have the potential to impact water quality \201\ including requirements for process solution reduction plans \202\ and closure water management and water treatment plans.\203\ There are prescriptive engineering design requirements for surface re-grading and cover design to ensure storm water is routed off and away from encapsulated mine waste, and that infiltration into mine waste is minimized.\204\ It should be noted that the prescriptive closure design criteria are based on designs that have been implemented successfully not only at copper mines in New Mexico, but mimic successful closure design that has been consistently required and applied at other mine sites in New Mexico. --------------------------------------------------------------------------- \201\ Ibid., page 9. \202\ Ibid., page 9. \203\ Ibid., page 9. \204\ Ibid., page 9. --------------------------------------------------------------------------- Under these regulations, any hardrock mine that has the potential to impact groundwater must obtain a permit from NMED. The Water Quality Act provides numerous enforcement mechanisms for violations of the provisions of the Act, the regulations, a water quality standard adopted pursuant to the Act, or a condition of a permit issued pursuant to the Act.\205\ These include injunctive relief ordered by a district court; suspension or termination of a permit allegedly violated; \206\ civil penalties of up to $15,000 per day of noncompliance for a violation of the Water Quality Act permit provisions at NMSA 1978, Section 74-6-5, including regulations adopted or a permit issued pursuant to that section; \207\ up to $10,000 per day for each violation of the Water Quality Act or regulations other than Section 74-6-5; up to $25,000 per day for each day of continued noncompliance with a compliance order; and criminal penalties.\208\ --------------------------------------------------------------------------- \205\ Ibid., page 6-7. \206\ Ibid., page 6-7. \207\ Ibid., page 6-7. \208\ Ibid., page 6-7. --------------------------------------------------------------------------- The New Mexico state commenters indicated that NMED and the New Mexico Energy, Minerals, and Natural Resources Department work closely together pursuant to a Joint Powers [[Page 7575]] Agreement in drafting and issuing permits for hardrock mining facilities to ensure that financial assurance and other permit requirements are consistent, integrated, and complementary. These agencies allow permitted facilities to submit a single financial assurance instrument, or set of instruments, that are jointly held by the agencies, meeting the financial assurance requirements of both statutes. They also have Memoranda of Understanding with BLM and the Forest Service to avoid duplication where federal land is involved. Through mining permits issued under the Mining Act, and groundwater discharge permits issued under the Water Quality Act, the Agencies have jointly required permittees to establish financial assurance for all operating hardrock mines in New Mexico, as well as many that are no longer operating. Freeport McMoRan Inc. commented that there are existing, state- imposed financial assurance requirements, often amounting to hundreds of millions of dollars per mine, that might be sufficient to protect against risks,\209\ and offered the example that EPA itself has adopted state reclamation requirements specified in New Mexico law, as the CERCLA remedy for the Questa mine site. --------------------------------------------------------------------------- \209\ See comments from Freeport McMoRan, Inc., EPA-HQ-SFUND- 2015-0781-2402 at page 9. --------------------------------------------------------------------------- Alaska The Alaska Department of Environmental Conservation requires financial assurance to prevent releases from mines to water.\210\ Financial assurance for reclamation at mines on state, private, municipal, and federal land is managed by the Alaska Department of Natural Resources under authority granted by the Alaska Mine Reclamation Act.\211\ The act describes a general reclamation standard which ``prevents unnecessary or undue degradation of land and water resources'' \212\ Under the mine permitting process undertaken for most large mines in Alaska, coordination with federal, state, and local governments is employed to review mine plans.\213\ As evidence of the stringency of Alaska's requirements, AEMA offered comment that large mines in Alaska are required to undergo a comprehensive third-party environmental audit every five ***years***.\214\ --------------------------------------------------------------------------- \210\ See comment from NOVAGOLD, comment number EPA-HQ-SFUND- 2015-0781-2720 at page 2. \211\ See comment from Alaska Department of Environmental Conservation, comment number EPA-HQ-SFUND-2015-0781-2785 at page 9. \212\ See comment from Alaska Department of Environmental Conservation, comment number EPA-HQ-SFUND-2015-0781-2785 at page 9. \213\ Ibid., page 10-11. \214\ See comment from AEMA, comment number EPA-HQ-SFUND-2015- 0781-2657 at page 10. --------------------------------------------------------------------------- Alaska requires further safeguards for mines where the plan includes a dam. These requirements include operation and maintenance plans and contingencies in an emergency action plan.\215\ Alaska made the ``Guidelines for Cooperation with the Alaska Dam Safety ***Program***'' guidance available which outlines regulatory requirements applying to dams, including design standards, methods of analysis, [. . .] performance requirements and risk profile of the facility, operation, maintenance and monitoring requirements, emergency action planning and incident reporting, periodic safety inspections'' as well as financial assurance.\216\ --------------------------------------------------------------------------- \215\ See comment from Alaska Department of Environmental Conservation, comment number EPA-HQ-SFUND-2015-0781-2785 at page 10. \216\ Ibid., page 19. --------------------------------------------------------------------------- Colorado In 1976, the Colorado state legislature passed the Mined Land Reclamation Act \217\ (MLRA) establishing a Mined Land Reclamation Board (``Board'').\218\ The MLRA provided far more structure for permitting mine sites and, importantly, oversight of reclaiming these sites. The MLRA's legislative declaration stated: --------------------------------------------------------------------------- \217\ C.R.S section 34-32-101 et seq. \218\ See comments from Colorado Division of Reclamation, Mining and Safety at Docket ID number EPA-HQ-SFUND-2015-0781-2774, page 3. It is the declared policy of this state that the extraction of minerals and the reclamation of land affected by such extraction are both necessary and proper activities. It is further declared to be policy of this state that both such activities should be and are compatible. It is the intent of the general assembly by enactment of this article to foster and encourage the development of an economically sound and stable mining and minerals industry and to encourage the orderly development of the state's natural resources while requiring those persons involved in mining operations to reclaim land affected by such operations so that the affected land may be put to a use beneficial to the people of this state. It is the further intent of the general assembly by the enactment of this article to conserve natural resources, to aid in the protection of wildlife and aquatic resources, to establish ***agricultural***, recreational, residential, and industrial sites, and to protect and promote the health, safety, and general welfare of the people of this state. \219\ --------------------------------------------------------------------------- \219\ Ibid., page 4. In 1984, the Colorado Division of Reclamation, Mining, and Safety (DRMS) permitted the Summitville mine.\220\ This was a high elevation mine located in the historic mining district of Summitville in Southwest Colorado. Errors were made in the permitting review and initial build out of this mine site. The financial assurance at Summitville was not site-specific but based on a formulaic approach, and ultimately proved to be far short of the actual reclamation cost.\221\ The large cyanide heap leach operation almost immediately encountered problems with construction and water treatment.\222\ Ultimately, the operator walked away from the site after a significant environmental release leaving the state with an insufficient financial assurance. --------------------------------------------------------------------------- \220\ Ibid. \221\ Ibid. \222\ Ibid. --------------------------------------------------------------------------- The state indicated that it learned from the errors at Summitville, and the state legislature subsequently passed major programmatic revisions to the MLRA in 1993, strengthening permitting and enforcement provisions.\223\ Most importantly, the MLRA was specifically amended to create a new class of mining sites now known as Designated Mining Operations (DMOs) and to clearly require financial assurance for all sites based on site specific, not formulaic, criteria.\224\ --------------------------------------------------------------------------- \223\ Ibid. \224\ Ibid. --------------------------------------------------------------------------- The DMO amendment is the backbone of Colorado's hardrock regulatory ***program*** and requires operators to submit an Environmental Protection Plan with numerous technical elements that were previously not required in light of lessons learned from Summitville.\225\ A DMO's Environmental Protection Plan now describes how the operator assures protection of all areas that have the potential to be affected by designated chemicals, toxic or acid forming materials, or acid mine drainage.\226\ The plan must include an Emergency Response Plan and must implement any measures required by Colorado Parks and Wildlife for the protection of wildlife or Colorado Water Quality Control Division for the protection of water quality.\227\ Other aspects of the DMO amendment required submission of information to evaluate the potential for adverse impacts associated with acid mine drainage or acid or toxic producing materials to leach facilities, heap leach pads, tailing storage or disposal areas, impoundments, waste rock piles, stockpiles (temporary or [[Page 7576]] permanent), land application sites and in-situ or conventional uranium mining operations.\228\ --------------------------------------------------------------------------- \225\ Ibid., page 5. \226\ Ibid. \227\ Ibid. \228\ Ibid. --------------------------------------------------------------------------- Further Environmental Protection Plans must include designated chemicals and materials handling plans, facilities evaluation, groundwater evaluation and protection measures, surface water control and containment facilities information, surface water quality data, hydrologic monitoring plans, detailed climate data to assist in facilities design, geotechnical and geochemical data and analysis, construction schedules including quality assurance and quality control measures, plant and soils analysis, tailings and sludge disposal plans.\229\ --------------------------------------------------------------------------- \229\ Ibid. --------------------------------------------------------------------------- The financial assurance amendment required all hardrock mine facilities in Colorado, including prospecting operations, to post a financial assurance equal to the amount necessary for the state to reclaim a site if permit revocation and forfeiture were to occur.\230\ The financial assurance amount is calculated during the permitting phase of a mine and updated throughout the life of the mine to account for any changes to the mining or reclamation plans or changes in reclamation costs.\231\ As discussed above, DRMS did not calculate site-specific financial assurance prior to the 1993 amendments. As part of the 1993 amendments, language was removed that had allowed sites to be permitted for an established amount (depending on permit type) and language was inserted to mandate that DRMS require, on a site-specific calculation, the total amount of financial assurance necessary for the state to complete reclamation. DRMS now calculates financial assurance amounts during permitting and periodically (at a minimum every four ***years***) through the life of the mine.\232\ --------------------------------------------------------------------------- \230\ Ibid. \231\ Ibid. \232\ Ibid. --------------------------------------------------------------------------- The MLRA minimizes the adverse impacts of hardrock mining in Colorado by requiring every operator to obtain a permit and adhere to rigorous reclamation standards, both during and after mining.\233\ Many of the MLRA's reclamation standards are designed to prevent the release of hazardous substances into the environment.\234\ Pursuant to the MLRA, DRMS regulates mining in Colorado to protect the health, safety and welfare of the people of Colorado and to ensure that affected lands are appropriately reclaimed by those operating mines and mills.\235\ See Section 34-32-102, C.R.S Under Section 34-32-109, C.R.S , any operator of a mine or mill must obtain and maintain a reclamation permit.\236\ To ensure that reclamation obligations are performed, Section 34-32-117(1), C.R.S , provides that no mining and reclamation permit may be issued until the Board receives performance and financial warranties.\237\ Pursuant to Section 34-32-117(3)(a), C.R.S , a financial warranty consists of a written promise to the Board to be responsible for reclamation costs together with proof of financial capability.\238\ Each operator must submit a financial warranty sufficient to assure compliance with applicable reclamation standards, as incorporated in the operation's reclamation permit.\239\ See Section 34-32-117, C.R.S During the life of a mine, DRMS requires financial assurance for water quality treatment, as well.\240\ --------------------------------------------------------------------------- \233\ Ibid., page 6. \234\ Ibid. \235\ Ibid. \236\ Ibid. \237\ Ibid. \238\ Ibid. \239\ Ibid. \240\ Ibid. --------------------------------------------------------------------------- Under the MLRA, reclamation must be conducted, both during and after the mining operation, in accordance with a reclamation plan that meets certain performance standards.\241\ Many of the reclamation standards are designed to prevent releases of hazardous substances and prevent adverse impacts on surrounding properties.\242\ See Section 34- 32-116, C.R.S (requiring measures to minimize disturbance to the hydrologic balance, protect outside areas from damage, and control erosion and attendant air and water pollution).\243\ MLRA's financial assurances ensure that DRMS can complete reclamation according to those standards if the operator is unwilling or unable.\244\ Regulatory financial assurances require enormous expertise, and must be established by fact-intensive case-by-case review.\245\ DRMS calculates the financial assurance amount by developing and aggregating task-by- task cost estimates using current reference materials as well as the regional expertise of its staff.\246\ Applicants may submit initial estimates; however, DRMS rigorously reviews those estimates. DRMS is also charged with continuously reviewing the adequacy of financial warranties and uses the same methods.\247\ --------------------------------------------------------------------------- \241\ Ibid. \242\ Ibid. \243\ Ibid. \244\ Ibid. \245\ Ibid. \246\ Ibid. \247\ Ibid. --------------------------------------------------------------------------- DRMS and the Board have promulgated a robust set of rules and regulations specific to the oversight of the hardrock mining industry that implement the MLRA.\248\ The rules contain specific performance requirements for hardrock mining to protect, for example, both surface and groundwater, impacts to wildlife, and offsite impacts including erosion controls.\249\ The rules are evidence of how DRMS minimizes the risk associated with the potential for releases from hardrock mine facilities.\250\ --------------------------------------------------------------------------- \248\ Ibid., page 7. \249\ Ibid. \250\ Ibid. --------------------------------------------------------------------------- Colorado's regulatory ***program*** is predicated on three essential independent but interrelated elements; permitting, inspection and enforcement \251\ that allow DRMS to carefully plan for mining and reclamation through the permitting process which is anchored by a thorough financial warranty calculation.\252\ It also allows DRMS to periodically review sites through inspections to determine compliance with their permits and, if necessary, take enforcement action to remedy non-compliance.\253\ --------------------------------------------------------------------------- \251\ Ibid. \252\ Ibid. \253\ Ibid. --------------------------------------------------------------------------- The permitting process requires prospective operators to, among other things, assess baseline conditions for hydrology, soils, vegetation, land use, climate, geology, and plan for a number of other factors such as chemical and toxic materials handling plans, as they develop their mining and reclamation plans.\254\ Many of these plans are required to be certified by a registered professional engineer to ensure design integrity and performance, particularly with respect to any environmental protection facility.\255\ A financial warranty is then calculated utilizing the specific factors associated with these plans, including cost details associated with construction of environmental protection facilities and costs associated with demolition and removal of some of these same facilities and structures.\256\ Other aspects included in these calculations address volumes of topsoil to be removed and replaced, volumes of overburden to be moved and regraded, waste piles and tailings impoundments to be constructed, capped and reclaimed [[Page 7577]] and types and amounts of vegetation to be reestablished.\257\ --------------------------------------------------------------------------- \254\ Ibid. \255\ Ibid. \256\ Ibid. \257\ Ibid. --------------------------------------------------------------------------- Once an application is approved and the financial and performance warranties are posted, a permit is issued.\258\ Upon permit issuance, the site inspection frequency is determined and the site is inspected at an appropriate frequency throughout its mining and reclamation life.\259\ If a violation occurs at a permitted site, this matter is presented to the Board for adjudication which includes finding a violation, possibly issuing a cease and desist order, assessing civil penalties and requiring corrective actions to remedy the violation.\260\ Failure by an operator to remedy a violation could lead to permit revocation and, ultimately, financial warranty forfeiture.\261\ --------------------------------------------------------------------------- \258\ Ibid. \259\ Ibid. \260\ Ibid., page 8. \261\ Ibid. --------------------------------------------------------------------------- Montana In the state of Montana, hardrock mining is regulated by the Montana Department of Environmental Quality pursuant to the Montana Metal Mine Reclamation Act (MMR Act).\262\ The intent of the legislation is to ``provide adequate remedies for the protection of the environmental life support system from degradation and provide adequate remedies to prevent unreasonable depletion and degradation of natural resources'' \263\ and the ``proper reclamation of mined land and former exploration areas not brought to mining stage is necessary to prevent undesirable land and surface water conditions detrimental to the general welfare, health, safety, ecology, and property rights of the citizens of the state.'' \264\ --------------------------------------------------------------------------- \262\ Montana Code Annotated section 82-4-301 et seq.; available at:   [*http://leg.mt.gov/bills/mca/title\_0820/chapter\_0040/part\_0030/sections\_index.html*](http://leg.mt.gov/bills/mca/title_0820/chapter_0040/part_0030/sections_index.html) \263\ Montana Code Annotated, section 82-4-301(2)(a). \264\ Montana Code Annotated, section 82-4-301(3). --------------------------------------------------------------------------- The state legislature has amended the MMR Act several times over the ***years***, including reforms to address bankruptcies of mining companies. For example, in the 1999 legislative session following the bankruptcy of the Pegasus Gold Corp. the previous ***year***, section 82-4- 390 was added to the MMR Act to prohibit open pit mining for gold and silver using the heap leach or vat leach with cyanide ore-processing agents except for certain mines that were already in operation as of November 3, 1998. In another example, section 82-4-338 concerning performance bonding requirements was substantially amended in the 2007 legislative session and now authorizes the Department of Environmental Quality to take action, including accessing the financial assurance bond and suspending the permit, to abate an imminent danger to public health, public safety or the environment caused by violation of this law.\265\ --------------------------------------------------------------------------- \265\ Montana Code Annotated, section 82-3-338(10). --------------------------------------------------------------------------- Montana has also enacted state laws to protect water \266\ and air \267\ quality, to regulate hazardous and solid waste disposal,\268\ and to assess environmental impacts.\269\ The Department of Environmental Quality has developed regulations implementing the MMR Act that require compliance with the environmental laws contained in Title 75 of the Montana Code. For example, reclamation activities must assure long-term compliance with the air and water quality laws \270\ and that operating permits must prevent acid mine drainage through the construction of earth dams or other devises to control water drainage.\271\ In another example, permit modifications require an assessment of environmental impacts pursuant to the state equivalent of NEPA.\272\ --------------------------------------------------------------------------- \266\ Montana Code Annotated, Title 75, Chapter 5. \267\ Montana Code Annotated, Title 75, Chapter 2. \268\ Montana Code Annotated, Title 75, Chapter 10. \269\ Montana Code Annotated, Title 75, Chapter 1. \270\ Montana Administrative Rules, 17.24.102(13)(f). \271\ Montana Administrative Rules, 17.24.115(1)(d). \272\ Montana Administrative Rules, 17.24.119 --------------------------------------------------------------------------- In its comments on the proposed rule, the Montana Department of Environmental Quality stated that the proposed rule was unnecessary because the state's environmental laws and the MMR Act sufficiently regulate environmental and financial risks posed by current mining operations in the state.\273\ --------------------------------------------------------------------------- \273\ See comments of Montana Department of Environmental Quality at EPA-HQ-SFUND-2015-0781-2742. --------------------------------------------------------------------------- Comments on State Mining ***Programs*** Freeport-McMoRan Inc. commented that state regulatory ***programs*** are comprehensive, staffed by experienced professionals, and effective. In evaluating the risks of hardrock mining EPA did not take into account common elements of current mining regulation, including the detailed, mandatory closure and reclamation requirements designed to restore large land areas disturbed by mining to an appropriate post-mining land uses, the long-term water management requirements designed to protect and, if needed, remediate both groundwater and surface water resources, and operational requirements designed to prevent environmental problems in the first place.\274\ --------------------------------------------------------------------------- \274\ See comments from Freeport McMoRan Inc, EPA-HQ-SFUND-2015- 0781-2793, pages 23-24. --------------------------------------------------------------------------- In its comments, the Fertilizer Institute (TFI) stated that, by applying the CERCLA ***program*** to facilities covered by existing federal and state reclamation and bonding ***programs***, EPA is duplicating such ***programs***.\275\ --------------------------------------------------------------------------- \275\ See comments from The Fertilizer Institute, EPA-HQ-SFUND- 2015-0781-2633-34, page 63. --------------------------------------------------------------------------- Newmont Mining, in its comments, noted that, given the administrative record compiled by the Agency and the excellent job that the FLMAs and States such as Nevada and Colorado already are doing in regulating the risk of unfunded CERCLA releases at hardrock mining facilities, the Agency must conclude that there is no need for another, expensive, duplicative, and preemptive rule to be layered on top of existing regulations.\276\ --------------------------------------------------------------------------- \276\ See comments from Newmont Mining Corporation, EPA-HQ- SFUND-2015-0781-2712-207, page 195. --------------------------------------------------------------------------- NMA commented that mining is comprehensively regulated by a vast range of federal, state, and local environmental laws and regulations, and that these laws and regulations provide ``cradle to grave'' coverage of virtually every aspect of mining from exploration to operations through mine reclamation and closure/post-closure.\277\ --------------------------------------------------------------------------- \277\ See comments from National Mining Association, EPA-HQ- SFUND-2015-0781-2794, page 28. --------------------------------------------------------------------------- EPA generally agrees with these commenters that in the proposed rule it did not adequately consider the protectiveness and financial assurance requirements of current state regulatory ***programs*** in assessing the ``degree and duration of risk associated with the production, transportation, treatment, storage, or disposal of hazardous substances'' and the risk that taxpayers will be forced to fund CERCLA response actions, and has based this final action in part upon its more comprehensive consideration of those existing ***programs***. Protective Mining Practices Commenters further argued that new facilities are specifically designed, constructed, operated, and closed in a manner to prevent environmental degradation and to avoid the types of problems that were caused by past practices. The information provided to EPA by commenters emphasized that an assessment of risks of damages to the [[Page 7578]] environment should not focus on mines of an earlier era, and that the targeted regulated universe--currently operating mines using contemporary mining practices--pose comparatively minimal risks of releases. NMA noted that new facilities are specifically designed, constructed, operated, and closed in a manner to prevent environmental degradation and avoid the types of problems that were caused by past practices.\278\ NMA pointed out that historical operating practices that led to the need for largescale CERCLA type responses in the past (e.g , direct disposal of tailings into streams, uncontrolled infiltration/discharge of mine impacted water, discharge of mine waste into dumps or impoundments without mitigating potential release mechanisms, etc.) are no longer utilized by the modern mining industry or compliant with current state and federal regulatory requirements. Rather, NMA notes that the mining industry routinely designs modern mining operations using detailed scientific and engineering investigations such as groundwater and surface water modeling, environmental risk assessments, and stability analyses which contribute to sound design and operating practices intended to protect human health and the environment. --------------------------------------------------------------------------- \278\ See comment from National Mining Association, EPA-HQ- SFUND-2015-0781-2794. --------------------------------------------------------------------------- NMA further stated that risks are further reduced at currently operating hardrock mining sites using technologies such secondary containment systems, seepage collection systems, surface water management systems, liners, and active monitoring systems to reduce or eliminate the risk of a release. In the event that a release or potential release is identified through installed monitoring systems, remedial actions are immediately implemented as required by regulatory ***programs*** using technologies such as interceptor wells, cutoff walls, and hydraulic capture zones.\279\ --------------------------------------------------------------------------- \279\ Ibid., Appendix B. --------------------------------------------------------------------------- NMA stated that as federal and state mining ***programs*** and groundwater protections have matured, monitoring, reporting, and corrective action have become core components of hardrock mining ***programs*** and permits, citing, for example, BLM's current regulations, promulgated in 2001, which require operators to submit a comprehensive monitoring plan that demonstrates compliance with BLM's surface management regulations and other Federal and State environmental laws and regulations, provides early detection of potential problems, and supplies information that will assist in directing corrective actions should they become necessary.\280\ --------------------------------------------------------------------------- \280\ See 43 CFR 3809.401(b)(4). --------------------------------------------------------------------------- Numerous other commenters, including MiningMinnesota, AEMA, Energy Fuels Resources, and General Moly, Inc. supported NMA's views, noting that advances in engineering controls, technology, mining industry best practices, and FLMA and state regulatory ***programs*** have lowered the ``degree and duration of risk'' to a point that CERCLA 108(b) financial responsibility requirements are not required.\281\ These commenters further elaborated that the FLMA and state mine regulatory and financial assurance ***programs*** coupled with engineering controls and best practices reduce the degree and duration of risk associated the production, transportation, treatment, storage, or disposal of hazardous substances and that these FLMA and state reclamation and closure requirements require more than simply reshaping land and revegetation--by requiring a mine to be designed, built, operated and closed to prevent the release of hazardous substances and ensure no adverse environmental impacts through the entire mine life cycle, including closure and post-closure. As such, the commenters believe no additional financial responsibility requirements are necessary to protect the taxpayers or the Superfund Trust Fund. --------------------------------------------------------------------------- \281\ See comments from MiningMinnesota, EPA-HQ-SFUND-2015-0781- 2655 and from American Exploration and Mining Association (AEMA), EPA-HQ-SFUND-2015-0781-2657, and General Moly, Inc., EPA-HQ-SFUND- 2015-0781-2715. --------------------------------------------------------------------------- The Idaho Mining Association (IMA) echoed the same message, noting that modern mining techniques and best practices in the mining industry use technology and appropriate controls in combination with FLMA and state ***programs*** to lower risk of release such that EPA's proposed rule is not necessary.\282\ --------------------------------------------------------------------------- \282\ See comment from the Idaho Mining Association, EPA-HQ- SFUND-2015-0781-2772. --------------------------------------------------------------------------- For the planned Donlin Gold project in Alaska, Calista Corporation noted in its comments that one of the primary goals has been to avoid environmental and human health risks both from planned operations and potential unanticipated releases of hazardous substances such as tailings, acid rock drainage, mercury, cyanide, and fuel oil. For example, the Donlin Gold tailings storage facility design is state-of- the-art and includes: (1) Downstream, rock fill dam construction keyed into bedrock, (2) a geo-synthetic liner, and (3) dry closure to minimize long-term water management needs.\283\ --------------------------------------------------------------------------- \283\ See comment from Calista Corporation, EPA-HQ-SFUND-2015- 0781-2644. --------------------------------------------------------------------------- Freeport-McMoRan provided numerous specific examples of how the hardrock mining industry has improved its management of environmental impacts:  In the area of managing the acidic content of waste rock, the industry employs a far more sophisticated and technology-driven approach that includes a thorough geochemical analysis of the ore reserve body being mined. Using up-to-date information, trucks equipped with GPS systems are routed to specific designated disposal locations based on the acidic potential of the waste rock. These locations in turn are selected based on geochemical modeling that can project out far into the future. Potentially acid-generating material is disposed of in engineered facilities designed to minimize the potential for acid generation by encapsulation or neutralization and thereby reducing the potential for acid rock drainage and seepage.      The changes to the design and operation of tailings ponds over the last 25 ***years*** are also quite extensive. At the operational level, qualified internal tailings-dedicated engineers and onsite leaders manage tailings stability. Sites with tailings dams follow established operations, maintenance and communication protocols. In this process, items regularly inspected and monitored are: Phreatic level trends, deposition plans and adherence to good operational construction practices, water management controls (including pool sizes and location relative to dam faces), seepage management, decant systems and other stability components.      Prior to the revisions to state mining ***programs*** during the late 1980s and into the early 1990s, it was not uncommon for waste rock stockpiles, tailings impoundments, leach pads and ponds to be built with limited or no engineering and design review, limited quality control and questionable operational practices. For example, some leach pads were built on somewhat compacted sub-grade overlain with solvent welded poly-vinyl chloride (PVC) plastic sheeting, many times installed by mine site employees without specific expertise in the construction of these systems. These pads usually had ditches lined with Hypalon sheeting due to this material's superior ultraviolet light resistance compared to PVC. Many of these sites have been decommissioned, closed, and

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replaced by more environmentally robust options.      Modern tailings disposal facilities are engineered and constructed utilizing environmental protection controls. These facilities are constructed utilizing geologic containment or engineered liners to contain the fluid portion of the tailings. As time passes following deposition, the solid fraction of the tailings consolidates, reducing the interstitial pore space and thereby decreasing the hydraulic permeability to a value that is often less than the liner material used during construction. These facilities are often equipped with controls, such as barge pump back systems and containment/ collection wells at the toes of the units, to capture any seepage and allow for the recycling of captured water. Upon closure, these facilities take measures to minimize net infiltration into the tailings, such as by utilizing stormwater controls and ensuring that there is positive drainage during storm events. Tailings facilities are also covered and revegetated to produce a passive evapotranspiration mechanism which further reduces net infiltration. These tailings disposal facilities are operated following Tailings Management Plans which are included in the application for environmental protection permits issued by state regulating agencies.      Prior to the placement of waste rock, the proposed site is evaluated for environmental risks including upstream stormwater run-on, seeps and springs upwelling from beneath the proposed facility, proximity to streams and rivers and other site specific exposures. The waste rock facility must be designed and built in accordance with engineering and construction details required by a mine's state-issued permit, which must be based on geotechnical stability analyses. Stormwater management measures, such as diversion features to intercept water and direct it around the waste rock facility, and facility management plans that govern the placement of potentially-reactive material are also employed to limit contact with potentially acid- producing materials. Other management strategies that may be employed to limit contact with potentially acid-generating material may include blending with neutralizing rock, segregation in cells that are set back a prescribed distance from the base and edges of the facility and are covered or encapsulated in neutralizing material, and landform design to minimize stormwater ponding. Concurrent reclamation is also often incorporated to further reduce the potential for net infiltration into the waste rock facility and return the area to a productive post-mining land use. Waste rock facility inspections by the operator and regulatory inspectors are also performed on schedules based upon regulatory requirements imposed by laws, regulations and permit stipulations. These inspections include looking for seepage from the facility, slope stability, stormwater ponding and other prescribed conditions. Any issues observed must be corrected per the regulatory and permit requirements imposed. These inspections are conducted during operation and continue through the closure period following reclamation of the facility.     Several commenters also commented on the usefulness of environmental management systems (EMSs) and best management practices (BMPs). For example, NMA commented that the introduction of EMSs in the 1990s was another key development for improved environmental performance--a framework that helps an organization meet its regulatory compliance requirements and otherwise achieve its environmental goals through consistent review, evaluation, and improvement of its environmental performance.\284\ This consistent review and evaluation are intended to identify opportunities for continuous improvement in the environmental performance of the organization. NMA states that many HRM facilities have implemented EMS ***programs***, noting that at EPA's request, it, in association with the Society for Mining, Metallurgy, and Exploration (``SME''), developed a model EMS guide to address the agency's concerns about the ability of smaller and medium size mining companies to develop and implement EMS ***programs***. The objective of the EMS guide is to assist companies in achieving reliable regulatory compliance, reducing adverse impacts to the environment, improving environmental stewardship, and continually improving environmental performance. NMA notes the most commonly used framework for an EMS is the one developed by the International Organization for Standardization (``ISO'') for the ISO 14001 standard. Established in 1996, this framework is the official international standard for an EMS and includes an optional third-party certification component, meaning an independent certification body audits an organization's practices against the requirements of the standard. Many HRM facilities have taken this extra certification step. The ISO 14001, first published in 1996, underwent significant revisions in both 2004 and 2015. ---------------------------------------------------------------------------

    \284\ See comment from National Mining Association, EPA-HQ- SFUND-2015-0781-2794. ---------------------------------------------------------------------------

    Freeport-McMoRan similarly commented that EPA did not consider the implementation of EMSs--under standards developed by reputable third- party organizations, such as the International Standards Organization and the International Council on Mining and Metals.\285\ The commenter noted that such standards commit participants to continuing process improvement above and beyond minimum legal requirements. Likewise, standards for sustainability, such as ICMM's, require third party assurance and verification ***programs***. Freeport-McMoRan stated these private initiatives supplement state ***programs***, adding an additional layer of best practices and external review above and beyond what is legally required. The Arizona Department of Environmental Quality (ADEQ) supported this approach, noting the usefulness of its Voluntary Environmental Stewardship ***Program*** (VESP) and Voluntary Remediation ***Program*** (VRP) that are innovative systems not based on enforceable commitments required for reductions.\286\ ADEQ also stated the usefulness of EMSs, ISO certification, third party inspection ***programs***, or similar types of state and federal ***programs*** for reducing risk from mining operations and specifically noted that Freeport-McMoRan, with mines in Arizona, employs industry best practices of an ISO14000 environmental management system. ---------------------------------------------------------------------------

    \285\ See comment from Freeport-McMoRan, EPA-HQ-SFUND-2015-0781- 2793.     \286\ See comment from the Arizona Department of Environmental Quality (ADEQ), EPA-HQ-SFUND-2015-0781-2714. ---------------------------------------------------------------------------

    With respect to BMPs, the Forest Service commented that EPA acknowledges that ``[t]oday, BMPs have been developed that can mitigate potential impacts from mining to meet EPA's goal `. . . that the engineering requirements will result in a minimum degree and duration of risk associated with the production, transportation, treatment, storage, or disposal, as applicable, of all hazardous substances present at that site feature.\287\ However, comments submitted by Earthworks, et al. raise concern about the use of BMPs, noting that no data was provided to demonstrate that these rules have reduced, or prevented, releases of hazardous materials. Earthworks further noted that numerous reports document substantial impacts at modern hardrock mines, particularly those associated

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with the release of hazardous materials.\288\ ---------------------------------------------------------------------------

    \287\ See comment from USDA Forest Service, EPA-HQ-SFUND-2015- 0781-2400.     \288\ See comment from Earthworks et al., EPA-HQ-SFUND-2015- 0781-2739. ---------------------------------------------------------------------------

    EPA recognizes that substantial advances have been made in the development of mining practices and the implementation of federal and state regulatory ***programs*** to address releases at hardrock mining facilities. While the risk of a release is never totally eliminated, commenters provided information regarding state regulation of hardrock mining facilities, including detailed information on controls those ***programs*** require to prevent releases. This information indicates that state and voluntary ***programs*** improve in response to incidents. Barrick Gold commented that EPA cited some releases including at the Summitville and Zortman-Landusky mines, which the commenter stated cannot occur again because federal land management agencies and state regulators have strengthened requirements and practices to prevent the issues that occurred previously. Specifically, they stated that regulations and policy were modified to more carefully identify risks of acid rock drainage or other water contamination, to control potential sources though mine design and to assure those measures are implemented through permit and monitoring obligations. The Colorado Department of Natural Resources, Division of Reclamation, Mining, and Safety's comments support Barrick's statements, stating that ``the state learned from the errors at Summitville, and the state legislature passed major programmatic revisions to the Mined Land Reclamation Act (MLRA)'' that ``strengthened permitting and enforcement provisions. Most importantly, the MLRA was specifically amended [. . .] to clearly require financial assurance for all sites based on site specific, not formulaic, criteria.'' \289\ ---------------------------------------------------------------------------

    \289\ See comment from Colorado Department of Natural Resources, EPA-HQ-SFUND-2015-0781-2774, page 3. ---------------------------------------------------------------------------

    The Nevada Mining Association's comments reference Nevada's continual improvement of its regulatory ***programs*** to ensure effectiveness and efficiency. This comment argues that state ***programs*** are not static and rather make constant improvements.\290\ Comments from the Small Business Administration Office of Advocacy explained that the bonding requirements of the Nevada ***program*** have been more recently upgraded, in part, because of the experience gained from administering mines through bankruptcies in the early 1990s \291\ NMA notes improvements to federal and state ***programs*** made in response to bankruptcies in the mining industry experienced in the 1990s and early 2000s \292\ One coordinated improvement of Federal Land Management Agencies and Nevada cited is the development of the SRCE mentioned above. ---------------------------------------------------------------------------

    \290\ See comment from the Nevada Mining Association, EPA-HQ- SFUND-2015-0781-2684, page 7.     \291\ See comment from the Small Business Administration, EPA- HQ-SFUND-2015-0781-1406, page 4.     \292\ See comment from the National Mining Association, EPA-HQ- SFUND-2015-0781-2794, page 64. ---------------------------------------------------------------------------

    Additionally, a commenter operating in several states stated that EPA's evaluation of risk failed to consider important aspects of modern mining, including the deployment of voluntary industry ***programs*** (e.g , the International Council on Mining and Metals (ICMM) Sustainable Development Framework) and robust environmental management systems with third-party certification.\293\ A commenter also noted the International Cyanide Management Code for the Manufacture, Transportation, and Use of Cyanide in the Production of Gold, which was developed under the guidance of the United Nations Environment ***Program***. The code ``focuses exclusively on the safe management of cyanide and cyanidation mill tailings and leach solutions. Companies that adopt the Cyanide Code must have their mining and processing operations that use cyanide to recover gold and/or silver audited by an independent third party to determine the status of Cyanide Code implementation.'' The requirements under the code include storage and mixing location and containment, secondary containment, lining for leach ponds, and spill prevention and containment.\294\ Similarly, another commenter stated that EPA failed to adequately recognize the impacts of the development and adoption of industry BMPs, other voluntary ***programs***, and environmental management systems.\295\ ---------------------------------------------------------------------------

    \293\ See comment from Freeport-McMoRan Inc., EPA-HQ-SFUND-2015- 0781-2402.     \294\ See Id., Appendix D page at 8.     \295\ See comment from National Mining Association, EPA-HQ- SFUND-2015-0781-2794. ---------------------------------------------------------------------------

    EPA acknowledges that the requirements of current federal and state ***programs*** can reduce risk at hardrock mining facilities, and that when determining the need for section 108(b) requirements for hardrock mining facilities at proposal, EPA did not adequately consider their impact. EPA agrees with commenters opposing the proposed rule that those reductions in risk should be considered in determining the need for final requirements under section 108(b) for current hardrock mining operations.\296\ The Agency is thus convinced by those commenters and its own further investigations that the rulemaking record supporting requirements under section 108(b) for currently operating facilities was incomplete in not adequately considering the risk reductions currently obtained by other Federal and state regulatory ***programs***. While EPA also acknowledges that the risk of a release is never totally eliminated by the requirements of other ***programs***, this residual risk is to be evaluated in light of EPA's discretion under the statute on whether to set section 108(b) requirements, and in light of the other information in the record for today's action discussed elsewhere in this final rulemaking. Viewed in this manner, such residual risk does not change EPA's conclusion that it is not appropriate to issue final section 108(b) requirements for current hardrock mining operations. ---------------------------------------------------------------------------

    \296\ As discussed above, this determination applies only to EPA's authority under section 108(b) and does not affect EPA's authority to take action under other sections of CERCLA or under other federal law at any facility, including at a facility discussed in this preamble. ---------------------------------------------------------------------------

    Finally, it should be noted that in addition to the federal and state mining ***programs*** that regulate mine operation and closure, hardrock mining facilities are regulated under a number of other federal ***programs***, discussed above, which contribute to reduction in risk at these facilities. For example, mines are generally required under the Clean Water Act regulations to obtain NPDES permits, and to meet federal water quality standards for point-source discharges to water sources from industrial operations. Requirements of the Safe Drinking Water Act include permitting and technical standards for underground injection wells that might be used in mineral extraction. And, requirements under the CAA apply National Emission Standards for Hazardous Air Pollutants to hazardous air releases from mining and processing operation sources. b. Comments Providing Information on Reduced Costs to the Taxpayer Resulting From Effective Hardrock Mining ***Programs*** and Owner or Operator Responses     Commenters also argued that the reduced risk at modern hardrock mining facilities is evidenced by the fact that there are very few cases where modern hardrock mining facilities have been addressed by Superfund and/or at taxpayer expense.

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    Several commenters disagreed with EPA's assertion in the proposal that the estimated $4 billion spent by EPA through the Superfund for cleanup costs at historical hardrock mining facilities is an indication of the relative risk present at the facilities covered by the proposed rule. Commenters stated that EPA did not differentiate between costs associated with the highly-regulated mining practices of today and pre- regulation practices in developing that number. EPA agrees that the analysis discussed in the preamble to the proposed rule \297\ did not adequately distinguish between legacy and current mines. ---------------------------------------------------------------------------

    \297\ See 82 FR 3479, January 11, 2017. ---------------------------------------------------------------------------

    Commenters argued that such analyses would further demonstrate that any risks from modern operations entail much less costly responses, and that the bulk of the observed historical response costs are attributable to pre-regulation practices.     In addition, many commenters stated that the risk that there will be inadequate funding to cover CERCLA liabilities at hardrock mining facilities in the future is adequately addressed by existing federal and state financial assurance ***programs***. Commenters provided numerous examples of existing trust, bonds, and letters of credit (LOCs) available to pay for necessary actions at these sites.\298\ Commenters also provided examples of facilities where the response costs have been paid for by owners and operators at no cost to taxpayers.\299\ ---------------------------------------------------------------------------

    \298\ See a discussion of this issue in the Technical Support Document for this final rulemaking: EPA, CERCLA Section 108(b) Hardrock Mining Final Rule: Technical Support Document, December 1, 2017.     \299\ See a discussion of this issue in the Technical Support Document for this final rulemaking, Ibid. ---------------------------------------------------------------------------

    Since a goal of section 108(b) requirements is to provide funds to address CERCLA liabilities at sites, evidence of such privately-funded responses contributes to support for the decision that financial responsibility requirements under section 108(b) for current hardrock mining operations are not appropriate.

E. Evidence Rebutting EPA's Site Examples

    In developing the 2009 Priority Notice and the proposed rule, EPA cited examples of hardrock mining facilities where releases of hazardous substances have occurred, and in some cases where CERCLA or CERCLA-like actions were necessary, as evidence of risk associated with hardrock mining operations.\300\ The examples fell into three categories: (1) Examples now not relevant to the mines to be regulated under the rule, (2) examples reflecting a reassessment of costs to the taxpayers based on new information, and (3) examples where ***program*** requirements were subsequently modified to address the problem. ---------------------------------------------------------------------------

    \300\ See the Releases Report, the Practices Report, and the Evidence Report. NMA comments included a detailed critique of the Practices Report prepared by the Society for Mining Metallurgy and Exploration, Inc., as Appendix D to its comments. ---------------------------------------------------------------------------

    Commenters on the proposed rule provided information to rebut the facts associated with the case studies and their significance in support of the 2009 Priority Notice and the proposed rule, by pointing out that response actions were due to legacy contamination, were privately funded, were covered by financial assurance under other law, or were the result of situations that have been subsequently addressed by state law.\301\ The information provided by these case studies formed a significant portion of the record on which the 2009 Priority Notice and the proposed rule were based. This additional information provided by commenters has caused EPA to reevaluate its conclusions in the proposed rule regarding the level of potential taxpayer liability from modern mines operating under currently existing regulatory ***programs***. ---------------------------------------------------------------------------

    \301\ In fact, comments submitted by NMA included a lengthy Appendix addressing the individual facilities cited by EPA. See comment EPA-HQ-SFUND-2015-0781-2794, Appendices C-1, C-2, and C-3. ---------------------------------------------------------------------------

    One example in each of the three categories is discussed below. A full discussion of the case studies and the evidence provided in rebuttal can be found in a support document entitled ``CERCLA Section 108(b) Hardrock Mining Final Rule: Technical Support Document,'' which is available in the docket for this rulemaking. 1. Example of Sites Now Not Relevant to the Mines To Be Regulated Under the Rule     Commenters provided information demonstrating that several of the site examples relied upon in the proposed rule are not relevant to an evaluation of the risk at current hardrock mining operations because they relate to historic mining activities that do not reflect current mining practices or regulatory regimes at the state or federal level. EPA agrees that the historical mining practices, and environmental contamination that may have occurred as a result of such practices, are not an accurate representation of the risks associated with current hardrock mining operations. Many of the sites referenced in the proposed rule, the 2009 Priority Notice, and record of support, are not relevant to EPA's assessment of risk posed by current hardrock mining operations that are already subject to applicable federal and state regulatory regimes. Rio Tinto Kennecott Bingham Canyon Site in Utah is an example of a site that was now not relevant to current hardrock mining operations.     This mine was included in the preamble of the proposed rule as an example of the impacts that can occur from large-scale operations.\302\ For example, the discussion of this mine references the large-scale disturbance of land, accumulation of waste rock, and leaching of hazardous substances and acid rock drainage, but it does not provide details about the history of the mine or context about whether certain activities are best characterized as legacy mining activities or ones that reflect current mining practices and regulatory regimes. ---------------------------------------------------------------------------

    \302\ 82 FR 3388, 3472; see also, Comment submitted by Earthworks (EPA-HQ-SFUND-2015-0781-1072). The four-page report characterizes the mine as the ``second most polluting mine in the US by toxic releases'' based on TRI data; however, as noted in the preamble to the final rulemaking, TRI data are not an accurate representation of risk at a particular site. As the Earthworks comment notes, EPA and the state have reached an agreement to not finalize the proposal to list the site on the NPL and there have been several state and federal regulatory and enforcement actions at the site, which required the company to take steps to mitigate risks to human health, water, and other natural resources. ---------------------------------------------------------------------------

    According to Rio Tinto's comments and EPA's record for the site, there has been active mining in the canyon since the 1860s and that the historic mining activities ``based on a less sophisticated understanding of environmental sciences and substantially less regulation by emerging environmental protection laws inarguably left their mark.'' \303\ According to the record for this action, EPA has secured more than $270 million to pay for response actions for this site through enforcement orders and consent decrees. Rio Tinto in its comments acknowledges that accidents do happen and that reporting, inspections, and enforcement can help prevent and address problems that do occur. In its comments, NMA stated that the cooperation between the mining company, EPA, and the state is a model for addressing legacy environmental contamination at mining sites.\304\ EPA has touted the cooperative effort to clean up the site as a ``major accomplishment of the Superfund ***program*** and law.'' \305\ Further

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discussion of this mine can be found in the Technical Support Document for this final rulemaking.\306\ EPA agrees that this mine, which has an expansive footprint but whose current operations are subject to considerable oversight by regulatory authorities, is not a relevant example on which to base a rule under section 108(b). ---------------------------------------------------------------------------

    \303\ EPA-HQ-SFUND-2015-0781-2747; see also, EPA-HQ-SFUND-2015- 0781-0186.     \304\ EPA-HQ-SFUND-2015-0781-2794, table C.     \305\ See comment from the National Mining Association, EPA-HQ- SFUND-2015-0781-2747, Appendix F.     \306\ See: EPA, CERCLA Section 108(b) Hardrock Mining Final Rule: Technical Support Document, December 1, 2017. ---------------------------------------------------------------------------

2. Example Reflecting Reassessment of Costs to the Taxpayers Based on Additional Information     As discussed above, a goal of regulations under section 108(b) is to increase the likelihood that owners and operators will provide funds necessary to address the CERCLA liabilities at their facilities. In doing so, section 108(b) requirements assure that owners and operators, rather than the taxpayers, bear the costs associated with necessary responses to releases and potential releases of hazardous substances at their sites. Commenters on the proposed rule objected that EPA did not properly consider whether a release resulted in expenditure of taxpayer funds to determine the need for a rule under section 108(b). EPA's reconsideration of these case studies supports the determination that section 108(b) financial responsibility requirements at hardrock mining facilities are not necessary to provide funds to address CERCLA liabilities at sites. Many of the sites referenced in the proposed rule, the 2009 Priority Notice, and record of support, are not relevant to EPA's assessment of risk posed to the taxpayer because cleanup is being paid for by private parties. Golden Sunlight Mine in Montana is an example of such a site.     The Releases Report presented this mine as an example of a current mine with releases to the environment where a response action was necessary. NMA and Barrick Gold both commented that the releases from the tailings facility detected in 1993 were discovered by monitoring implemented at the behest of state mining permits at the site and corrective action was taken by the operator.\307\ In the proposed rule, the agency described the actions by the owner/operator to immediately repair the bentonite cut-off wall to control seepage from the tailings impoundments. The facility has also installed an extensive system of monitoring wells and several hydrogeologic investigations have been undertaken to continue to monitor, evaluate, and control leakage from the tailings impoundment. ---------------------------------------------------------------------------

    \307\ National Mining Association comments on proposed rule appendix table C-2 pg 6; Barrick Gold July 11, 2017 comments on proposed rule page 20. ---------------------------------------------------------------------------

    As discussed in the Technical Support Document and elsewhere in the preamble, Montana substantially reformed its mining laws over the past couple of decades. Montana Department of Environmental Quality commented on the proposed rule that Montana State Law ``requires Hard Rock operators to submit to Montana Department of Environmental Quality a bond in an amount no less than the estimated cost to the state to ensure compliance with Montana's Air Quality Act, Montana's Water Quality Act, the Metal Mine Reclamation Act, and the permit issued by DEQ under the Metal Mine Reclamation Act (MMRA). The site is also subject to Montana's Environmental Policy Act (MEPA) which is patterned after NEPA). The mine has been the subject of several environmental assessments and one environmental impact statement for amendments to its operating permit. In addition, and at a minimum, Montana Department of Environmental Quality is required to perform a comprehensive bond review every five ***years*** for each Hard Rock operation to ensure that the bonding level is appropriate.'' \308\ ---------------------------------------------------------------------------

    \308\ EPA-HQ-SFUND-2015-0781-2742. ---------------------------------------------------------------------------

    The Agency researched Montana's requirement to perform a comprehensive bond review every five ***years*** as it applies to the Golden Sunlight Mine. The agency found a final bond determination for Golden Sunlight Mine dated July 28, 2017 in which Montana DEQ determined that the current bonding level of $112,153,980 did not represent the present cost of compliance with the MMRA, the administrative rules, and Operating Permit No. 00065. After negotiations between Montana Department of Environmental Quality, the Bureau of Land Management, and the mine owner, and a 30-day comment period, the bond amount was increased to $146,564,163. The next comprehensive bond review will be in 2020.\309\ Further discussion of this mine can be found in the Technical Support Document for this final rulemaking.\310\ ---------------------------------------------------------------------------

    \309\ See: EPA, CERCLA Section 108(b) Hardrock Mining Final Rule: Technical Support Document, December 1, 2017. [*http://deq.mt.gov/Portals/112/Land/Hardrock/Active%20Amendments/Golden%20Sunlight%20016/00065\_GSM\_2017\_07\_28\_Final\_Bond.pdf*](http://deq.mt.gov/Portals/112/Land/Hardrock/Active%20Amendments/Golden%20Sunlight%20016/00065_GSM_2017_07_28_Final_Bond.pdf)     \310\ See: EPA, CERCLA Section 108(b) Hardrock Mining Final Rule: Technical Support Document, December 1, 2017. ---------------------------------------------------------------------------

3. Example Where ***Program*** Requirements Were Subsequently Modified To Address the Problem     Commenters provided information to demonstrate that when problems have arisen at hardrock mining facilities, states have responded by improving their ***programs*** to prevent similar problems in the future and that there is, therefore, no need for financial responsibility requirements under section 108(b). Commenters provided examples of such state ***program*** modifications to rebut evidence provided in the record supporting the proposed rule. Barite Hill/Nevada Goldfields Facility in South Carolina is an example of a situation where ***program*** modifications reduced future risk.     As was discussed in the proposed rule, the Barite Hill/Nevada Goldfields was a gold and silver surface mine located in McCormick, South Carolina that was operated by Nevada Goldfields.\311\ The mine operated an open pit cyanide heap leach operation on the property from 1989 to 1994. Nevada Goldfields conducted mine reclamation activities from 1995 to 1999, when it filed for bankruptcy and abandoned the site, turning over control to the South Carolina Department of Health and Environmental Control.\312\ ---------------------------------------------------------------------------

    \311\ 82 FR at 3473.     \312\ ATSDR 2011 PHA Barite Hill EPA-HQ-SFUND-2015-0781. ---------------------------------------------------------------------------

    NMA commented that EPA's description of the mine in the proposed rule included mischaracterizations and omissions, including that significant changes were made to South Carolina Mining Act in 1990 that specified reclamation requirements and provided enforcement tools. NMA also stated that the most recent facility that had been permitted in the state had a waste rock management plan to prevent acid mine drainage.\313\ EPA has confirmed that South Carolina finalized regulations implementing this new authority in 1992, including requirements that a mine obtain a reclamation bond as a condition for receiving a mining permit, and that the recently permitted gold mine is subject to stricter environmental and financial assurance requirements.\314\ These regulations were not completed in time to significantly reduce risks at Nevada Goldfields, which ceased active mining in 1994, but EPA believes that similar mines operating in South Carolina today under

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the current regulations would have significantly reduced risks of unpermitted releases and taxpayer liability. Further discussion of this mine can be found in the Technical Support Document for this final rulemaking. ---------------------------------------------------------------------------

    \313\ NMA EPA-HQ-SFUND-2015-0781-2794 Attachment #109 pdf p. 81/ 119; Attachment #110 pdf p. 330, 346, and 387/440.     \314\ S.C State Register, Vol. 16, Issue 4 (April 24, 1992); available at: [*http://digital.tcl.sc.edu/cdm/compoundobject/collection/scsreg/id/31138/rec/5*](http://digital.tcl.sc.edu/cdm/compoundobject/collection/scsreg/id/31138/rec/5). ---------------------------------------------------------------------------

F. Information Regarding Financial Responsibility Instrument Availability

    During the public comment period for the proposed rule, commenters representing or participating in the insurance, surety and banking industries identified several concerns with EPA's proposed instrument terms, and expressed concern that those terms could impact the availability of instruments. Similarly, entities in the mining industry expressed concerns that instruments may not be available for the amounts proposed in the forms specified. Information provided by commenters on likely lack of available instruments to satisfy section 108(b) requirements provides further support for EPA's determination that the proposed financial responsibility requirements are not appropriate.     EPA considered the capacity of the financial market to provide instruments as part of the development of the proposed rule. The Conference Committee Report for the Consolidated Appropriations Act (2016) instructed EPA to conduct a study of the market capacity regarding the necessary instruments for meeting any new section 108(b) financial responsibility requirements. EPA accordingly developed a study,\315\ which suggested significant uncertainty exists around the ultimate availability of instruments. ---------------------------------------------------------------------------

    \315\ Doc. ID EPA-HQ-SFUND-2015-0781-0496; Letter from USEPA, Chief Financial Officer, to members of Senate and House Subcommittees on Interior, Environment, and Related Agencies, dated Sept. 1, 2016, along with attached submission of EPA study titled, ``CERCLA 108(b) Hardrock Mining and Mineral Processing Evaluation of Markets for Financial Responsibility Instruments, and the Relationship of CERCLA 108(b) to Financial Responsibility ***Programs*** of Other Federal Agencies'', August 25, 2016. ---------------------------------------------------------------------------

    Many commenters expressed concerns regarding the uncertainty inherent in the study as well and expressed concerns that financial responsibility instruments may not be universally available and affordable.\316\ The concerns raised by commenters regarding the terms and conditions of the proposed instruments as well as the comments on the market capacity study have contributed to uncertainty regarding the availability of instruments to owners and operators seeking to comply with the proposed section 108(b) requirements. If instruments were not available, owners and operators would be unable to comply with section 108(b) requirements, and the goal of the rule to provide funds to address CERCLA liabilities at sites would not be achieved. ---------------------------------------------------------------------------

    \316\ See, for example, Freeport McMoran comments on the proposed rule Docket ID: EPA-HQ-SFUND-2015-0781-2793 pg 89-91; American Exploration and Mining Association comments on the proposed rule Docket ID: EPA-HQ-SFUND-2015-0781-2795 pg 30-32; National Mining Association comments on the proposed rule Docket ID: EPA-HQ- SFUND-2015-0781-2794 pages 81-82. ---------------------------------------------------------------------------

    The issue of availability of instruments is discussed in more detail in section VII.D of this final rulemaking.

V. Decision to Not Issue the General Facility Requirements of Subparts A Through C in This Final Rulemaking

    The Agency also has decided not to issue as final any provisions of the proposed rule, including the general financial responsibility requirements in subparts A through C. EPA would include general facilities requirements, such as these, in the first of any subsequent rulemaking proposals under section 108(b), rather than issue final requirements under those subparts at this time.     EPA decided on this approach because there is no need to issue final requirements in subparts A through C at this time as they would not be applicable to any classes of facilities until such time as final section 108(b) regulations applicable to classes of facilities are issued.     In addition, the Agency received significant comment on the general financial responsibility provisions of the proposed rule, many of which identified significant issues with those portions of the proposal. These included, for example, the financial industry's concerns regarding certain provisions included with the language of the instruments, as described in detail below. By issuing a new proposed set of general requirements for any subsequent industry class, EPA would to be able to gather additional information as appropriate. Accordingly, EPA would be able to present a new set of general facility requirements in any subsequent proposal, with an additional opportunity for public comment, rather than having to create a proposal to modify existing requirements, thus avoiding potential confusion to commenters.

VI. Obstacles To Developing and Implementing Section 108(b) Financial Responsibility Requirements for Hardrock Mining Facilities

    EPA decided not to issue final requirements under section 108(b) for hardrock mining facilities because the Agency believes that final requirements are not appropriate. Furthermore, the Agency encountered a set of challenges that validate the decision not to issue final regulations. First, challenges remain regarding the potential disruption of state, tribal, and local mining ***programs*** by section 108(b) requirements. Second, section 108(b) continues to present particular challenges regarding the determination of a financial responsibility amount. Third, the Agency's evaluation of the economic impacts of the proposed rule does not support the need for a rule. Fourth, concerns regarding the availability of instruments remain. Finally, section 108(b) continues to present challenges in identifying the facility for purposes of the rule. These concerns were raised by commenters, and are discussed in detail below.

A. Potential Disruption of State, Tribal, or Local Mining ***Programs***

    In the proposed rule, EPA acknowledged the role that effective reclamation and closure requirements at hardrock mining facilities under federal and state ***programs*** can have in reducing the likelihood of releases or potential releases of hazardous substances to the environment. EPA also documented that federal and state mining regulatory ***programs*** require financial assurance to support implementation of reclamation and closure requirements.     Numerous observers raised questions about the effects of an express preemption provision in CERCLA section 114(d) during EPA's development of the proposed rule. This provision states in part:

    Except as provided in this subchapter, no owner or operator of a . . . facility who establishes and maintains evidence of financial responsibility in accordance with this subchapter shall be required under any State or local law, rule or regulation to establish or maintain any other evidence of financial responsibility in connection with liability for the release of a hazardous substance from such . . . facility. Evidence of compliance with the financial responsibility requirements of this subchapter shall be accepted by a State in lieu of any other requirement of financial responsibility imposed by such State in connection with liability for the release of a hazardous substance from such . . . facility.\317\

    \317\ 42 U.S.C 9614(d). ---------------------------------------------------------------------------

    EPA discussed its views on the preemption provision in the proposed rule. Specifically, EPA explained that it did not intend for its section 108(b) regulations to result in widespread displacement of state mine bonding ***programs*** under section 114(d), nor did

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it believe that such preemption is intended by CERCLA, necessary, or appropriate. In support of this conclusion, EPA discussed the language of paragraph (d) and section 114 as a whole, and considered whether state bonding ***programs*** were ``in connection with liability for the release of a hazardous substance'' as that term is used in section 114(d), and also took into account relevant policy considerations.\318\ ---------------------------------------------------------------------------

    \318\ 82 FR 3403-04. ---------------------------------------------------------------------------

    Commenters on the proposal nevertheless continued to express concern that preemption would indeed occur if section 108(b) requirements were implemented at facilities, resulting in disruption of those ***programs*** not only from successful preemption challenges, but also from the mere need to defend against those challenges.\319\ ---------------------------------------------------------------------------

    \319\ See, for example, Montana Dept. of Environmental Quality, Comment #: EPA-HQ-SFUND-2015-0781-2742; Arizona Dept. of Environmental Quality (ADEQ), Comment #: EPA-HQ-SFUND-2015-0781- 2714; and State of Alaska (Dept. of Natural Resources (ADNR), Dept. of Environmental Conservation (ADEC), and the Alaska Dept. of Law), Comment #: EPA-HQ-SFUND-2015-0781-2785. ---------------------------------------------------------------------------

    Although EPA discussed its views on the question in the proposed rule, it will be the courts, rather than EPA, that will decide the effect of section 114(d). Thus, EPA cannot ensure that preemption will not occur if financial responsibility under section 108(b) requirements is in place at a facility. EPA thus understands why states and local governments have concerns that they would have to defend preemption challenges, and concerns over the possibility that preemption could occur.     EPA also recognizes that the potential impact of preemption of financial assurance requirements extends beyond the concerns relating to the financial impacts, as financial assurance is an integral part of state mining ***programs***--that is, financial assurance can provide enforcement leverage to regulators, and can prevent delays in conducting closure and reclamation at a site should the owner or operator become unwilling or unable to do so, thus minimizing environmental harm.     For all of these reasons, EPA believes that preemption of state financial assurance requirements, should it occur, would be an undesirable and damaging consequence of section 108(b) requirements. The Agency's decision not to issue final requirements under section 108(b) for hardrock mining facilities avoids this undesirable outcome.

B. Challenges To Determine the Level of Financial Responsibility

    In developing the proposed rule, EPA considered four approaches to identify a financial responsibility amount for a facility--fixed amount, site-specific amount, parametric approach, and formulaic approach, and described three of those approaches in the proposed rule. EPA also identified some of the challenges of the three approaches described and sought comment on various aspects of these approaches.     Under a fixed amount approach, the Agency would identify a standard cost for the class of regulated facilities. This method would not rely on site-specific factors but rather on historical costs associated with similar facilities to calculate an expected future amount. This approach is best applied where the costs at issue are fairly uniform, as the wider the variation, the lower the accuracy of the financial responsibility amount for that cost. If there is wide variation in the costs associated with the facilities within the class to which the fixed amount is applied, the result can be significant over-regulation at those facilities with lower levels of liabilities, and significant under-regulation of facilities with higher levels of liabilities. At the same time, this approach has advantages in that it requires a lower level of effort on the part of the regulated community and the Agency to implement because the rule does not require a site-specific calculation to be developed, submitted, or evaluated. EPA proposed the use of a fixed amount for the health assessment component of the financial responsibility amount from hardrock mining facilities.     The second method considered by EPA was a site-specific approach. Under this approach, the owner or operator would calculate the cost of conducting known activities to address identified problems. This approach is the most precise of the three approaches considered by EPA. However, it is also the most resource intensive to implement. It requires gathering detailed information about the site, including an assessment of the site conditions, and is most easily implemented where a release has occurred, a response is necessary, and a remedy determination has been made. In fact, EPA already requires financial responsibility identified on a site-by-site basis when requiring parties to carry out response actions under CERCLA.\320\ EPA notes that state regulatory ***programs*** and the ***programs*** of BLM and the Forest Service generally do use a site-specific approach based on extensive knowledge of site conditions to establish financial responsibility amounts, and this is one of the strengths of existing ***programs*** relative to the formula based approach in the proposed rule. Having identified reasons that a fixed cost and a site-specific approach may not be appropriate to identify the level of financial responsibility under section 108(b) for response costs and natural resource damages for hardrock mining facilities, EPA sought to develop an approach that was more accurate than the fixed amount, yet could be implemented without conducting a full site investigation at the facility. The Agency's efforts resulted in development of a formula for facilities within the hardrock mining industry. ---------------------------------------------------------------------------

    \320\ See Guidance on Financial Assurance in Superfund Settlement Agreements and Unilateral Administrative Orders (April 2015). ---------------------------------------------------------------------------

    The proposed formula identified categories of response action at hardrock mining facilities, based on past response actions to legacy contamination and estimated the costs of those actions based on reclamation activities under federal and state laws. Instead of taking other regulations or facility practices into account when identifying the risk to be addressed by financial responsibility requirements, the formula assumed the need for a CERCLA response, and then allowed reductions in the financial responsibility amount based on a demonstration of compliance with other regulatory requirements or other facility practices. As discussed above, EPA no longer believes that this approach would result in financial responsibility requirements ``consistent with the degree and duration of risk associated with the production, transportation, treatment, storage, or disposal of hazardous substances.'' Thus, the formula does not reflect a level of financial responsibility that EPA in its discretion believes is appropriate.     The financial responsibility formula proposed for hardrock mining was specific to that industry, and was not designed for use in future rulemakings under section 108(b). In future rulemakings under section 108(b), EPA will evaluate how to determine financial responsibility amounts for each particular rule, and will propose an appropriate methodology on which it would seek additional public comment.

C. Concerns Regarding Costs and Economic Impacts of the Proposed Rule

1. Overall Concerns Regarding Cost and Economic Impact     EPA received significant comments on the Regulatory Impact Analysis (RIA) for the proposed section 108(b) rule that

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highlight detrimental economic outcomes of concern to commenters. In addition to numerous comments critical of various methodological and data limitations in the RIA, the leading criticism focuses on the disparity between projected industry costs in comparison with the rule's predicted ***transfer*** of liability costs from the government to the hardrock mining industry.     Using a period of analysis from 2021 to 2055, and assuming a seven percent social discount rate, EPA estimated the annualized compliance costs for industry to procure third-party instruments would be approximately $111 to $171 million (the net present value (NPV) of which is $1.4 to 2.2 billion over 34 ***years***). These values represent the proposed rule's estimated incremental costs to industry.\321\ ---------------------------------------------------------------------------

    \321\ The majority of the industry costs represented a ***transfer*** from the regulated industry to the financial industry in association with the procurement of third party instruments, and hence the quantified annualized net social costs were estimated at $30 million to $44 million. ---------------------------------------------------------------------------

    EPA then also quantified the ***transfer*** of potential CERCLA-related costs from the government to private industry that the proposed rule would yield. Based on an assumed facility default rate of 7.5 percent, the rule was expected to ***transfer*** a burden of just $15 to 15.5 million in annual liability from the federal government to the regulated industry (or $511 to $527 million over 34 ***years***).     Based on these estimates, commenters objected that the projected annualized costs to industry ($111-$171 million) are a magnitude of order higher than the avoided costs to the government ($15-15.5 million) sought by the rule. Estimates of government cost savings in the baseline, and industry compliance costs under the rule, occur under different regulatory scenarios and are therefore not readily comparable. However, these findings do reveal that the costs borne by industry far exceed the relative scale of cost savings gained by the government as a result of the rule. In the words of one owner/operator, ``the proposed rules inflict grossly disproportionate burdens on the hardrock mining industry relative to the small benefit that it is intended to provide to the taxpayers.'' \322\ ---------------------------------------------------------------------------

    \322\ See comments from Freeport McMoran, EPA-HQ-SFUND-2015- 0781-2793 page 3. ---------------------------------------------------------------------------

    Beyond these concerns, commenters also took significant issue with the broader economic impacts that the rule could have on the hardrock mining industry and the nation. A trade association noted that the cost of compliance relative to cash flow will be devastating to many companies.\323\ According to some, the high cost of compliance will result in existing mines closing, and new mines not being built. Another commenter stated that the high costs of the rule would force more companies into bankruptcy, which they suggested is an unacceptable environmental risk without any demonstrated benefits.\324\ That commenter stated that it takes much effort and expertise over several ***years*** to administer a bankruptcy, so it is important to keep operators in business to conduct their own reclamation responsibilities.\325\ ---------------------------------------------------------------------------

    \323\ EPA-HQ-SFUND-2015-0781-2666-20/Organization: ACC, AFPM, AISI, CKRC, IMA-NA, NAM, NMA, NAMC, PCA, SSP, TFI, and the Chamber.     \324\ See comment from Scott Richey and Susan Elliott, USDA Forest Service Humboldt-Toiyabee National Forest EPA-HQ-SFUND-2015- 0781-2722 page 1.     \325\ Ibid., page 1. ---------------------------------------------------------------------------

    State mining associations also repeatedly commented on the importance of the hardrock mining sector in their individual states.\326\ States commented that they would be grievously harmed financially if facilities reduced operations, ceased planned expansions, or otherwise closed or went bankrupt. In states where mining is prevalent, those states count heavily upon the tax and permitting revenues, jobs, etc. that come from the industry. ---------------------------------------------------------------------------

    \326\ See comment from Arizona Mining Association Docket ID: EPA-HQ-SFUND-2015-0781-2744 at pages 2-3. ---------------------------------------------------------------------------

    According to AEMA the cash collateral required to obtain a section 108(b) financial responsibility instrument could be significant and also very problematic, because this cash collateral requirement reduces the capital that companies have available to conduct reclamation activities, advance environmental improvement initiatives, and pursue development opportunities. Ultimately, AEMA commented that the drain on corporate capital from the section 108(b) financial responsibility ***program*** would reduce the domestic production of minerals, cost hardrock mining jobs, and economically devastate mining dependent rural communities.\327\ ---------------------------------------------------------------------------

    \327\ See comment from American Exploration and Mining Association, Docket ID: EPA-HQ-SFUND-2015-0781-2657 page 35. ---------------------------------------------------------------------------

    In an effort to further emphasize the adverse economic impacts of the proposed rule, an analysis was independently conducted by Dr. Gordon Rausser of OnPoint Analytics, on behalf of Freeport McMoRan, and submitted for the record in this rulemaking.\328\ These industry supported analyses found that when all impacts are considered (including impacts on cash flow, production, and available resources), the proposed rule is estimated to cost the U.S hardrock mining industry ten times the amount projected in the RIA--an amount reported to be between 23 percent and 66 percent of annual industry profits. The study also estimates that U.S investment in the hardrock mining industry would drop by more than $5.6 billion, and that between 3,486 to 10,110 jobs would be lost in the U.S hardrock mining industry should the proposed rule have become final.\329\ ---------------------------------------------------------------------------

    \328\ EPA-HQ-SFUND-2015-0781-2650-4/Organization: New Mexico Mining Association.     \329\ EPA-HQ-SFUND-2015-0781-2712-135/Organization: Newmont Mining Corporation. ---------------------------------------------------------------------------

    Lastly, commenters note that while mining occurs at the local level, the mining sector is a global industry. A commenter stated that increased costs have implications at the state and local levels, but these same increased costs could place U.S mining at a competitive disadvantage. The commenter further explained that those increases could be a disincentive to investment in domestic projects and an incentive to focus on operations and production outside of the U.S \330\ The commenter continued to speculate that this could further result in a shortage of strategic metals at home. The commenter explained by way of an example that lithium is viewed as a strategic mineral currently in high demand globally as a lubricant, for use in steel and aluminum production, and in batteries and in electrolytes and electrodes.\331\ Finally, the commenter stated that lithium mining is an area of considerable expansion in the U.S , and implied that could be threated under the proposed rule.\332\ ---------------------------------------------------------------------------

    \330\ See comment from Nevada Mining Association Docket ID: EPA- HQ-SFUND-2015-0781-2684 pg 11.     \331\ Ibid.     \332\ Ibid. ---------------------------------------------------------------------------

    EPA's decision not to issue final requirements under section 108(b) for hardrock mining facilities will thus alleviate potential burden on owners and operators, and will help prevent any disruptions to markets in the U.S and abroad. EPA further seeks to avoid negatively impacting facility resources that could otherwise have greater benefits to the economy. The state of Idaho, for example, commented that the proposed requirements may divert funds from uses such as the implementation of environmental protection and enhancement ***programs***, reclamation projects, exploration and

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development of new mineral deposits, etc.\333\ ---------------------------------------------------------------------------

    \333\ See comment from State of Idaho Docket ID: EPA-HQ-SFUND- 2015-0781-2682 at page 7. ---------------------------------------------------------------------------

2. Concerns Particular to Impacts on Small Entities/Businesses     Concerns raised by commenters also point to the burden that the proposed rule could impose on small entities. In the RIA of the proposed rule, EPA assessed the economic impacts on small entities. Of the 221 mines and mineral processing facilities in the potentially regulated universe, EPA identified approximately 53 facilities that were owned by 44 small businesses. Twelve additional mines have owners of unknown size (due to lack of available company data). For these small entities, EPA compared the estimated annualized compliance costs with their annual revenues in order to assess whether these small entities could be expected to incur costs that constitute a significant impact; and whether the number of those small entities estimated to incur a significant impact represent a substantial number of small entities. Results of the analysis showed that 80 percent to 87 percent of these small entities may face an average annual compliance cost that is greater than one percent of their revenues. Similarly, 57 percent to 75 percent of these small entities may experience impacts upon revenues that exceed three percent. These impact estimates were found by EPA to surpass the significant impact thresholds as set forth by the Regulatory Flexibility Act.     In line with these findings, many of the commenters likewise suggested that a major number of small entities under the proposed rule would face significant annualized costs which would either severely hinder their ability to operate, cause them to cease operations, or be a barrier to them being able to acquire financing to begin new operations. In light of the findings from the Agency's own small entity analyses, and the comments of concern raised by the regulated community, EPA agrees that the proposed financial responsibility requirements could prove particularly burdensome for small businesses. Such impacts will be avoided in the absence of such requirements under this final decision.

D. Concerns Regarding Financial Responsibility Instrument Availability

    As discussed above, during the public comment period for the section 108(b) hardrock mining rule, commenters representing or participating in the insurance, surety, and banking industries identified several concerns with EPA's proposed instrument terms, and expressed concern that those terms could impact the availability of instruments. Similarly, entities in the mining industry expressed concerns that instruments may not be available for the amounts proposed in the forms specified. EPA agrees with these concerns.     Section 108(b) discusses particular instruments for EPA to consider in its regulations. Specifically, paragraph (b)(2) states that financial responsibility may be established by any one, or any combination, of the following: Insurance, guarantee, surety bond, letter of credit, or qualification as a self-insurer. Paragraph (b)(2) further authorizes the President to specify policy or other contractual terms, conditions, or defenses that are necessary, or that are unacceptable in establishing evidence of financial responsibility. Paragraph (b)(2) also requires EPA to cooperate with and seek the advice of the commercial insurance industry to the maximum extent practicable when developing financial responsibility requirements. Paragraph (b)(4) provides direction on how the section 108(b) instruments are to address multiple owners and operators at a single facility.     Section 108(c) also includes a ``direct action'' provision, under which CERCLA claims can be brought directly against an insurer or other entity issuing an instrument pursuant to the section 108(b) regulations. Section 108(c)(2) provides that any claim authorized by section 107 or section 111 may be asserted directly against any guarantor providing evidence of financial responsibility under section 108(b) if the person is liable under section 107 and: (1) Is in bankruptcy, reorganization, or arrangement pursuant to the Federal Bankruptcy Code, or (2) is likely to be solvent at the time of judgment but over whom jurisdiction in the federal courts cannot be reached with reasonable diligence.     The areas of most significant concern identified by commenters are: (1) The specification that the instruments need pay to multiple claimants; (2) the direct action provisions in the instruments; and (3) the continuity of coverage provisions that subject providers to potential liability. These three features of the proposed section 108(b) financial responsibility ***program*** and the comments received regarding each are discussed below. The Specification That the Instruments Need Pay to Multiple Claimants     EPA proposed that instruments would be payable to the full range of potential future CERCLA claimants, and not solely to a currently designated beneficiary specified in instruments.     Financial industry representatives commenting on the proposed rule expressed concerns that the proposed financial mechanisms would not have a single designated beneficiary. Commenters argued that instrument providers would be required to undertake more due diligence and exercise more discretion while also potentially being subject to more liability themselves absent a specified designated beneficiary. Direct Action Provision     Commenters also expressed concern that providers of instruments may be subject to direct action suit. However, the CERCLA statute itself, at section 108(c)(2), includes a direct action provision that expressly authorizes, in specified circumstances, any claim under section 107 and section 111 be made directly against the guarantor providing evidence of financial responsibility. Commenters from the surety industry claimed that the direct action provision significantly increased their risk exposure and included too broad of a trigger (bankruptcy). Banking industry representatives asserted that the provision was at odds with relevant commercial law and practice and would significantly deter banks from providing such instruments and services. The insurance industry commented that direct action creates the potential for significant increase in defense costs and administrative costs associated with the management of multiple lawsuits. Continuity of Coverage Provisions     To address the risk that the facility would no longer have financial responsibility when necessary, EPA proposed that owners and operators using a letter of credit, surety bond or insurance to demonstrate financial responsibility also establish a standby trust. In the event the instrument issuer intended to cancel the instrument and the owner or operator failed to obtain alternate financial responsibility, EPA could draw on the instrument and fund the standby trust.     Commenters from the surety and insurance industry suggested that the requirements for prescriptive cancellation provisions that include potential issuer liability would limit the interest on behalf of sureties and insurers in providing mechanisms.

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Commenters also suggested that this proposed provision in combination with the difficult-to-predict date at which a facility may be released from the proposed financial responsibility requirements created unwelcome uncertainty around the duration of the provider's obligation.     Based on the negative comments received, EPA believes there is uncertainty around the adequate availability of instruments were final regulations to be promulgated at this time. This uncertainty necessarily means it is also unclear whether regulated entities would be able to obtain the necessary instruments when faced with a regulatory obligation under section 108(b) to obtain an instrument. This information thus also indicates that issuance of section 108(b) requirements for current hardrock mining operations is not appropriate.

E. Challenges To Identify the Facility

    Many commenters on the rule raised concerns regarding the applicability of section 108(b) to historical mining areas at facilities. The question of what the relevant facility is for purposes of section 108(b) regulations arose in several contexts--developing requirements for applicability of the rule, determining a financial responsibility amount, and developing conditions for ***payment*** of funds from the instruments. This was another difficult challenge EPA encountered in developing the proposed rule.     In a typical CERCLA response action, the definition of the facility relies on a site-by-site determination based on site-specific conditions, and the facility is defined by where contamination comes to be located, as understood by EPA at a particular point in time, and is typically formally delineated in a decision document identifying the response actions to be taken. The relevant facility may include areas owned and/or operated by several parties and the facility is defined without regard to ownership. In addition, particular parties' CERCLA liability is determined through settlements and/or litigation.     For the reasons discussed in the proposed rule, for purposes of determining the proposed rule's applicability, and for determining the financial responsibility amount, EPA found it necessary to consider the relevant facility to be only the current operations of the current owner(s) and operator(s). Two effects of this approach were to not require a financial responsibility amount under the proposed rule based on conditions present at historic areas of the mine, or to require evidence of financial responsibility from parties other than the current owner(s) or operator(s).     This approach--that EPA found necessary to implement section 108(b)--has no effect on CERCLA liability for parties that may be involved at a CERCLA site, or on the definition of facility for purposes of a CERCLA response. Thus, in the context of a particular response action, the facility may be defined to include an area broader than the current operations, and CERCLA liability may attach to parties other than the current owner or operator. Thus, there is an inconsistency in these respects between what EPA believed was necessary for practical development of section 108(b) instruments, and the definition that would apply when the instruments are invoked.     This difficulty was also identified by outside parties to EPA. Instrument providers, during pre-proposal outreach, cited the inability to distinguish between and establish separate amounts for historic releases and potential future releases as a factor that may increase the cost and difficulty of obtaining instruments. Specifically, representatives of insurance companies noted that combining two distinct types of coverage (e.g , coverage for cleanup of known existing releases and coverage for liabilities that may arise from future releases) will increase premiums. Another insurance representative commented that amounts of coverage may be limited by reinsurance treaties if the two types of coverage were combined.\334\ Relatedly, a representative from a surety also noted that separating out known pre-existing issues and releases from current operations that have not yet occurred into separate mechanisms would likely enhance availability.\335\ Yet it was the impossibility of predetermining the source of any contamination that would ultimately be the subject of a CERCLA claim, or where contamination would ultimately come to be located, that was a factor in EPA's decision to propose instruments that could pay for any CERCLA section 107 or section 111 claims against a current owner or operator, irrespective of whether the claim arose as a result of current or historical operations. ---------------------------------------------------------------------------

    \334\ See Notes and Attendees for CERCLA 108(b) Insurance Meeting December 8, 2015 Docket ID: EPA-HQ-SFUND-2015-0781-0447.     \335\ See Notes and Attendees for CERCLA 108(b) Surety Meeting January 14, 2016 Docket ID: EPA-HQ-SFUND-2015-0781-0445. ---------------------------------------------------------------------------

    Commenters' concerns also highlight another source of uncertainty for instrument availability. Thus, this issue raises similar concerns as in section E. Above. Therefore, this information further supports EPA's determination that issuance of section 108(b) requirements for current hardrock mining operations is not appropriate.

VII. Statutory and Executive Order Reviews \336\ ---------------------------------------------------------------------------

    \336\ Additional information about these statutes and Executive Orders can be found at [*https://www.epa.gov/laws-regulations/laws-and-executive-orders*](https://www.epa.gov/laws-regulations/laws-and-executive-orders). ---------------------------------------------------------------------------

A. Executive Order 12866: Regulatory Planning and Review and Executive Order 13563: Improving Regulation and Regulatory Review

    This action is a significant regulatory action that was submitted to the Office of Management and Budget (OMB) for review, because it may raise novel legal or policy issues [3(f)(4)], although it is not economically significant. Any changes made in response to OMB recommendations have been documented in the docket. EPA prepared an economic analysis for the proposed rule, but that analysis is not relevant for this final rulemaking because no regulatory provisions are being finalized.

B. Executive Order 13771: Reducing Regulation and Controlling Regulatory Costs

    This action is not an Executive Order 13771 regulatory or deregulatory action, because this action does not alter any regulatory requirements.

C. Paperwork Reduction Act (PRA)

    This action does not impose an information collection burden under the PRA, because this action does not impose any regulatory requirements.

D. Regulatory Flexibility Act (RFA)

    I certify that this action will not have a significant economic impact on a substantial number of small entities under the RFA. This action will not impose any requirements on small entities.

E. Unfunded Mandates Reform Act (UMRA)

    This action does not contain any unfunded mandate as described in UMRA, 2 U.S.C 1531-1538, and does not significantly or uniquely affect small governments, because this action does not impose any regulatory requirements.

F. Executive Order 13132: Federalism

    This action does not have federalism implications. It will not have substantial direct effects on the states, on the relationship between the national

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government and the states, or on the distribution of power and responsibilities among the various levels of government.

G. Executive Order 13175: Consultation and Coordination With Indian Tribal Governments

    This action does not have tribal implications as specified in Executive Order 13175, because this action imposes no regulatory requirements. Thus, Executive Order 13175 does not apply to this action. However, EPA consulted with tribes and Alaska Native Corporations and Alaska Native Villages during the rulemaking process.     EPA received comments from three federally-recognized tribes and from three Alaska Native Claims Settlement Act (ANCSA) resource managers regarding section 108(b) financial responsibility. Tribal comments were generally in support of the proposed rule, and cited some concerns about the potential negative impacts of hardrock mining on commercial enterprises and on subsistence living, along with the need to more fully identify the benefits of the rule. A primary ANCSA concern was that the section 108(b) financial responsibility requirements would duplicate existing federal and state requirements, resulting in a negative impact on Alaska Natives and states, that receive royalties through the Regional and Village Corporations. Other ANCSA comments related primarily to the calculation of the financial responsibility amount, and requested that EPA consult with them early in the regulatory development process. EPA acknowledged the challenges in determining a financial responsibility amount, and provided the opportunity for federally-recognized tribes and ANCSA resource managers to consult with the Agency during the public comment period.

H. Executive Order 13045: Protection of Children From Environmental Health and Safety Risks

    This action is not subject to Executive Order 13045 because it is not economically significant as defined in Executive Order 12866, and because EPA does not believe the environmental health or safety risks addressed by this action present a disproportionate risk to children, since this action imposes no regulatory requirements.

I. Executive Order 13211: Actions That Significantly Affect Energy Supply, Distribution, or Use

    This action is not a ``significant energy action'' because it is not likely to have a significant adverse effect on the supply, distribution or use of energy.

J. National Technology ***Transfer*** and Advancement Act

    This rulemaking does not involve technical standards.

K. Executive Order 12898: Federal Actions To Address Environmental Justice in Minority Populations and Low-Income Populations

    EPA believes that this action is not subject to Executive Order 12898 (59 FR 7629, February 16, 1994) because it does not establish an environmental health or safety standard, since this action imposes no regulatory requirements.

L. Congressional Review Act (CRA)

    This action is subject to the CRA, and EPA will submit a rule report to each House of the Congress and to the Comptroller General of the United States. This action is not a ``major rule'' as defined by 5 U.S.C 804(2).

List of Subjects in 40 CFR Part 320

    Environmental protection, Financial responsibility, Hardrock mining, Hazardous substances.

    Dated: December 1, 2017. E. Scott Pruitt, Administrator. [FR Doc. 2017-26514 Filed 2-20-18; 8:45 am] BILLING CODE 6560-50-P

**Load-Date:** February 22, 2018

**End of Document**



[***Register of Commission documents: European Parliament resolution of 14 November 2018 on the Multiannual Financial Framework 2021-2027 – Parliament’s position with a view to an agreement (COM(2018)0322 – C8-0000/2018 – 2018/0166R(APP)) Document date: 2018-11-14 P8\_TA-PROV(2018)0449 Texts adopted (provisional edition***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TRN-8H51-F0YC-N0D7-00000-00&context=1516831)

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**Body**

Brussels: Public Register European Parliament has issued the following document:

2014-2019 TEXTS ADOPTED Provisional edition P8\_TA-PROV(2018)0449 Interim report on the Multiannual Financial Framework 2021-2027 – Parliament's position with a view to an agreement European Parliament resolution of 14 November 2018 on the Multiannual Financial Framework 2021-2027 – Parliament’s position with a view to an agreement (COM(2018)0322 – C8-0000/2018 – 2018/0166R(APP)) The European Parliament, – having regard to Articles 311, 312 and 323 of the Treaty on the Functioning of the European Union (TFEU), – having regard to the Commission communication of 2 May 2018 entitled ‘A Modern Budget for a Union that Protects, Empowers and Defends – The Multiannual Financial Framework for 2021-2027’ (COM(2018)0321), – having regard to the Commission proposal of 2 May 2018 for a Council regulation laying down the multiannual financial framework for the ***years*** 2021 to 2027 (COM(2018)0322), and the Commission proposals of 2 May 2018 on the system of Own Resources of the European Union (COM(2018)0325, COM(2018)0326, COM(2018)0327 and COM(2018)0328), – having regard to the Commission proposal of 2 May 2018 for an Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management (COM(2018)0323), – having regard to the Commission proposal of 2 May 2018 for a regulation of the European Parliament and of the Council on the protection of the Union’s budget in case of generalised deficiencies as regards the rule of law in the Member States (COM(2018)0324), 2/55 RR\A8-0358/2018EN.docx EN – having regard to its resolutions of 14 March 2018 on ‘The next MFF: preparing the Parliament’s position on the MFF post-2020’ and on the reform of the European Union’s system of own resources1, – having regard to its resolution of 30 May 2018 on the 2021-2027 multiannual financial framework and own resources2, – having regard to the ratification of the Paris Agreement by the European Parliament on 4 October 20163 and by the Council on 5 October 20164, – having regard to UN General Assembly Resolution 70/1 of 25 September 2015 entitled ‘Transforming our world: the 2030 Agenda for Sustainable Development’, which entered into force on 1 January 2016, – having regard to the EU’s collective commitment to achieve the target of spending 0,7 % of gross national income (GNI) on official development assistance (ODA) within the time frame of the post-2015 agenda, – having regard to its resolution of 19 January 2017 on a European Pillar of Social Rights5, – having regard to Rule 99(5) of its Rules of Procedure, – having regard to the interim report of the Committee on Budgets, the opinions of the Committee on Foreign Affairs, the Committee on Development, the Committee on International Trade, the Committee on Budgetary Control, the position in the form of amendments of the Committee on Employment and Social Affairs, the opinions of the Committee on the Environment, Public Health and Food Safety, the Committee on Industry, Research and Energy, the Committee on Transport and Tourism, the Committee on Regional Development, the Committee on ***Agriculture*** and Rural Development, the Committee on Culture and Education, the Committee on Constitutional Affairs and the position in the form of amendments of the Committee on Women’s Rights and Gender Equality (A8-0358/2018), A. whereas, pursuant to Article 311 TFEU, the Union must provide itself with the means necessary to attain its objectives and carry through its policies; B. whereas the current multiannual financial framework (MFF) 2014-2020 was established, for the first time, at a lower level than its predecessor in terms of both commitment and ***payment*** appropriations; whereas the late adoption of the MFF and the sectoral legislative acts had a very negative impact on the implementation of the new ***programmes***; 1 Texts adopted, P8\_TA(2018)0075 and P8\_TA(2018)0076. 2 Texts adopted, P8\_TA(2018)0226. 3 OJ C 215, 19.6.2018, p. 249. 4 OJ L 282, 19.10.2016, p. 1. 5 OJ C 242, 10.7.2018, p. 24. RR\A8-0358/2018EN.docx 3/55 EN C. whereas the MFF quickly proved its inadequacy in responding to a series of crises, new international commitments and new political challenges that were not integrated and/or anticipated at the time of adoption; whereas, for the purposes of securing the necessary funding, the MFF was pushed to its limits including an unprecedented recourse to the flexibility provisions and special instruments, after exhausting the available margins; whereas high-priority EU ***programmes*** on research and infrastructure were even cut a mere two ***years*** after their adoption; D. whereas the MFF mid-term revision launched at the end of 2016 proved to be imperative in broadening the potential of the existing flexibility provisions, while falling short of revising the MFF ceilings; whereas this revision was assessed positively by both Parliament and the Council; E. whereas the establishment of the new MFF will be a critical moment for the Union of 27, as it will provide for the possibility to endorse a common, long-term vision and decide on the future political priorities as well as the ability of the Union to deliver them; whereas the 2021-2027 MFF should provide the Union with the necessary resources to boost sustainable economic growth, research and innovation, empower young people, effectively address the challenges of migration, fight unemployment, persistent poverty and social exclusion, further strengthen economic, social and territorial cohesion, address sustainability, biodiversity loss and climate change, strengthen the EU’s security and defence, protect its external border and support the neighbourhood countries; F. whereas, in light of the global challenges that Member States cannot address alone, it should be possible to acknowledge European common goods and to assess areas where European spending would be more effective than national spending in order to ***transfer*** the corresponding financial resources to Union level and, therefore, to strengthen the Union’s strategic importance without necessarily increasing overall public expenditure; G. whereas on 2 May 2018, the Commission presented a set of legislative proposals on the 2021-2027 MFF and EU Own Resources, followed by legislative proposals for the setting-up of new EU ***programmes*** and instruments; 1. Stresses that the 2021-2027 MFF must guarantee the Union’s responsibility for and ability to meet emerging needs, additional challenges and new international commitments, and attain its political priorities and objectives; points to the serious problems linked to the underfinancing of the 2014-2020 MFF, and reiterates the necessity of avoiding a repetition of previous mistakes by securing, from the outset, a strong and credible EU budget for the benefit of citizens over the next seven-***year*** period; 2. Considers that the Commission proposals on the 2021-2027 MFF and the Union’s Own Resources system represent the starting-point for the upcoming negotiations; expresses its position on these proposals, in anticipation of the Council’s negotiating mandate which is not yet available; 3. Underlines that the Commission proposal regarding the global level of the next MFF, set at 1,08 % of the EU-27 GNI (1,11 % after the integration of the European Development Fund), represents, in terms of GNI percentage, a reduction in real terms 4/55 RR\A8-0358/2018EN.docx EN compared to the current MFF; considers that the proposed level of the MFF will not allow the Union to deliver on its political commitments and respond to the important challenges ahead; intends, therefore, to negotiate the necessary increase; 4. Declares, moreover, its opposition to any reduction in the level of long-standing EU policies enshrined in the Treaties, such as cohesion policy and the common ***agricultural*** and fisheries policies; is particularly opposed to any radical cuts that will have an adverse impact on the very nature and objectives of these policies, such as the cuts proposed for the Cohesion Fund or for the European ***Agricultural*** Fund for Rural Development; opposes, in this context, the proposal to reduce the European Social Fund Plus (ESF+) despite its enlarged scope, and the integration of four existing social ***programmes***, notably the Youth Employment Initiative; 5. Underlines, furthermore, the importance of the horizontal principles that should underpin the MFF and all related EU policies; reaffirms, in this context, its position that the EU must deliver on its commitment to be a front-runner in implementing the UN Sustainable Development Goals, and deplores the lack of a clear and visible commitment to that end in the MFF proposals; requests, therefore, the mainstreaming of the Sustainable Development Goals in all EU policies and initiatives of the next MFF; further emphasises that all ***programmes*** under the next MFF should be in line with the Charter of Fundamental Rights; highlights the importance of delivering on the European Pillar of Social Rights, on the elimination of discrimination, including against LGBTI persons, and on the creation of a portfolio for minorities, including Roma, all of which are vital to fulfilling the EU’s commitments towards an inclusive Europe; underlines that, in order to meet its obligations under the Paris Agreement, the EU’s contribution to the climate objectives target should reach at least 25 % of expenditure over the MFF 2021-2027 period, and 30 % as soon as possible, at the latest by 2027; 6. Regrets, in this context, that despite the joint statement on gender mainstreaming annexed to the 2014-2020 MFF Regulation, no significant progress has been made in this area, and that the Commission took no account of its implementation in the MFF mid-term review; deeply regrets that gender mainstreaming has been completely sidelined in the MFF proposal, and deplores the lack of clear gender equality goals, requirements and indicators in the proposals on the relevant EU policies; calls for the annual budgetary procedures to evaluate and integrate the full impact of EU policies on gender equality (gender budgeting); expects a renewed commitment by Parliament, the Council and the Commission to gender mainstreaming in the next MFF, and its effective monitoring, including during the MFF mid-term revision; 7. Underlines that increased accountability, simplification, visibility, transparency and performance-based budgeting must underpin the next MFF; recalls, in this context, the need to strengthen the focus of future spending on performance and results, based on ambitious and relevant performance targets and a comprehensive and shared definition of European added value; asks the Commission, taking into account the above-mentioned horizontal principles, to streamline performance reporting, to extend it to a qualitative approach that includes environmental and social indicators, and to clearly present information on the main EU challenges still to be tackled; RR\A8-0358/2018EN.docx 5/55 EN 8. Is conscious of the serious challenges that the Union is facing and fully assumes its responsibility to secure, in a timely manner, a budget that is commensurate to the needs, expectations and concerns of EU citizens; stands ready to enter immediately into negotiations with the Council, in order to improve the Commission proposals and build

**Load-Date:** November 16, 2018

**End of Document**



[***City in a city: the 63,000 people who run the world's busiest airport; Georgia's biggest employer is not CNN or Coca-Cola - it is Hartsfield-Jackson airport, which since the 1970s has grown into a unique economic ecosystemPortraits by Bita Honarvar***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TK5-02V1-JCJY-G229-00000-00&context=1516831)

The Guardian(London)

October 26, 2018 Friday 7:30 AM GMT

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**Section:** CITIES; Version:5

**Length:** 1915 words

**Byline:** Khushbu Shah

**Body**

When Maynard Jackson introduced affirmative action as mayor of Atlanta in 1973, it "constituted a political revolution in the heart of the south", according to his 2003 [*obituary*](https://www.nytimes.com/2003/06/24/us/maynard-h-jackson-jr-first-black-mayor-atlanta-political-force-dies-65.html) in the New York Times. "Seemingly overnight, it transformed Atlanta into a mecca for talented, aspiring blacks from across the country."

The centerpiece of his policy? Hartsfield-Jackson Atlanta International airport, at the time a relatively sleepy domestic hub.

Jackson, the city's first African American mayor, recognised the airport's potential to reshape the city's economy and close the socioeconomic gap.

The easiest way for him to make an immediate impact with affirmative action was at the airport. He transformed the facility: 45 ***years*** later, it is a behemoth, sprawling over 156 acres. For the past two decades it has boasted two-hour flight access to 80% of the US population, and averages 275,000 passengers a day. It is the world's busiest airport.

Somebody's screaming at a kid, somebody's dancing, somebody's running by trying to catch a plane, it's always something

Ron James

It has also effectively made Atlanta into a gateway to the US market, attracting the headquarters of major Fortune 500 companies, particularly transport companies such as Delta Air Lines and UPS, and is now Georgia's biggest employer. Airport officials estimate it directly generates a $34.8bn economic impact for metro Atlanta, with [*nearly a quarter of a million jobs*](https://www.nytimes.com/2003/06/24/us/maynard-h-jackson-jr-first-black-mayor-atlanta-political-force-dies-65.html) across the city directly affected, and another half a million jobs indirectly supported across the south-east United States.

"The Atlanta airport is one of the reasons UPS moved its corporate headquarters to Atlanta from Greenwich, Connecticut, in 1990," says Dan McMackin of UPS. "The fact that we can make hundreds of direct international flights was a major contributing factor in our choice of Atlanta as the location of our global headquarters."

But the airport also offers something simpler and more direct: jobs for more than 63,000 employees, which helps support a thriving middle class in and around the city. "Work at [the airport] makes mortgage ***payments*** and college tuition ***payments*** possible," says Andrew Gobeil from the airport's office of policy and communications.

Here are a few of those employees.

Murray, Beagle Brigade

For nearly half his life, Murray has worked eight-hour shifts at the International Arrivals baggage claim, sniffing out contraband from oranges to cow skins. At the age of four, having completed months of training at the USDA National Detector Training Center, the rescue beagle is a quarter of the way into his tenure. "He had a very high food drive and he is very high-energy," says his partner, K9 handler A Gella. "He's very sociable."

Before each shift, Gella swings by Murray's kennel and picks him up to carpool to the airport. On average Murray sniffs 15 flights a day. He is "nose-centered", according to Gella: his nose goes up if he smells something. Today, in just one hour, he has already identified three bags from a Korean flight. Each time he has a successful sniff, Murray is treated to a chicken snack and break.

Tasha Mashburn, ***agriculture*** supervisor for US Customs and Border Protection

International flights are some of the first arrivals every morning, and Tasha Mashburn is there to meet them on behalf of the US ***agricultural*** ecosystem.

"We see something new everyday - and it's not just the item but what's inside of them," she says. "The items you would never think would have an insect inside."

Pests, like the Mediterranean fruit fly she once found, could cost the US billions of dollars if they infiltrate the country.

But not all food is confiscated and thrown away, Mashburn says. They just want a closer look.

"These insects have developed camouflage over thousands of ***years*** to not be seen. It takes some effort and skills to find them."

Adrian M Neely, airport chapel executive director

As he enters the nondenominational chapel located in Concourse E, Adrian M Neely picks up a Bible and a Book of Mormon left lying on a table and discreetly slides them into a drawer.

"Because it's interfaith, I don't want Hindus or Buddhists to not feel comfortable," the chaplain says. "It's not just a Christian worship center. All are welcome."

Markings on the wall direct Muslim worshippers east toward Mecca, and there are no religious icons to identify the room - instead, there is a universal image of a person kneeling.

Hartsfield-Jackson has not one but three chapels, staffed primarily with volunteer chaplains who Neely now oversees after volunteering himself for five ***years***.

Part of his job entails dealing with passengers who die on flights: the "saddest situation", he says, explaining that his role in those cases is generally to spend time with the family who might be waiting. But he also gets calls from airlines when there are upset passengers or misconnections, or when people need assistance with prayer.

One Muslim man leaving the chapel asked Neely to pray for his family. "Seven feet tall, a teddy bear of a guy," Neely recalls. "He had gotten his family out of somewhere dangerous, but said he couldn't get his 18-***year***-old daughter out." The chaplain said he was Christian, and asked if that was OK. The man nodded, and the two held hands and prayed. Neely looked up afterwards to see tears on the man's face. "I don't think he cared what flavor I was."

Charlessa Brightwell, Delta Air Lines aircraft load agent

Planes don't reverse by themselves. Each one has a Charlessa Brightwell.

Before a plane takes off, Brightwell ensures it has the right weight balance of luggage and people, and hooks the plane up to a cart to manually push it away in reverse before it can taxi.

"I love pushing back planes when it's time for departure. I love the physical work, especially in the summertime," she says, flexing a muscle. "It's like a gym membership you don't have to pay for."

Ron James, musician

"Some people walk past and think, 'Poor guy, he's playing at the airport,'" laughs Ron James. "Here's a dollar!"

James is a professional musician, paid to play the saxophone at Hartsfield-Jackson every Wednesday for four hours. He landed the job after an audition. "The judges told me it was my tone and how mellow it was," he says.

His favorite part is the constant movement. "Somebody's screaming at a kid, somebody's dancing, somebody's running by trying to catch a plane, it's always something."

He learned early on not to play anything too upbeat in the atrium, which he calls the "frustration area", where people waiting for ***transfers*** or missed flights will give him dirty looks unless he plays soothing music. But anything goes in Concourse B once people have made it through security - within reason.

"Steely Dan always gets a good reaction. Anything from Earth, Wind and Fire," he says. "Oh, and people love Norah Jones."

Bo Peterson, Blue Moon Brewhouse shift lead and server

For 19 ***years***, Bo Peterson has worked at the airport. "I got my first paycheck here," he said, washing dishes and pulling trash in Concourse T. Then he moved on to cooking, then to the bar and now to the role of waiter at Blue Moon."

"This is one of the busiest terminals and I love the fast pace."

He says customers from New York have offered him restaurant jobs that would have paid three times as much, but he can't leave his second home. "I meet a lot of people from all over the world and I've seen this airport change so much. I grew up with it. Why would I leave?"

Benjamin Austin, art ***program*** manager

Benjamin Austin stands on the moving sidewalk and looks up at a 450ft-long mimicry of a Georgia forest: leaf forms cover the ceiling, LED lights create sunshaft effects that mimic clouds, and you can hear a steady hum of insects and chirping birds.

The work, Flight Paths, by artist Steve Waldeck, is one of several dozen curated by the art ***program*** through a panel comprised of art historians, curators and artists. It has brought in sculptures from Zimbabwe and set up a tribute to Martin Luther King Jr. "There are permanent, large-scale commissioned art[works] such as Flight Paths, intended to be at the airport in perpetuity, and those that are on rotation typically on a ***year*** basis," Austin says.

The ***program*** has been around since the 1990s but Austin is helping expand it. "We're reaching out to museums and art organizations, asking them to curate exhibitions for our spaces," he says. "The art ***program*** is a cultural welcome mat to Atlanta."

His dream project? Installing a free movie theater in the airport to showcase the work of film-makers from Georgia.

Rayshawn Allen and Kendall Gavin, EMS bike medics

Each morning, the Emergency Medical Services bike team report to the EMS room in Concourse F to get their bicycles. Today, the fire department's Rayshawn Allen and Kendall Gavin are on duty, and due to hit the concourse at 8.30am.

One bike carries oxygen, the other the blood pressure and IV machines. The medics work in pairs: "we're more efficient that way," says Allen, who had been with the Atlanta Fire Department for 10 ***years*** when he volunteered to take on shifts at the airport.

There are four bike medic teams spread across the airport, each covering two concourses. The bikes are first responders: they can reach a call quickly and triage it before dispatching a fire truck.

The wildest call Allen has received was about a naked woman running through the airport. "She said somebody was trying to kill her," he recalls. "The call came out at B22 and we found her at B5 in the jetway. We evaluated her, she didn't put up a fight and she was sent to the airport. We didn't know where her clothes were, so we covered her up with a blanket."

They also help with cardiac arrests - as well as whenever one of the more than 30,000 women who work at the airport goes into labor unexpectedly. "I like the supportive care instead of fighting fire," Allen says, although like all of the bike medics he remains a firefighter and is trained and ready to tackle a blaze should one occur.

Calvin Tisdale, Plane Train operation and maintenance manager

Calvin Tisdale's biggest pet peeve is people holding open the doors of the Plane Train.

Tisdale works underneath the airport, in a control room that coordinates 86 technicians and 11 trains. The shuttle, which connects the concourses and baggage claims every 108 seconds, carries an estimated 50,000 people a day.

And all too frequently a passenger blocks those doors, shutting down the shuttle, requiring technicians to dispatch and reset the train.

"We don't have any other problems," Tisdale sighs.

This article was changed on Wednesday October 31 2018 to correct details of the arts ***program***.

Guardian Cities is live in Atlanta for a special series of in-depth reporting. Share your experiences of the city in the comments below, on [*Twitter*](https://www.nytimes.com/2003/06/24/us/maynard-h-jackson-jr-first-black-mayor-atlanta-political-force-dies-65.html),   [*Facebook*](https://www.nytimes.com/2003/06/24/us/maynard-h-jackson-jr-first-black-mayor-atlanta-political-force-dies-65.html) and   [*Instagram*](https://www.nytimes.com/2003/06/24/us/maynard-h-jackson-jr-first-black-mayor-atlanta-political-force-dies-65.html) using #GuardianATL, or via email to   [*cities@theguardian.com*](https://www.nytimes.com/2003/06/24/us/maynard-h-jackson-jr-first-black-mayor-atlanta-political-force-dies-65.html)

**Load-Date:** November 1, 2018

**End of Document**



[***The First Minister with his view from Cardiff; Carwyn Jones ; OPINION***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SXK-6M41-JCBX-G1WY-00000-00&context=1516831)

Daily Post (North Wales)

July 31, 2018 Tuesday

Edition 1, National Edition

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**Section:** NEWS; Pg. 4

**Length:** 486 words

**Body**

The Royal Welsh ***Agriculture*** Show is a key event in the Welsh ***calendar***. It is always a pleasure to attend this celebration of the best of Welsh ***agriculture*** and food.

It is Europe's largest ***agricultural*** show and this ***year***'s was even more significant, being the last one to take place before the UK leaves the EU.

We all know that Brexit, and the kind of deal reached, has far-reaching implications for many sectors across Wales, and one sector which will be significantly affected is ***agriculture***.

Ahead of this ***year***'s event the Cabinet Secretary for Energy, Planning and Rural Affairs, Lesley Griffiths, said the Show would be a key moment in the national conversation on the future support for farmers in Wales. She attended more than 40 events, hearing the views of farmers, representatives from the food and forestry industries, farming unions and partner organisations about our proposals for a new Land Management ***programme*** following Brexit.

When I attended at the start of the week it was clear that the issue was top of the agenda for all those I met - that and the impact of the very dry weather.

Brexit means we will have to do things in a different way. Carrying on as we are now will not be an option. Our consultation on the new Land Management ***programme*** puts forward proposals for how this could be done, and I would urge everyone with an interest, including individual farmers and land managers, to take part. The way we manage our land matters, especially if we are to produce outcomes of importance to everyone in Wales.

We do have an opportunity to put in place a 'made in Wales' approach.

Let me be clear that we are continually making the case for a Brexit which protects the interests of Wales. I have consistently maintained that the UK needs to remain in a Customs Union and retain full and unfettered access to the Single Market. This is crucial for ***agriculture*** but also for other industries, as the concerns publicly raised by Airbus have recently shown.

Serious negotiations now need to begin with urgency, and it is time for the UK Government to put the country first.

This is the greatest challenge the UK as a whole has faced for generations and the disarray and divisions at UK Government level have not until now given us the confidence that they will meet it. In the Welsh Government we will continue to work for and press the case for a Brexit which delivers for Wales and our economy.

I know the dry, hot weather is a cause for concern. The Cabinet Secretary hosted a summit on the issue at the Show.

Changes to Glastir derogations have already been made and there were discussions on what further measures could be taken, including looking at the possibility of bringing forward some ***payments***. It is vitally important farmers, farming unions, NRW, local authorities and water companies all play their part, alongside government, to help address this problem in both the immediate and longer terms.

**Load-Date:** July 31, 2018

**End of Document**



[***Washington: TEXT OF AMENDMENTS (Senate - August 21, 2018)***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5T4T-PJT1-JDG9-Y3GC-00000-00&context=1516831)

Impact News Service

August 28, 2018 Tuesday

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**Length:** 36830 words

**Body**

Washington: The Library of Congress, The Government  of USA has issued the following house proceeding:

 SA 3796. Mr. MERKLEY submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of [[Page S5766]] Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. (a)(1) The amount appropriated by title I of this division under the heading ``National Guard Personnel, Air Force'' is hereby increased by $450,000. (2) The amount appropriated by title II of this division under the heading ``Operation and Maintenance, Air National Guard'' is hereby increased by $50,000. (b)(1) The amount appropriated by title I of this division under the heading ``National Guard Personnel, Army'' is hereby decreased by $450,000. (2) The amount appropriated by title II of this division under the heading ``Operation and Maintenance, Army National Guard'' is hereby decreased by $50,000. \_\_\_\_\_\_ SA 3797. Mr. MERKLEY submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place, insert the following: SEC.

\_\_. LIMITATION ON MILITARY ASSISTANCE TO BURMA. (a) In General.--Except as provided under subsection (b), the President may not furnish any security assistance or to engage in any military-to-military ***programs*** with the armed forces of Burma, including training or observation or participation in regional exercises, until the Secretary of State, in consultation with the Secretary of Defense, provides a report to the appropriate congressional committees that the Burmese military has demonstrated significant progress in abiding by international human rights standards and is undertaking meaningful and significant security sector reform, including transparency and accountability to prevent future abuses, as determined by applying the following criteria: (1) The military adheres to international human rights standards and pledges to stop future human rights violations. (2) The military supports efforts to carry out meaningful and comprehensive investigations of credible reports of abuses and is taking steps to hold accountable those in the Burmese military responsible for human rights violations. (3) The military supports efforts to carry out meaningful and comprehensive investigations of reports of conflict- related sexual and gender-based violence and is taking steps to hold accountable those in the Burmese military who failed to prevent, respond to, investigate, and prosecute violence against women, sexual violence, or other gender-based violence. (4) The Government of Burma, including the military, allows immediate and unfettered humanitarian access to communities in areas affected by conflict, including Rohingya communities in Rakhine State. (5) The Government of Burma, including the military, cooperates with the United Nations High Commissioner for Refugees and other relevant United Nations agencies to ensure the protection of displaced persons and the safe and voluntary return of Rohingya refugees and internally displaced persons. (6) The Government of Burma, including the military, takes observable steps toward the implementation of the recommendations of the Advisory Commission on Rakhine State. (b) Exceptions.-- (1) Certain existing authorities.--The Department of Defense may continue to conduct consultations based on the authorities under section 1253 of the Carl Levin and Howard P. ``Buck'' McKeon National Defense Authorization Act for Fiscal ***Year*** 2015 (Public Law 113-291; 22 U.S.C 2151 note). (2) Hospitality.--The United States Agency for International Development and the Department of State may provide assistance authorized by part I of the Foreign Assistance Act of 1961 (22 U.S.C 2151 et seq.) to support ethnic armed groups and the Burmese military for the purpose of supporting research, dialogues, meetings, and other activities related to the Union Peace Conference, Political Dialogues, and related processes, in furtherance of inclusive, sustainable reconciliation. (c) Military Reform.--The certification required under subsection (a) shall include a written justification in classified and unclassified form describing the Burmese military's efforts to implement reforms, end impunity for human rights violations, and increase transparency and accountability. (d) Rule of Construction.--Nothing in this Act shall be construed to authorize Department of Defense assistance to the Government of Burma except as provided in this section. (e) Report.-- (1) In general.--Not later than 180 days after the date of the enactment of this Act, and every 180 days thereafter, the Secretary of State and the Secretary of Defense shall submit to the appropriate congressional committees a report, in both classified and unclassified form, on the strategy and plans for military-to-military engagement between the United States Armed Forces and the military of Burma. (2) Elements.--The report required under paragraph (1) shall include the following elements: (A) A description and assessment of the Government of Burma's strategy for security sector reform, including as it relates to an end to involvement in the illicit trade in jade and other natural resources, reforms to end corruption and illicit drug trafficking, and constitutional reforms to ensure civilian control of the Government. (B) A list of ongoing military activities conducted by the United States Government with the Government of Burma, and a description of the United States strategy for future military-to-military engagements between the United States and Burma's military forces, including the military of Burma, the Burma Police Force, and armed ethnic groups. (C) An assessment of the progress of the military of Burma towards developing a framework to implement human rights reforms, including-- (i) cooperation with civilian authorities to investigate and prosecute cases of human rights violations; (ii) steps taken to demonstrate respect for internationally-recognized human rights standards and implementation of and adherence to the laws of war; and (iii) a description of the elements of the military-to- military engagement between the United States and Burma that promote such implementation. (D) An assessment of progress on the peaceful settlement of armed conflicts between the Government of Burma and ethnic minority groups, including actions taken by the military of Burma to adhere to ceasefire agreements, allow for safe and voluntary returns of displaced persons to their villages of origin, and withdraw forces from conflict zones. (E) An assessment of the Burmese's military recruitment and use of children as soldiers. (F) An assessment of the Burmese's military's use of violence against women, sexual violence, or other gender- based violence as a tool of terror, war, or ethnic cleansing. (G) An assessment whether the Burmese military supplied arms and training to minority groups in Rakhine State, which were used in a systematic campaign of ethnic cleansing of the Rohingya. (f) Civilian Channels.--Any ***program*** initiated under this section shall use appropriate civilian government channels with the democratically elected Government of Burma. (g) Regular Consultations.--Any new ***program*** or activity in Burma initiated under this section shall be subject to prior consultation with the appropriate congressional committees. (h) Appropriate Congressional Committees.--In this section, the term ``appropriate congressional committees'' means-- (1) the Committee on Foreign Relations, the Committee on Armed Services, and the Committee on Appropriations of the Senate; and (2) the Committee on Foreign Affairs, the Committee on Armed Services, and the Committee on Appropriations of the House of Representatives. \_\_\_\_\_\_ SA 3798. Mr. MERKLEY submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_. (a) Congress makes the following findings: (1) The Saudi-led coalition air strike on a bus on August 9, 2018, in the Saada Province of Yemen reportedly killed 51 people, 40 of which were children, and injured dozens more. (2) That air strike represents one of more than 17,000 total air strikes conducted by the Saudi-led coalition since March 2015. The United Nations Refugee Agency (UNHCR) assesses that, from December 2017 to May 2018, Saudi-led coalition air strikes accounted for 80 percent of the civilian deaths in the 5 Yemeni governorates most affected by the fighting. (b) No funds appropriated or otherwise made available by this Act may be made available for authorized in-flight refueling of Saudi or Saudi-led coalition non-United States aircraft conducting missions in Yemen pursuant to section 2342 of title 10, United States Code, or any other applicable statutory authority unless-- (1) the Government of Saudi Arabia or the government of a Saudi-led coalition member provides the Secretary of Defense advance notification of the intended target in Yemen; and (2) the Secretary of Defense certifies to the appropriate committees of Congress with a high degree of confidence that the Saudi or Saudi-led coalition mission in Yemen exercises the proportionate use of force and discriminates between military and non-military targets, in accordance with international humanitarian law and the laws of armed conflict. (c) In this section, the term ``appropriate committees of Congress'' means-- [[Page S5767]] (1) the Committee on Armed Services, the Committee on Foreign Relations, and the Committee on Appropriations of the Senate; and (2) the Committee on Armed Services, the Committee on Foreign Affairs, and the Committee on Appropriations of the House of Representatives. \_\_\_\_\_\_ SA 3799. Mr. MERKLEY (for himself, Mr. Van Hollen, and Ms. Duckworth) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in division B, insert the following: Sec. \_\_\_. None of the funds appropriated or otherwise made available by this Act or any other Act may be used-- (1) to prevent a Member of Congress from entering, for the purpose of conducting oversight, any facility located in the United States at which alien minors are housed or otherwise detained; (2) to require any Member of Congress to coordinate through a Congressional entity for their entry into, for the purpose of conducting oversight, any facility described in paragraph (1); or (3) to make any temporary modification at a facility described in paragraph (1) that in any way alters what is observed by a visiting Member of Congress, compared to what would be observed in the absence of such modification. \_\_\_\_\_\_ SA 3800. Mr. MERKLEY submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B insert the following: Sec. \_\_. There are appropriated, in addition to any other amounts made available under this title, $100,000,000 for the block grants for substance abuse prevention and treatment under subpart II of part B of title XIX of the PHS Act. \_\_\_\_\_\_ SA 3801. Mr. DURBIN (for himself, Ms. Warren, Mr. Whitehouse, and Mr. Blumenthal) submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place, insert the following: Sec. \_\_\_. (a) Undue Hardship.--No funds made available in this or any other Act may be used to contest a claim, or to pay any contractor of the Federal Government that contests a claim, that is made-- (1) in any proceeding under section 523(a)(8) of title 11, United States Code, that excepting a debt from discharge would constitute an undue hardship; and (2) by a debtor who-- (A) has been determined by the Secretary of Veterans Affairs to be unemployable due to a service-connected disability; or (B) is a family caregiver of an eligible veteran pursuant to section 1720G of title 38, United States Code. (b) Offset.--Notwithstanding any other provision of this Act, the total amount appropriated under the heading ``***program*** administration'' under the heading ``Departmental Management'' for the Department of Education is hereby reduced by $1,000,000. \_\_\_\_\_\_ SA 3802. Mr. DURBIN (for himself, Ms. Warren, Mr. Whitehouse, and Mr. Blumenthal) submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place, insert the following: Sec. \_\_\_. (a) Undue Hardship.--No funds made available in this or any other Act may be used to contest a claim, or to pay any contractor of the Federal Government that contests a claim, that is made-- (1) in any proceeding under section 523(a)(8) of title 11, United States Code, that excepting a debt from discharge would constitute an undue hardship; and (2) by a debtor who-- (A) is receiving benefits under title II of the Social Security Act (42 U.S.C 401 et seq.) or title XVI of that Act (42 U.S.C 1381 et seq.) on the basis of disability; (B) has been determined by the Secretary of Veterans Affairs to be unemployable due to a service-connected disability; (C) is a family caregiver of an eligible veteran pursuant to section 1720G of title 38, United States Code; (D) is a member of a household that has a gross income that is less than 200 percent of the poverty line, and provides for the care and support of an elderly, disabled, or chronically ill member of the household of the debtor or member of the immediate family of the debtor; (E) is a member of a household that has a gross income that is less than 200 percent of the poverty line, and the income of the debtor is solely derived from benefit ***payments*** under section 202 of the Social Security Act (42 U.S.C 402); or (F) during the 5-***year*** period preceding the filing of the petition (exclusive of any applicable suspension of the repayment period), was not enrolled in an education ***program*** and had a gross income that was less than 200 percent of the poverty line during each ***year*** during that period. (b) Definition.--In this section, the term ``poverty line'' means the poverty line (as defined by the Office of Management and Budget and revised annually in accordance with section 673(2) of the Community Services Block Grant Act (42 U.S.C 9902(2)) applicable to a household of the size involved. (c) 85/15 Rule.--Notwithstanding any other provision of law, for fiscal ***years*** 2019 through 2028, no funds made available in this or any other Act shall be provided, directly or indirectly, to any proprietary institution of higher education (as defined in section 102(b) of the Higher Education Act of 1965 (20 U.S.C 1002(b))) that derives less than 15 percent of the institution's revenue from sources other than Federal financial assistance provided under this or any other Act or any other Federal law, through a grant, contract, subsidy, loan, guarantee, insurance, or other means, including Federal financial assistance that is disbursed or delivered to an institution or on behalf of a student or to a student to be used to attend the institution, except that such assistance shall not include any monthly housing stipend provided under the Post-9/11 Educational Assistance ***Program*** under chapter 33 of title 38, United States Code. \_\_\_\_\_\_ SA 3803. Mrs. GILLIBRAND (for herself, Mr. Rounds, Mr. Schumer, Mr. Manchin, Mrs. Capito, Mr. Gardner, Mr. Bennet, and Ms. Warren) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. Of the funds appropriated or otherwise made available by title II of this division under the headings ``Operation and Maintenance, Air National Guard'' and ``Operation and Maintenance, Air Force'', not more than a total of $45,000,000 shall be available to the Secretary of the Air Force for ***payments*** to a local water authority located in the vicinity of an Air Force or Air National Guard base (including a base not Federally-owned) for the treatment of perfluorooctane sulfonic acid and perfluorooctanoic acid in drinking water from the wells owned and operated by the local water authority or privately owned wells undertaken to attain the Environmental Protection Agency Lifetime Health Advisory level for such acids: Provided, That the applicable Lifetime Health Advisory shall be the one in effect on the date of the enactment of this Act: Provided further, That the local water authority must have requested such a ***payment*** from the Air Force or National Guard Bureau before March 1, 2019, or the Air Force or National Guard Bureau must have become aware of such a treatment plan before that date, for ***payment*** under this section to occur: Provided further, That the elevated levels of such acids in the water must have been the result of activities conducted by or paid for by the Department of the Air Force for ***payment*** under this section to occur: Provided further, That such funds may be expended without regard to existing contractual provisions in agreements between the Department of the Air Force or the National Guard Bureau, as the case may be, and the State in which the base is located relating to environmental response actions or indemnification: Provided further, That, in order to be eligible for ***payment*** under this section, such treatment must have taken place after May 25, 2016, and the local water authority must waive all claims for treatment expenses incurred before such date: Provided further, That any ***payment*** under this section may not exceed the actual cost of such treatment resulting from the activities conducted by or paid for by the Department of the Air Force: Provided further, That the Secretary of the Air Force may enter into such agreements with the local water authority as may be necessary to implement this section. \_\_\_\_\_\_ SA 3804. Ms. CANTWELL (for herself and Mr. Cassidy) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title III of division B, insert the following: [[Page S5768]] Sec. \_\_\_. (a) It is the sense of the Senate that dedicated funding for coding courses in kindergarten through grade 12 education should be a top priority. (b) In carrying out grant ***programs*** under the Carl D. Perkins Career and Technical Education Act of 2006 that allow grant funds to be used for coding ***programs***, the Secretary of Education shall prioritize applications from rural or underserved areas. \_\_\_\_\_\_ SA 3805. Mr. NELSON (for himself and Mr. Cassidy) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place, insert the following: Sec. \_\_. (a) The Secretary of Health and Human Services shall seek to enter into a contract with the National Academy of Sciences under which the National Academy of Sciences conducts a study on amyotrophic lateral sclerosis and, not later than 1 ***year*** after the date of enactment of this Act, submits a report on such study to Congress. (b) The report under this section shall-- (1) address-- (A) the nationwide state of research on amyotrophic lateral sclerosis, including the state of research and development of assistive technologies and drug treatments for such disease; (B) key gaps in research on amyotrophic lateral sclerosis; (C) the nationwide state of medical and care services for individuals with amyotrophic lateral sclerosis; (D) key gaps in access to medical and care services for individuals with amyotrophic lateral sclerosis; and (E) the higher incidence of amyotrophic lateral sclerosis in both active duty military and veterans causing them to be more than twice as likely to be diagnosed with the disease; and (2) include recommendations to Congress for advancing research as well as access to medical and care services with respect to amyotrophic lateral sclerosis. \_\_\_\_\_\_ SA 3806. Mr. NELSON submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in division B, insert the following: united states government accountability office recommendations for lowering prescription drug costs for state medicaid ***programs***, medicare beneficiaries, and low-income, non-elderly individuals who would be eligible for medicaid if their state of residence expanded its medicaid ***program*** to provide coverage to individuals with incomes of up to 133 percent of the federal poverty level Sec. \_\_\_. Not later than 1 ***year*** after the date of enactment of this Act, the Comptroller General of the United States shall submit to Congress a report providing recommendations for lowering prescription drug costs for-- (1) State Medicaid ***programs*** under title XIX of the Social Security Act (42 U.S.C 1396 et seq.); (2) individuals who-- (A) are described in section 1902(a)(10)(A)(i)(VIII) of the Social Security Act (42 U.S.C 1396a(a)(10)(A)(i)(VIII)); and (B) do not have access to affordable, comprehensive prescription drug coverage because they reside in a State that has elected not to provide medical assistance under the State Medicaid ***program*** to individuals described in such section; and (3) individuals who are enrolled in the Medicare ***program*** under any part of title XVIII of the Social Security Act (42 U.S.C 1395 et seq.). \_\_\_\_\_\_ SA 3807. Mr. WARNER (for himself and Mr. Kaine) submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. (a) Training Required.-- (1) In general.--The Secretary of Defense shall ensure that appropriate Department of Defense personnel are provided training on whole of Government approaches to national security challenges. (2) Coordination.--In providing training under this section, the Secretary shall consult with the heads of other appropriate departments and agencies of the United States Government in order to ensure that such training promotes cross-agency and multi-sector learning, collaboration and problem-solving. (b) Elements.--The training under this section shall include and emphasize the following: (1) Integration and synchronization of policy across the executive branch. (2) An understanding of the role of Congress, State and local governments, community organizations, academia, foreign governments, non-governmental organizations, and the private sector in influencing and executing whole-of-Government solutions. (3) Operating in an interagency environment. (4) Table-top role playing exercises and mentorship ***programs*** designed to enable participants to gain a greater understanding of interagency partnerships and means of operating successfully in a whole of Government environment. (c) Provision of Training.-- (1) Training by cohort.--Training shall be provided under this section to cohorts comprised of a mix of military and civilian personnel from across the Department and the Armed Forces and, with the approval of the head of the department or agency concerned, from other departments and agencies of the United States Government. (2) Providers of training.--The entities providing training under this section shall include military staff and war colleges, the National Defense University, and accredited public institutions of higher education that provide whole of Government curricula and are located amid areas of high concentration of military and civilian national security personnel. \_\_\_\_\_\_ SA 3808. Mr. GARDNER (for himself and Mr. Rubio) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. None of the amounts appropriated or otherwise made available this Act, whether division A or B of this Act, or by any other Act, may be obligated or expended for the following: (1) Assistance to the Government of El Salvador. (2) Activities with the Government of El Salvador. \_\_\_\_\_\_ SA 3809. Mr. CRUZ (for himself, Mr. Inhofe, and Mr. Barrasso) submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. None of the funds appropriated or otherwise made available by this division may be obligated or expended to implement the Arms Trade Treaty until the resolution of ratification of the Treaty is approved by the Senate. \_\_\_\_\_\_ SA 3810. Mr. HELLER (for himself and Ms. Klobuchar) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title III of division B, insert the following: Sec. \_\_\_. Using funds appropriated under the heading ``***program*** administration'' under the heading ``Departmental Management'' under the heading ``DEPARTMENT OF EDUCATION'', and not later than 180 days after the date of enactment of this Act, the Secretary of Education shall submit, to the Committee on Appropriations, the Committee on Commerce, Science, and Transportation, and the Committee on Health, Education, Labor, and Pensions of the Senate and the Committee on Appropriations, the Committee on Science, Space, and Technology, and the Committee on Education and the Workforce of the House of Representatives, a report on how the Department of Education is coordinating with the National Aeronautics and Space Administration and the National Science Foundation to promote science, technology, engineering, and mathematics ***programs*** that benefit students in grades pre- kindergarten through 12. \_\_\_\_\_\_ SA 3811. Mr. HELLER submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in division A, insert the following: Sec. \_\_\_. Not later than 90 days after the date of the enactment of this Act, the Secretary of Defense shall submit to the Committee on Appropriations and the Committee on Armed Services of the Senate and the [[Page S5769]] Committee on Appropriations and the Committee on Armed Services of the House of Representatives a report that contains an assessment of how increases in fees and copayments for specialty care under the TRICARE ***program*** impacts access to mental health services by members of the Armed Forces and veterans. \_\_\_\_\_\_ SA 3812. Mrs. HYDE-SMITH (for herself and Mr. Reed) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: Section 115 of title I of division B is amended by striking ``shall be applied in fiscal ***year*** 2019 by substituting `seven' for `six' '' and inserting ``is amended by striking `six' and inserting `seven' ''. \_\_\_\_\_\_ SA 3813. Ms. KLOBUCHAR submitted an amendment intended to be proposed by her to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B, insert the following: SEC. \_\_. AUTHORITY TO NEGOTIATE FAIR PRICES FOR MEDICARE PRESCRIPTION DRUGS. (a) In General.--Section 1860D-11 of the Social Security Act (42 U.S.C 1395w-111) is amended by striking subsection (i). (b) Effective Date.--The amendment made by this section shall take effect on the date of the enactment of this Act. \_\_\_\_\_\_ SA 3814. Ms. KLOBUCHAR submitted an amendment intended to be proposed by her to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of divisions B, insert the following: SEC. \_\_. GRANTS FOR TRAINING AND SUPPORT SERVICES FOR FAMILIES AND CAREGIVERS OF PEOPLE LIVING WITH ALZHEIMER'S DISEASE OR A RELATED DEMENTIA. Subpart I of part D of title III of the Public Health Service Act (42 U.S.C 254b et seq.) is amended by adding at the end the following: ``SEC. 330N. GRANTS FOR TRAINING AND SUPPORT SERVICES FOR FAMILIES AND CAREGIVERS OF PEOPLE LIVING WITH ALZHEIMER'S DISEASE OR A RELATED DEMENTIA. ``(a) Definitions.--In this section: ``(1) Area agency on aging.--The term `area agency on aging' has the meaning given the term in section 102 of the Older Americans Act of 1965 (42 U.S.C 3002). ``(2) Medically underserved community.--The term `medically underserved community' has the meaning given the term in section 799B. ``(b) Grants.--The Secretary may award grants to public or nonprofit private health care providers described in subsection (c) for the purpose of expanding training and support services for families and caregivers of people living with Alzheimer's disease or a related dementia if such health care providers-- ``(1) meet the conditions for receiving grants under subsection (d); and ``(2) submit an application to the Secretary in such form, in such manner, and containing such agreements, assurances, and information as the Secretary may reasonably require. ``(c) Recipients of Grants.--The public or nonprofit private health care providers described in this subsection shall include-- ``(1) health care organizations; ``(2) community health centers; ``(3) nursing homes; ``(4) senior centers; ``(5) area agencies on aging; ``(6) community-based organizations; ``(7) organizations providing support services for families and caregivers of patients with younger-onset Alzheimer's disease or a related dementia; and ``(8) State, local, and tribal public health agencies and social service agencies. ``(d) Conditions for Receiving Grants.--To be eligible to receive a grant awarded under subsection (b), a public or nonprofit health care provider described in subsection (c) shall agree-- ``(1) to employ a comprehensive approach to caring for patients with Alzheimer's disease or a related dementia that integrates treatment of such patients with training and support services for the families and caregivers of such patients; ``(2) in any ***program*** to be funded by a grant awarded under subsection (b), that services will be provided in the languages most appropriate for, and with consideration for the cultural backgrounds of, the individuals for whom the services are provided; and ``(3) to provide outreach activities to inform the public of the services of the ***program***, and to provide information on Alzheimer's disease and related dementias to the public. ``(e) Coordination.--The Secretary shall coordinate with the Director of the Office on Women's Health and the Director of the Office of Minority Health in order to ensure that women, minorities, and patients who live in medically underserved communities are able to benefit from the training and support services funded through grants awarded under subsection (b). ``(f) Funding.-- ``(1) Authorization of appropriations.--For the purpose of carrying out this section, there are authorized to be appropriated such sums as may be necessary for each of fiscal ***years*** 2018 through 2023. ``(2) Allocation for medically underserved communities.--Of the amounts appropriated under paragraph (1) for a fiscal ***year***, the Secretary shall make available not less than 10 percent for grants awarded under subsection (b) to public or nonprofit private health care providers that primarily serve medically underserved communities and meet the requirements under this section.''. \_\_\_\_\_\_ SA 3815. Ms. KLOBUCHAR submitted an amendment intended to be proposed by her to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place, insert the following: Sec. \_\_. (a) Paragraph (3) of section 529(e) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph: ``(C) Certain career training expenses.-- ``(i) In general.--In the case of an individual who is enrolled in or attending a ***program*** to obtain a recognized postsecondary credential or occupational license, the term `qualified higher education expenses' includes expenses similar to the expenses described in subparagraph (A) which are required for such ***program***. ``(ii) ***Program*** to obtain a recognized postsecondary credential.--For purposes of this subparagraph-- ``(I) the term `recognized postsecondary credential' has the meaning given the term in section 3(52) of the Workforce Innovation and Opportunity Act (29 U.S.C 3102(52)), and ``(II) when used with respect to obtaining such a credential, the term `***program***' means only a ***program*** which is included, and is offered by a provider which is included, on the list described in section 122(d) of the Workforce Innovation and Opportunity Act (29 U.S.C 3152(d)).''. (b) The amendment made by this section shall apply to expenses paid or incurred in taxable ***years*** beginning after the date of the enactment of this Act. \_\_\_\_\_\_ SA 3816. Ms. KLOBUCHAR (for herself and Mr. Sasse) submitted an amendment intended to be proposed by her to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place, insert the following: SEC. \_\_\_. COVERDELL LIFELONG LEARNING ACCOUNTS. (a) In General.-- (1) Renaming of coverdell education savings accounts.-- Section 530 of the Internal Revenue Code of 1986 is amended-- (A) by striking ``Coverdell education savings account'' each place it appears and inserting ``Coverdell lifelong learning account''; and (B) by striking ``coverdell education savings accounts'' in the heading and inserting ``coverdell lifelong learning accounts''. (2) Conforming amendments.-- (A) Section 26(b)(2)(E) of the Internal Revenue Code of 1986 is amended by striking ``Coverdell education savings accounts'' and inserting ``Coverdell lifelong learning accounts''. (B) Section 72(e)(9) of such Code is amended-- (i) by striking ``Coverdell education savings account'' and inserting ``Coverdell lifelong learning account''; and (ii) by striking ``Coverdell education savings account'' in the heading and inserting ``Coverdell lifelong learning account''. (C) Section 135(c)(2)(C) of such Code is amended-- (i) by striking ``Coverdell education savings account'' and inserting ``Coverdell lifelong learning account''; and (ii) by striking ``Coverdell education savings account'' in the heading and inserting ``Coverdell lifelong learning account''. (D) Section 408A(e)(2)(A)(ii) of such Code is amended by striking ``Coverdell education savings account'' and inserting ``Coverdell lifelong learning account''. (E) Section 529(c) of such Code is amended-- (i) by striking ``Coverdell education savings accounts'' in the heading of paragraph (3)(B)(vi) and inserting ``Coverdell lifelong learning account''; and (ii) by striking ``an Coverdell education savings account'' in paragraph (6) and inserting ``a Coverdell lifelong learning account''. (F) Section 877A(e)(2) of such Code is amended by striking ``Coverdell education [[Page S5770]] savings account'' and inserting ``Coverdell lifelong learning account''. (G) Section 4973 of such Code is amended-- (i) by striking ``Coverdell education savings account'' each place it appears in subsections (a)(4) and (e)(2)(A) and inserting ``Coverdell lifelong learning account''; (ii) by striking ``Coverdell education savings accounts'' in subsection (e)(1) and inserting ``Coverdell lifelong learning accounts''; and (iii) by striking ``Coverdell Education Savings Accounts'' in the heading of subsection (e) and inserting ``Coverdell Lifelong Learning Account''. (H) Section 4975 of such Code is amended-- (i) by striking ``Coverdell education savings account'' each place it appears in subsections (c)(5) and (e)(1)(F) and inserting ``Coverdell lifelong learning account''; and (ii) by striking ``Coverdell education savings accounts'' in the heading of subsection (c)(5) and inserting ``Coverdell lifelong learning accounts''. (I) Section 6693(a)(2)(F) of such Code is amended by striking ``Coverdell education savings accounts'' and inserting ``Coverdell lifelong learning accounts''. (J) The table of sections for part VIII of subchapter F of chapter 1 of such Code is amended by striking ``Coverdell education savings accounts'' and inserting ``Coverdell lifelong learning accounts''. (3) Treatment of existing accounts.--For purposes of section 530(b)(1) of the Internal Revenue Code of 1986, any account established before January 1, 2018, and designated as a Coverdell education savings account shall be deemed to have been designated as a Coverdell lifelong learning account. (b) Expanded Use of Accounts.-- (1) Eligible expenses.-- (A) In general.--Section 530(b)(2)(A) of the Internal Revenue Code of 1986 is amended by striking ``and'' at the end of clause (i), by striking the period at the end of clause (ii) and inserting ``, and'', and by adding at the end the following new clause: ``(iii) qualified educational or skill development expenses (as defined in paragraph (5)).''. (B) Qualified educational or skill development expenses.-- Section 530(b) of such Code is amended by adding at the end the following new paragraph: ``(5) Qualified educational or skill development expenses.--The term `qualified educational or skill development expenses' means-- ``(A) expenses paid or incurred-- ``(i) after the beneficiary attains age 16, and ``(ii) for participation or enrollment of the beneficiary in services or activities that are-- ``(I) training services described in section 134(c)(3)(D) of the Workforce Innovation and Opportunity Act (29 U.S.C 3174(c)(3)(D)) that are offered by a provider included on the list of eligible providers of training services described in section 122 of such Act (29 U.S.C 3152), ``(II) career and technical education activities defined in section 3 of the Carl D. Perkins Career and Technical Education Act of 2006 (20 U.S.C 2302) that are offered through an eligible institution (as defined in such section), ``(III) career services described in clauses (iii), (iv), and (xi) of section 134(c)(2)(A) of the Workforce Innovation and Opportunity Act (29 U.S.C 3174(c)(2)(A)) that are provided by providers eligible under section 134(c)(2)(C) of such Act, ``(IV) youth activities described in section 129(c)(2) of the Workforce Innovation and Opportunity Act (29 U.S.C 3164(c)(2)) that are provided by eligible providers of youth workforce investment activities under section 123 of such Act, or ``(V) adult education and literacy activities, as defined in section 203 of the Adult Education and Family Literacy Act (29 U.S.C 3272), that are provided by eligible providers of adult education and literacy activities under section 231 of such Act (29 U.S.C 3321), ``(B) expenses for transportation required for or provided by any of the services or activities described in subparagraph (A), ``(C) expenses for testing necessary for enrollment in, or certification in connection with, services or activities described in subparagraph (A), or ``(D) expenses for the purchase of any computer technology or equipment (as defined in section 170(e)(6)(F)(i)) or Internet access and related services, if such technology, equipment, or services are to be used by the beneficiary for services or activities described in subparagraph (A) during any of the ***years*** the beneficiary is participating in or enrolled in any of the services or activities described in subparagraph (A).''. (c) Modification of Rules Relating to Age Restrictions and Contributions.-- (1) $10,000 account limit after age 30.-- (A) In general.--Subparagraph (E) of section 530(b)(1) of the Internal Revenue Code of 1986 is amended by inserting ``in excess of $10,000'' after ``any balance to the credit of the designated beneficiary''. (B) Contribution limit.--Paragraph (1) of section 530(b)(1) of such Code is amended by striking ``or'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting ``, or'', and by adding at the end the following new clause: ``(iv) in the case of a beneficiary who is over the age of 30, if such contribution would result in the balance of the account exceeding $10,000.''. (2) Increased age limit for contributions.--Clause (ii) of section 530(b)(1)(A) of the Internal Revenue Code of 1986 is amended by striking ``age 18'' and inserting ``age 70''. (3) Increased contribution limitation for individuals over age 30.-- (A) In general.--Section 530(b)(1)(A)(iii) of the Internal Revenue Code of 1986 is amended by inserting ``($4,000 in the case of an account the designated beneficiary of which has attained age of 30 before the end of the taxable ***year***)'' after ``$2,000''. (B) Conforming amendment.--Section 4973(e)(1)(A) of such Code is amended by striking ``$2,000'' and inserting ``the limitation applicable under section 530(b)(1)(A)(iii)''. (4) No change in beneficiary after age 30.--Paragraph (6) of section 530(d) of the Internal Revenue Code of 1986 is amended by striking ``shall not be treated as a distribution for purposes of paragraph (1) if the new beneficiary'' and inserting ``shall not be treated as a distribution for purposes of paragraph (1) if-- ``(A) the old beneficiary has not attained age 30 before the date of the change in beneficiary, and ``(B) the new beneficiary''. (d) Credit for Employer Contributions.-- (1) In general.--Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section: ``SEC. 45T. EMPLOYEE EDUCATIONAL SKILLS AND DEVELOPMENT EXPENSES. ``(a) General Rule.--For purposes of section 38, the employee educational skills and development contribution credit determined under this section for any taxable ***year*** is 25 percent of the nonelective contributions made by the taxpayer during the taxable ***year*** to a Coverdell lifelong learning account (as defined in section 530(b)) the designated beneficiary of which is an employee of the taxpayer. ``(b) Special Rules and Definitions.--For purposes of this section-- ``(1) Employee.-- ``(A) Certain employees excluded.--The term `employee' shall not include-- ``(i) an employee within the meaning of section 401(c)(1), ``(ii) any 2-percent shareholder (as defined in section 1372(b)) of an S corporation, ``(iii) any 5-percent owner (as defined in section 416(i)(1)(B)(i)) of taxpayer, or ``(iv) any individual who bears any of the relationships described in subparagraphs (A) through (G) of section 152(d)(2) to, or is a dependent described in section 152(d)(2)(H) of, an individual described in clause (i), (ii), or (iii). ``(B) Leased employees.--The term `employee' shall include a leased employee within the meaning of section 414(n). ``(2) Nonelective contribution.--The term `nonelective contribution' means an employer contribution other than an employer contribution pursuant to a salary reduction arrangement. ``(3) Aggregation and other rules made applicable.-- ``(A) Aggregation rules.--All employers treated as a single employer under subsection (b), (c), (m), or (o) of section 414 shall be treated as a single employer for purposes of this section. ``(B) Other rules.--Rules similar to the rules of subsections (c), (d), and (e) of section 52 shall apply.''. (2) Credit treated as part of general business credit.-- Section 38(b) of such Code is amended by striking ``plus'' at the end of paragraph (31), by striking the period at the end of paragraph (32) and inserting ``, plus'', and by adding at the end the following new paragraph: ``(33) the employee educational skills and development contribution credit determined under section 45T(a).''. (3) Clerical amendment.--The table of sections for subpart D of part IV of subchapter A of chapter 1 of such Code is amended by adding at the end the following new item: ``Sec. 45T. Employee educational skills and development expenses.''. (e) Allowance of Deduction for Beneficiary.-- (1) In general.--Part VIII of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by redesignating section 224 as section 225 and by inserting after section 223 the following new section: ``SEC. 224. COVERDELL LIFELONG LEARNING ACCOUNT CONTRIBUTIONS. ``(a) In General.--In the case of an individual who-- ``(1) is the designated beneficiary of a Coverdell lifelong learning account (as defined in section 530(b)(1)), and ``(2) has attained the age of 18 before the close of the taxable ***year***, there shall be allowed as a deduction an amount equal to the contributions for the taxable ***year*** by or on behalf of such individual to the account described in paragraph (1). ``(b) Recontributed Amounts.--No deduction shall be allowed under this section with respect to a rollover contribution described in section 530(d)(5).''. (2) Increase in additional tax.-- (A) Increase.-- (i) In general.--Section 530(d)(4)(A) of the Internal Revenue Code of 1986 is amended by striking ``10 percent'' and inserting ``20 percent''. (ii) Conforming amendment.--Section 529(c)(6) of such Code is amended by inserting [[Page S5771]] ``, except that `10 percent' shall be substituted for `20 percent' in subparagraph (A) thereof'' before the period at the end of the first sentence. (B) Modification of tax treatment of deductible contributions.--Paragraph (1) of section 530(d) is amended to read as follows: ``(1) Inclusion in gross income.-- ``(A) In general.--Any distribution shall be includible in the gross income of the distributee as follows: ``(i) So much of the distribution as is equal to or less than the deductible amount shall be fully included in gross income. ``(ii) So much of the distribution which exceeds the deductible amount shall be included in gross income in the manner as provided in section 72 (determined by applying such section without regard to any amounts to which clause (i) applies). ``(B) Deductible amount.--For purposes of this paragraph, the term `deductible amount' means the excess of-- ``(i) the sum of contributions to the account for which a deduction was allowed under section 224 in such ***year*** and any preceding taxable ***year***, over ``(ii) the amount of distributions to which subparagraph (A)(i) applied to in any preceding taxable ***year***.''. (3) Clerical amendment.--The table of sections for part VIII of subchapter B of chapter 1 of such Code is amended by redesignating the item relating to section 224 as relating to section 225 and by inserting after the item relating to section 223 the following new item: ``Sec. 224. Coverdell lifelong learning account contributions.''. (f) Effective Date.-- (1) In general.--Except as otherwise provided in this subsection, the amendments made by this section shall take effect on January 1, 2018. (2) Eligible expenses.--The amendments made by subsection (b) shall apply to distributions made after December 31, 2018. (3) Contributions.--The amendments made by paragraphs (1)(B) and (2) of subsection (c) shall apply to contributions made after December 31, 2018. (4) Employer contribution credit and beneficiary deductions.--The amendments made by subsections (d) and (e) shall apply to taxable ***years*** beginning after December 31, 2018. \_\_\_\_\_\_ SA 3817. Ms. KLOBUCHAR submitted an amendment intended to be proposed by her to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place, insert the following: Sec. \_\_. (a) Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 25D the following new section: ``SEC. 25E. EXPENSES FOR ELDERCARE. ``(a) Allowance of Credit.-- ``(1) In general.--In the case of an individual for which there are 1 or more qualifying individuals with respect to such individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable ***year*** an amount equal to the applicable percentage of the eldercare expenses paid by such individual during the taxable ***year***. ``(2) Applicable percentage.--For purposes of paragraph (1), the term `applicable percentage' means 20 percent, reduced (but not below zero) by 1 percentage point for each $4,000 (or fraction thereof) by which the taxpayer's adjusted gross income for the taxable ***year*** exceeds $120,000. ``(b) Definitions.--For purposes of this section-- ``(1) Qualifying individual.--The term `qualifying individual' means an individual-- ``(A) who has attained age 65, ``(B) who requires assistance with activities of daily living, and ``(C) who is, with respect to the taxpayer or the taxpayer's spouse-- ``(i) the father or mother or an ancestor of such father or mother, ``(ii) the father-in-law or mother-in-law or an ancestor of such father-in-law or mother-in-law, ``(iii) the stepfather or stepmother or an ancestor of such stepfather or stepmother, or ``(iv) any other person who, for the taxable ***year***, has the same principal place of abode as the taxpayer and is a member of the household of the taxpayer. ``(2) Eldercare expenses.-- ``(A) In general.--The term `eldercare expenses' means the following amounts paid for expenses relating to the care of a qualifying individual: ``(i) Medical care (as defined in section 213(d)(1), without regard to subparagraph D thereof). ``(ii) Lodging away from home in accordance with section 213(d)(2). ``(iii) Adult day care. ``(iv) Custodial care. ``(v) Respite care. ``(vi) Assistive technologies and devices (including remote health monitoring). ``(vii) Environmental modifications (including home modifications). ``(viii) Counseling or training for a caregiver. ``(B) Definitions.--For purposes of subparagraph (A)-- ``(i) Adult day care.--The term `adult day care' means care provided for adults with functional or cognitive impairments through a structured, community-based group ***program*** which provides health, social, and other related support services on a less than 24-hour basis. ``(ii) Custodial care.--The term `custodial care' means reasonable personal care services provided to assist with daily living which do not require the skills of qualified technical or professional personnel. ``(iii) Respite care.--The term `respite care' means planned or emergency care intended to provide temporary relief to a caregiver. ``(C) Care centers.-- ``(i) In general.--Eldercare expenses described in subparagraph (A) which are incurred for services provided outside the taxpayer's household by a care center shall be taken into account only if such center complies with all applicable laws and regulations of a State or unit of local government. ``(ii) Care center.--For purposes of this subparagraph, the term `care center' means any facility which-- ``(I) provides care for more than 6 individuals, and ``(II) receives a fee, ***payment***, or grant for providing services for any of the individuals (regardless of whether such facility is operated for profit). ``(c) Dollar Limitation.-- ``(1) In general.--The amount of the eldercare expenses incurred during any taxable ***year*** which may be taken into account under subsection (a) shall not exceed $6,000. ``(2) Coordination with dependent care assistance exclusion.--The dollar amount in paragraph (1) shall be reduced by the aggregate amount excluded from gross income under section 129 for the taxable ***year***, if any. ``(d) Special Rules.--For purposes of this section-- ``(1) ***Payments*** to related individuals.--No credit shall be allowed under subsection (a) for any amount paid to an individual with respect to whom, for the taxable ***year***, a deduction under section 151(c) is allowable either to the taxpayer or the taxpayer's spouse. For purposes of this paragraph, the term `taxable ***year***' means the taxable ***year*** of the taxpayer in which the service is performed. ``(2) Identifying information required with respect to service provider.--No credit shall be allowed under subsection (a) for any amount paid to any person unless-- ``(A) the name, address, and taxpayer identification number of such person are included on the return claiming the credit, or ``(B) if such person is an organization described in section 501(c)(3) and exempt from tax under section 501(a), the name and address of such person are included on the return claiming the credit. In the case of a failure to provide the information required under the preceding sentence, the preceding sentence shall not apply if it is shown that the taxpayer exercised due diligence in attempting to provide the information so required. ``(3) Identifying information required with respect to qualifying individuals.--No credit shall be allowed under subsection (a) with respect to any qualifying individual unless the taxpayer identification number of such individual is included on the return claiming the credit. ``(e) Denial of Double Benefit.--No credit shall be allowed under subsection (a) for any amount with respect to which a credit is allowed under section 21. ``(f) Regulations.--The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this section.''. (b) The table of sections for subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after the item relating to section 25D the following new item: ``Sec. 25E. Expenses for eldercare.''. (c)(1) Section 213(e) of the Internal Revenue Code of 1986 is amended-- (A) by inserting ``or section 25E'' after ``section 21'', and (B) by inserting ``and Elders'' after ``Certain Dependents'' in the heading. (2) Section 6213(g)(2) of such Code is amended-- (A) by inserting ``, section 25E (relating to expenses for care of elders),'' after ``(relating to expenses for household and dependent care services necessary for gainful employment)'' in subparagraph (H), and (B) by inserting ``, 25E'' after ``24'' in subparagraph (L). (d) The amendments made by this section shall apply to taxable ***years*** beginning after the date of the enactment of this Act. \_\_\_\_\_\_ SA 3818. Ms. KLOBUCHAR submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in division B, insert the following: safe and affordable drugs from canada Sec. \_\_\_. Chapter VIII of the Federal Food, Drug, and Cosmetic Act (21 U.S.C 381 et seq.) is amended by adding at the end the following: [[Page S5772]] ``SEC. 810. IMPORTATION BY INDIVIDUALS OF PRESCRIPTION DRUGS FROM CANADA. ``(a) In General.--Notwithstanding any other provision of this Act, not later than 185 days after the date of enactment of this section, the Secretary shall promulgate regulations permitting individuals to safely import into the United States a prescription drug described in subsection (b). ``(b) Prescription Drug.--A prescription drug described in this subsection-- ``(1) is a prescription drug that-- ``(A) is purchased from an approved Canadian pharmacy; ``(B) is dispensed by a pharmacist licensed to practice pharmacy and dispense prescription drugs in Canada; ``(C) is purchased for personal use by the individual, not for resale, in quantities that do not exceed a 90-day supply; ``(D) is filled using a valid prescription issued by a physician licensed to practice in a State in the United States; and ``(E) has the same active ingredient or ingredients, route of administration, dosage form, and strength as a prescription drug approved by the Secretary under chapter V; and ``(2) does not include-- ``(A) a controlled substance (as defined in section 102 of the Controlled Substances Act (21 U.S.C 802)); ``(B) a biological product (as defined in section 351 of the Public Health Service Act (42 U.S.C 262)); ``(C) an infused drug (including a peritoneal dialysis solution); ``(D) an intravenously injected drug; ``(E) a drug that is inhaled during surgery; ``(F) a parenteral drug; ``(G) a drug manufactured through one or more biotechnology processes, including-- ``(i) a therapeutic DNA plasmid product; ``(ii) a therapeutic synthetic peptide product of not more than 40 amino acids; ``(iii) a monoclonal antibody product for in vivo use; and ``(iv) a therapeutic recombinant DNA-derived product; ``(H) a drug required to be refrigerated at any time during manufacturing, packing, processing, or holding; or ``(I) a photoreactive drug. ``(c) Approved Canadian Pharmacy.-- ``(1) In general.--In this section, an approved Canadian pharmacy is a pharmacy that-- ``(A) is located in Canada; and ``(B) that the Secretary certifies-- ``(i) is licensed to operate and dispense prescription drugs to individuals in Canada; and ``(ii) meets the criteria under paragraph (3). ``(2) Publication of approved canadian pharmacies.--The Secretary shall publish on the Internet Web site of the Food and Drug Administration a list of approved Canadian pharmacies, including the Internet Web site address of each such approved Canadian pharmacy, from which individuals may purchase prescription drugs in accordance with subsection (a). ``(3) Additional criteria.--To be an approved Canadian pharmacy, the Secretary shall certify that the pharmacy-- ``(A) has been in existence for a period of at least 5 ***years*** preceding the date of such certification and has a purpose other than to participate in the ***program*** established under this section; ``(B) operates in accordance with pharmacy standards set forth by the provincial pharmacy rules and regulations enacted in Canada; ``(C) has processes established by the pharmacy, or participates in another established process, to certify that the physical premises and data reporting procedures and licenses are in compliance with all applicable laws and regulations, and has implemented policies designed to monitor ongoing compliance with such laws and regulations; ``(D) conducts or commits to participate in ongoing and comprehensive quality assurance ***programs*** and implements such quality assurance measures, including blind testing, to ensure the veracity and reliability of the findings of the quality assurance ***program***; ``(E) agrees that laboratories approved by the Secretary shall be used to conduct product testing to determine the safety and efficacy of sample pharmaceutical products; ``(F) has established, or will establish or participate in, a process for resolving grievances and will be held accountable for violations of established guidelines and rules; ``(G) does not resell products from online pharmacies located outside Canada to customers in the United States; and ``(H) meets any other criteria established by the Secretary.''. \_\_\_\_\_\_ SA 3819. Mr. WHITEHOUSE (for himself, Mr. Crapo, and Mr. Coons) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in division A, insert the following: Sec. \_\_\_. Of the amounts appropriated or otherwise made available in this division for the congressionally directed medical research ***programs***, $10,000,000 shall be used to carry out a pancreatic cancer research ***program***. \_\_\_\_\_\_ SA 3820. Mr. REED (for himself, Ms. Murkowski, and Mr. Brown) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title III of division B, insert the following: ``Sec. \_\_. (a) The Comptroller General of the United States shall conduct a study on the condition of the public school facilities of the United States and their adequacy to support a 21st century education. ``(b) In conducting the study under subsection (a), the Comptroller General shall study the following factors: ``(1) Structural integrity. ``(2) Plumbing. ``(3) Heating, ventilation, and air conditioning systems. ``(4) Compliance with fire and safety codes. ``(5) Compliance with Federal laws, including the Americans with Disabilities Act of 1990 (42 U.S.C 12101 et seq.). ``(6) Lighting. ``(7) Indoor air quality. ``(8) Environmental conditions, such as exposure to asbestos, lead, and mold. ``(9) Physical security. ``(10) Sufficient space for instruction. ``(c) The Comptroller General shall include in the study under subsection (a) information on the ability of States and local educational agencies to pay for necessary repairs, renovation, and construction of public school facilities that are not in adequate condition, including plans to finance the work within the next 10 ***years***. ``(d) Not later than 18 months after the date of enactment of this Act, the Comptroller General shall submit to the Committee on Appropriations and the Committee on Health, Education, Labor, and Pensions of the Senate, and the Committee on Appropriations and the Committee on Education and the Workforce of the House of Representatives, the findings of the study under this section.''. \_\_\_\_\_\_ SA 3821. Mr. UDALL (for himself and Mr. Heinrich) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B, insert the following: Sec. \_\_. None of the funds appropriated or otherwise made available by this title for the Office of Refugee Resettlement may be obligated or expended for facilities or contractors of the Office if the Director of the Office fails to-- (1) report to the Director of the Federal Bureau of Investigation with respect to incidents of physical or mental injury, sexual abuse or exploitation, or negligent treatment of a child in the custody of the Office or other Federal agencies and subsequent investigations of such incidents under the Victims of Child Abuse Act of 1990 (42 U.S.C 13001 et seq.); (2) track and report such incidents to Congress annually; or (3) provide children in the custody of the Office with access to private areas to place telephone calls with complaints of abuse or harassment. \_\_\_\_\_\_ SA 3822. Mr. UDALL (for himself and Mr. Heinrich) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B, insert the following: Sec. \_\_. The Director of the Office of Refugee Resettlement shall provide at each temporary facility of the Office that houses unaccompanied alien children the full range of services and the same level of care as are required for permanent facilities that house such children. \_\_\_\_\_\_ SA 3823. Mr. UDALL (for himself and Mr. Heinrich) submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B, insert the following: Sec. \_\_. Of the amount appropriated in this division under the heading ``General Departmental Management'', under the heading ``Office of the Secretary'', the Secretary of Health and Human Services shall utilize $1,100,000 for the continuation of cooperative agreements for members of the U.S Mexico Border Health Commission, which include the Border States of Texas, New Mexico, California and Arizona. [[Page S5773]] \_\_\_\_\_\_ SA 3824. Mr. UDALL (for himself, Mrs. Capito, and Mr. Heinrich) submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: In the matter under the heading ``aging and disability services ***programs*** (including ***transfer*** of funds)'' under the heading ``Administration for Community Living'' in title II of division B, strike the colon the first place it appears and insert ``(and an additional amount of $5,000,000): Provided, That the additional amount of $5,000,000 made available under this heading shall be for making (under section 411 of the OAA and consistent with the requirements of the nondisplacement and related grievance procedures of subtitle F of title I of the National and Community Service Act of 1990 and with the Nationwide ***Program*** for National and State Background Checks described in section 6201 of the Patient Protection and Affordable Care Act) grants to public agencies and private nonprofit agencies for placing volunteers in communities to assist older individuals and individuals with disabilities in living independently in their homes, or to support family caregivers who are facilitating that independent living:''. \_\_\_\_\_\_ SA 3825. Ms. CORTEZ MASTO (for herself and Mrs. Ernst) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B, insert the following: SEC. \_\_. STUDY ON TRAUMATIC BRAIN INJURY. (a) Study.--The Comptroller General of the United States, in meaningful consultation with experts on the intersections of domestic violence, disabilities, trauma, and mental health, shall conduct a study to evaluate the status of-- (1) research on the relationship between intimate partner violence and traumatic brain injury experienced by victims; and (2) public awareness and education campaigns related to the effects of intimate partner violence on victims' brain health and its connection to traumatic brain injury experienced by victims. (b) Content.--The study conducted under subsection (a) shall include-- (1) a review on the outcomes of any previous research, the status of existing research activities, and efforts to address knowledge gaps across agencies of the Federal Government; and (2) recommendations to-- (A) encourage increased research to address existing knowledge gaps relating to the relationship between intimate partner violence and traumatic brain injury experienced by victims; (B) increase awareness of the effects of intimate partner violence on the brain health of victims for health care and other treatment providers; (C) increase victim service providers' awareness of the effects of intimate partner violence on victims' brain health, enhance their capacity to identify victims with traumatic brain injuries and provide services that support victims' healing and recovery; and (D) increase awareness of the links between intimate partner violence and the brain health of victims' for the general public. (c) Report.--Not later than one ***year*** after the date of the enactment of this Act, the Comptroller General shall submit to the Committee on Health, Education, Labor, and Pensions of the Senate, the Committee on the Judiciary of the Senate, the Committee on Appropriations of the Senate, the Committee on Energy and Commerce of the House of Representatives, the Committee on Ways and Means of the House of Representatives, and the Committee on Appropriations of the House of Representatives a report on the study conducted under subsection (a). \_\_\_\_\_\_ SA 3826. Mr. CARDIN submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in division B, insert the following: report on asthma control activities Sec. \_\_. Not later than 120 days after the date of enactment of this Act, the Secretary of Health and Human Services shall submit to Congress a report on asthma control activities conducted by the Department of Health and Human Services that includes information on-- (1) how States may employ Medicaid funding to support asthma control activities in various settings, including home-based and residential settings; (2) public health and population level approaches to addressing environmental exposures; (3) how the health care and housing sectors can work together on interventions to improve asthma care and reduce asthma morbidity; and (4) what the Department of Health and Human Services is doing to expand access to State asthma housing and home-based related initiatives, including what research related to such initiatives the Department is funding, and what resources to support such initiatives are made available through all ***programs*** of the Department, including ***programs*** administered by the Centers for Disease Control and Prevention and the National Institutes of Health. \_\_\_\_\_\_ SA 3827. Mr. CASEY (for himself and Mr. Young) submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B, insert the following: Sec. \_\_. (a) In addition to amounts appropriated under the heading ``Children and Families Services ***Programs***'' under the heading ``Administration for Children and Families'', there is appropriated $10,000,000 for purposes of carrying out title I of the Child Abuse Prevention and Treatment Act. (b) The amounts made available for necessary administrative expenses under the heading ``Children and Families Services ***Programs***'' under the heading ``Administration for Children and Families'' is hereby reduced by $10,000,000. \_\_\_\_\_\_ SA 3828. Mr. MENENDEZ (for himself, Mr. Coons, Mr. Carper, Mr. Whitehouse, Mr. Reed, and Mr. Booker) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B, insert the following: Sec. \_\_\_. Notwithstanding the final rule of the Centers for Medicare and Medicaid Services entitled ``Medicare ***Program***: Hospital Inpatient Prospective ***Payment*** Systems for Acute Care Hospitals and the Long Term Care Hospital Prospective ***Payment*** System and Policy Changes and Fiscal ***Year*** 2019 Rates; Quality Reporting Requirements for Specific Providers; Medicare and Medicaid Electronic Health Record (EHR) Incentive ***Programs*** (Promoting Interoperability ***Programs***) Requirements for Eligible Hospitals, Critical Access Hospitals, and Eligible Professionals; Medicare Cost Reporting Requirements; and Physician Certification and Recertification of Claims'' or any other provision of law, none of the funds appropriated or otherwise made available by this division for the Centers for Medicare & Medicaid Services may be used to terminate the imputed floor policy under section 412.64(h) of title 42, Code of Federal Regulations (including the policy under clause (vi) of such section), as in effect with respect to discharges during fiscal ***year*** 2018, to discharges occurring on or after October 1, 2018. The Secretary of Health and Human Services shall implement the preceding sentence in a budget-neutral manner under section 1886(d) of the Social Security Act (42 U.S.C 1395ww(d)). \_\_\_\_\_\_ SA 3829. Mr. ENZI submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title III of division B, insert the following: Sec. \_\_\_. For the purposes of calculating the maximum Federal Pell Grant award under section 401(b)(2)(A)(i) of the Higher Education Act of 1965 for an award ***year*** subsequent to the 2019-2020 award ***year***, the last enacted appropriation Act shall be the Consolidated Appropriations Act, 2018: Provided, That nothing in this section shall be interpreted as precluding a future appropriations Act from increasing the maximum award above such level for future award ***years***. \_\_\_\_\_\_ SA 3830. Mr. LEAHY (for Mrs. Murray) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. Of the amount appropriated or otherwise made available by title IV of this division under the heading ``Research, Development, Test and Evaluation, Navy'', up to $2,000,000 may be available for research on a practical means of reducing fighter aircraft engine noise (both near and far noise impacts) at the source while maintaining operational performance. [[Page S5774]] \_\_\_\_\_\_ SA 3831. Mr. LEAHY (for Mrs. Murray) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. Of the amount appropriated or otherwise made available by title II of this division under the heading ``Operation and Maintenance, Defense-Wide'', up to $20,000,000 may be available for the Department of Defense Family Advocacy ***Program*** to do the following: (1) To address allegations of juvenile problematic sexual behavior occurring on military installations, including to ensure that the ***Program*** has the resources necessary to ensure a consistent, standardized response to allegations of juvenile problematic sexual behavior across the Department of Defense (including the appropriate level of staff and training resources). (2) To maintain a centralized database with information on reported incidents of juvenile problematic sexual behavior. \_\_\_\_\_\_ SA 3832. Mr. FLAKE submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. The amount expended by the Department of Defense from amounts appropriated or otherwise made available by this division for preparations for or the conduct of any particular parade may not exceed $15,000,000. \_\_\_\_\_\_ SA 3833. Mr. FLAKE (for himself, Mr. McCain, and Mrs. Ernst) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. The amount appropriated by title II of this division under the heading ``Shipbuilding and Conversion, Navy'' is hereby reduced by $475,000,000, with the amount of the reduction applied against amounts available under that heading for the Littoral Combat Ship. \_\_\_\_\_\_ SA 3834. Mr. FLAKE (for himself and Mr. McCain) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B, insert the following: Sec. \_\_\_. None of the funds made available by this Act may be used to support the construction of fast food (as defined in the most recent Dietary Guidelines for Americans published under section 301 of the National Nutrition Monitoring and Related Research Act of 1990 (7 U.S.C 5341)) restaurants. \_\_\_\_\_\_ SA 3835. Mr. FLAKE (for himself and Mr. McCain) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. None of the amounts appropriated or otherwise made available by this Act may be obligated or expended for the development of a beerbot or other robot bartender. \_\_\_\_\_\_ SA 3836. Ms. HIRONO submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place under the heading ``Salaries and Expenses'' under the heading ``National Mediation Board'' in title IV of division B, strike ``$13,800,000.'' and insert ``$13,800,000: Provided, That the National Mediation Board shall prepare and submit a report, not later than 60 days after the date of enactment of this Act, to the Committee on Appropriations of the House of Representatives and the Committee on Appropriations of the Senate on any concurrent postponement election under the jurisdiction of the National Mediation Board and the rationale for the postponement.''. \_\_\_\_\_\_ SA 3837. Ms. HIRONO submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title III of division B, insert the following: Sec. \_\_\_. (a) Section 113(4)(A)(ii) of the Strengthening Career and Technical Education for the 21st Century Act (Public Law 115-224) is amended by striking subclause (II). (b) Section 114(d)(1)(B)(vi) of the Carl D. Perkins Career and Technical Education Act of 2006 (20 U.S.C 2324(d)(1)(B)(vi) is amended to read as follows: ``(vi) other individuals and qualified intermediaries with relevant expertise, which shall include individuals with expertise in addressing inequities in access to, and in opportunities for, academic and technical skill attainment and in ***programs*** dealing with gender and racial or ethnic disparities;''. \_\_\_\_\_\_ SA 3838. Ms. HIRONO (for herself, Mr. Whitehouse, and Mr. Reed) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: In the matter under the heading ``Student Financial Assistance'' in title III of division B, strike the first period and insert ``: Provided further, That none of the funds made available under this title may be used to modify any regulation (as in effect on the date of enactment of this Act) if the modification would increase the cost of the Federal Pell Grant ***program*** carried out under subpart 1 of part A of title IV of the HEA, by $1,000,000,000.''. \_\_\_\_\_\_ SA 3839. Ms. WARREN submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title V of division B, insert the following: SEC. \_\_. STUDY ON FIRST RESPONDER HEALTH IMPACTS. (a) Study.-- (1) In general.--The Secretary of Health and Human Services (referred to in this section as the ``Secretary''), acting through the Director of the Centers for Disease Control and Prevention and the Director of the Agency for Toxic Substances and Disease Registry, and, as appropriate, the Director of the National Institute of Environmental Health Sciences, and in consultation with the Secretary of Defense shall conduct a study of the health implications for firefighters, police officers, and other first responders of exposure to per- and polyfluoroalkyl substances occurring during training or when fighting fires, including exposure that occurs as a result of the use of firefighting protective equipment containing per- and polyfluoroalkyl substances. (2) Recommendations and reports.--The Secretary shall-- (A) not later than one ***year*** after the date of the enactment of this Act, and annually thereafter until submission of the report under subparagraph (B)(ii), submit to the appropriate congressional committees a report on the progress of the study under paragraph (1); and (B) not later than 3 ***years*** after the date of enactment of this Act-- (i) complete the study under paragraph (1); and (ii) submit a report, including any appropriate recommendations, to the appropriate congressional committees on the results of such study. (b) Authorization of Appropriations.--There is authorized to be appropriated to carry out this Act, $5,000,000 for fiscal ***year*** 2019. (c) Appropriate Congressional Committees Defined.--For purposes of this section, the term ``appropriate congressional committees'' means-- (1) the Committee on Appropriations, the Committee on Armed Services, the Committee on Health, Education, Labor, and Pensions, the Committee on Environment and Public Works, the Committee on Veterans' Affairs, and the Committee on Homeland Security and Governmental Affairs of the Senate; and (2) the Committee on Appropriations, the Committee on Armed Services, the Committee on Energy and Commerce, the Committee on Veterans' Affairs, and the Committee on Homeland Security of the House of Representatives. [[Page S5775]] \_\_\_\_\_\_ SA 3840. Ms. WARREN submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place, insert the following: Sec. \_\_. The Firefighter Cancer Registry Act of 2018 (Public Law 115-194) is amended-- (1) by inserting ``, police officers, and other first responders'' after ``firefighters'' each place the term appears; (2) by inserting ``police officer, or other first responder'' after ``firefighter'' each place the term appears; and (3) in section 2-- (A) in subsection (d)(3), by inserting ``local law enforcement agencies, State associations of police chiefs, and emergency medical technician agencies and associations,'' after ``State departments of homeland security,''; and (B) in subsection (e)(4), by inserting ``, law enforcement,'' after ``national fire''. \_\_\_\_\_\_ SA 3841. Mrs. McCASKILL (for herself and Mr. Isakson) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in division A, insert the following: Sec. \_\_\_\_. The Secretary of Defense shall use amounts appropriated or otherwise made available to the Department of Defense under this division to provide testing for elevated blood lead levels at military treatment facilities for babies during their 12-month and 24-month wellness checks or annual physical examinations. \_\_\_\_\_\_ SA 3842. Mr. MERKLEY (for himself, Mr. Udall, Mr. Booker, and Mr. Heinrich) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in the matter under the heading ``children and families services ***programs***'' under the heading ``Administration for Children and Families'' in title II of division B, insert ``: Provided further, That $10,000,000 of the amounts made available under this heading shall be for carrying out the Assets for Independence Act''. \_\_\_\_\_\_ SA 3843. Mr. MERKLEY (for himself, Ms. Duckworth, Mr. Booker, Mr. Menendez, Mr. Kaine, and Mr. Van Hollen) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B insert the following: Sec. \_\_. There are appropriated, in addition to any other amounts made available under the heading ``Health Workforce'' under the heading ``Health Resources and Services Administration'', $17,000,000 for purposes of carrying out title VIII of the PHS Act. \_\_\_\_\_\_ SA 3844. Mr. KENNEDY submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place, insert the following: Sec. \_\_. None of the funds made available by this or any other Act may be used to enter into a contract, memorandum of understanding, or cooperative agreement with, make a grant to, or provide a loan or loan guarantee to any corporation that has any unpaid Federal tax liability that has been assessed, for which all judicial and administrative remedies have been exhausted or have lapsed, and that is not being paid in a timely manner pursuant to an agreement with the authority responsible for collecting such tax liability, provided that the applicable Federal agency-- (1) is aware of the unpaid Federal tax liability; (2) has considered suspension or debarment of the corporation; and (3) has made a determination that such suspension or debarment is necessary to protect the interests of the Federal Government. \_\_\_\_\_\_ SA 3845. Mr. RUBIO submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. None of the amounts appropriated or otherwise made available by this division may be used to deactivate or realign, or prepare for the deactivation or realignment of, Strike Fighter Squadron 101 (otherwise known as VFA 101) at Eglin Air Force Base, Florida. \_\_\_\_\_\_ SA 3846. Mr. RUBIO submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. Of the amounts appropriated or otherwise made available by title II of this division under the heading ``Operation and Maintenance, Defense-Wide'', up to $48,242,000 may be available for the Maritime Security Initiative for purposes of addressing budget priorities in the Indo-PACOM Martime Partnership in connection with building partner capacity to contribute to maritime security and domain awareness. \_\_\_\_\_\_ SA 3847. Mr. RUBIO submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. 8\_\_\_. None of the funds appropriated or otherwise made available by this Act may be used to conduct a lease sale for oil or gas in an area described in section 104(a) of the Gulf of Mexico Energy Security Act of 2006 (43 U.S.C 1331 note; Public Law 109-432), including any area east of the Military Mission Line (as defined in section 102 of that Act) in the Gulf of Mexico. \_\_\_\_\_\_ SA 3848. Mr. RUBIO (for himself and Mr. Nelson) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. Of the amounts appropriated or otherwise made available by title II of this division under the heading ``Operation and Maintenance, Navy'', up to $5,000,000 may be available for planning and design activities in connection with the implementation of future homeporting decisions based on strategic dispersal objectives in the 2018 Strategic Laydown. \_\_\_\_\_\_ SA 3849. Mr. RUBIO submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. Of the amounts appropriated or otherwise made available by title II of this division under the heading ``Operation and Maintenance, Navy'', up to $5,000,000 may be available for the maintenance and use of the Saturation Fly Away Diving System (SATFADS) of the Navy. \_\_\_\_\_\_ SA 3850. Mr. RUBIO submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. Amounts appropriated or otherwise made available by title III of this division under the heading ``Aircraft Procurement, Air Force'' may be available to the Secretary of the Air Force for one or more contracts, beginning with the fiscal ***year*** 2019 ***program*** ***year***, to convert not more than 34 F- 22 fighter aircraft of the Air Force from Block 20 configuration to Block 35 configuration. \_\_\_\_\_\_ SA 3851. Mr. RUBIO submitted an amendment intended to be proposed to [[Page S5776]] amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title III of division B, insert the following: Sec. \_\_. None of the funds made available under this Act shall be used by any State educational agency or local educational agency (as such terms are defined in section 8101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C 7801)) to develop or implement a discipline policy that-- (1) discourages schools from reporting any disciplinary action to law enforcement agencies; or (2) discourages law enforcement agencies from arresting an individual for-- (A) any misdemeanor domestic violence offense; (B) harassing, stalking, or threatening an intimate partner, or engaging in other conduct that would place an intimate partner in reasonable fear of bodily injury; (C) any criminal offense for which the maximum term of imprisonment is more than 1 ***year***; (D) any criminal offense relating to being a fugitive from justice; (E) unlawful possession of a firearm; or (F) exhibiting verbal or physical threatening behavior towards others, including-- (i) acts of violence resulting from expulsion from school; (ii) threats involving firearms or other weapons; or (iii) other actions resulting in a reasonable fear of bodily injury. \_\_\_\_\_\_ SA 3852. Mr. RUBIO submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B, insert the following: Sec. \_\_. Notwithstanding any other provision of law, no provider of services under title X of the Public Health Service Act shall be exempt from any State law requiring notification or the reporting of child abuse, child molestation, sexual abuse, rape, or incest. \_\_\_\_\_\_ SA 3853. Mr. RUBIO (for himself and Mr. Nelson) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: On page 201, line 2, strike the period and insert the following ``: Provided, that of the funds made available under this heading, $1,000,000 shall be available to enhance harmful algal bloom exposure activities, including surveillance, mitigation, and event response efforts, with a priority given to geographic locations subject to a state of emergency designation related to toxic algae blooms within the past 12 months.''. \_\_\_\_\_\_ SA 3854. Mr. RUBIO submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in division A, insert the following: Sec. \_\_\_\_. (a) None of the funds appropriated or otherwise made available in this Act may be used by a Federal agency for which amounts are appropriated in this Act to acquire telecommunications equipment produced by Huawei Technologies Company or ZTE Corporation or a high-impact or moderate- impact information system, as defined for security categorization in the National Institute of Standards and Technology's (in this section referred to as ``NIST'') Federal Information Processing Standard Publication 199, ``Standards for Security Categorization of Federal Information and Information Systems'', unless the agency has-- (1) reviewed the supply chain risk for the information systems against criteria developed by NIST to inform acquisition decisions for high-impact and moderate-impact information systems within the Federal Government; (2) reviewed the supply chain risk from the presumptive awardee against available and relevant threat information provided by the Federal Bureau of Investigation and other appropriate Federal agencies; and (3) in consultation with the Federal Bureau of Investigation or other appropriate Federal agency, conducted an assessment of any risk of cyber espionage or sabotage associated with the acquisition of such system, including any risk associated with such system being produced, manufactured, or assembled by one or more entities identified by the United States Government as posing a cyber threat, including those that may be owned, directed, or subsidized by the People's Republic of China, the Islamic Republic of Iran, the Democratic People's Republic of Korea, or the Russian Federation. (b)(1) None of the funds appropriated or otherwise made available in this Act may be used to acquire a high-impact or moderate-impact information system reviewed and assessed under subsection (a) unless the head of the assessing entity described in subsection (a) has-- (A) developed, in consultation with NIST and supply chain risk management experts, a mitigation strategy for any identified risks; (B) determined, in consultation with NIST and the Federal Bureau of Investigation, that the acquisition of such system is in the vital national security interest of the United States; and (C) reported that determination to the Committee on Appropriations of the Senate and the Committee on Appropriations of the House of Representatives in a manner that identifies the system intended for acquisition and includes a detailed description of the mitigation strategies identified in (1). (2) The report required by paragraph (1)(C) shall be submitted in unclassified form but may include a classified annex. \_\_\_\_\_\_ SA 3855. Mr. RUBIO submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in division A, insert the following: Sec. \_\_\_\_. (a) Not later than 90 days after the date of the enactment of this Act, and every 90 days thereafter, the Secretary of Defense, in consultation with the Director of National Intelligence, shall certify to the congressional defense committees and the congressional intelligence committees that there are no known devices, components, subcomponents, or software embedded within or with access to any operational or business data or voice network of the Department of Defense, including intranets, that are produced by Huawei Technologies Company, ZTE Corporation, any subsidiary or affiliate of such entity, or any other Chinese telecommunication or technology entity. (b) If it is not possible to make a certification under subsection (a), the Secretary of Defense, in consultation with the Director of National Intelligence, shall submit to the congressional defense committees a report detailing all instances of known devices, components, subcomponents, or software embedded within or with access to any operational or business data or voice network of the Department of Defense, including intranets, that are produced by Huawei Technologies Company, ZTE Corporation, any subsidiary or affiliate of such entity, or any other Chinese telecommunication or technology entity, and including a plan to excise such devices, components, subcomponents, or software within 30 days of the report. (c)(1) Not later than 180 days after the date of the enactment of this Act, the Secretary of Defense, in consultation with the Director of National Intelligence, shall submit to the congressional defense committees and the congressional intelligence committees a report on the following: (A) The threat that incorporating devices, components, subcomponents, or software produced by Chinese telecommunication or technology entities into operational or business data and voice networks of the Department of Defense poses to the national security of the United States. (B) The extent to which Chinese telecommunications equipment and components are embedded within operational or business data and voice networks of the Department of Defense, and how many Chinese telecommunications technology components have been removed during the two-***year*** period preceding the report. (C) The prevalence of Chinese-origin telecommunications equipment available for sale on military installations of the United States. (D) The privacy and security threats posed to members of the Armed Forces and their families by the use of Chinese- origin telecommunications devices, components, subcomponents, and software, including mobile phones, fitness monitors with tracking capabilities, routers, and other household components. (2) The report required by paragraph (1) shall be submitted in unclassified form but may include a classified annex. \_\_\_\_\_\_ SA 3856. Mr. RUBIO submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. (a) Not later than 180 days after the date of the enactment of this Act, the Secretary of Defense shall, in consultation with the Secretary of State and the Director of National Intelligence, submit to [[Page S5777]] the congressional defense committees a report on the implications for the national security of the United States, and for stability in the region concerned, of continuing instability in each of the following: (1) Nicaragua. (2) Venezuela. (b) The report required by subsection (a) shall include the following: (1) A description and assessment of the manner in which the political, economic, and humanitarian crisis in each of Nicaragua and Venezuela affects the national security of the United States, United States interests in the Western Hemisphere, and stability in the region concerned. (2) A description and assessment of various policy options for the United States to mitigate any adverse effects described pursuant to paragraph (1). (3) A description and assessment of various policy options for enhancement of the security partnership between the United States and Costa Rica (in the case of Nicaragua), the United States and Colombia (in the case of Venezuela), and between the United States and other strategic allies in the region concerned. (4) A description and assessment of the adequacy of the posture of the Department of Defense and the Armed Forces to address continuing or worsening instability in each of Nicaragua and Venezuela. (5) A description of the financial and other support, if any, required by the United States Southern Command to address continuing or worsening instability in each of Nicaragua and Venezuela. (c) The report required by subsection (a) shall be submitted in unclassified form, but may include a classified annex. \_\_\_\_\_\_ SA 3857. Mr. ISAKSON (for himself, Mrs. McCaskill, Mr. Warner, Mr. Paul, Mr. Cornyn, Mrs. Gillibrand, and Mr. Kaine) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. (a) Not later than one ***year*** after the date of the enactment of this Act, the Comptroller General of the United States shall, in consultation with the Secretary of Defense and the Secretaries of the military departments, submit to the appropriate committees of Congress a report on the monitoring, compliance, and remediation by the Department of Defense of lead in military housing, including the lead exposure monitoring protocols of the Department for military housing. (b) The report required by subsection (a) shall include the following: (1) A description and assessment of the effectiveness of the Department and its lead exposure monitoring protocols in monitoring lead exposure in military housing. (2) A description and assessment of the compliance of military housing with applicable lead exposure limitations. (3) A description and assessment of the remediation efforts of the Department with respect to lead in military housing. (4) Such recommendations as the Comptroller General considers appropriate for the expansion of blood testing for lead among children who have lived in military housing. (c) In this section, the term ``appropriate committees of Congress'' means-- (1) the Committee on Armed Services, the Committee on Veterans' Affairs, and the Committee on Appropriations of the Senate; and (2) the Committee on Armed Services, the Committee on Veterans' Affairs, and the Committee on Appropriations of the House of Representatives. \_\_\_\_\_\_ SA 3858. Mr. CASSIDY (for himself, Mr. King, and Ms. Heitkamp) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B, insert the following: Sec. \_\_. Not later than 1 ***year*** after the date of enactment of this Act, and using funds appropriated under this division, the Director of the NIH shall conduct a comprehensive study and submit to Congress a report that-- (1) includes a portfolio analysis of current funding levels of the NIH related to mental health and substance use disorder; and (2) identifies the process by which the NIH set funding priorities for mental health and substance use disorder ***programs***, including how NIH takes into account newly developed public health needs, disease burden, emerging scientific opportunities, and scientific progress. \_\_\_\_\_\_ SA 3859. Mr. RUBIO submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: On page 199, line 11, strike ``activity'' and insert ``activity, including contracts or ***payments*** to outside vendors''. \_\_\_\_\_\_ SA 3860. Mr. PORTMAN (for himself and Mr. Brown) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: SEC. \_\_\_. SENSE OF SENATE ON RESEARCH REGARDING BLAST EXPOSURE ON THE CELLULAR LEVEL OF THE BRAIN. It is the sense of the Senate that-- (1) further research is necessary regarding blast exposure on the cellular level of the brain; (2) such research is needed to develop blast protection requirements for helmets and other personal protective equipment; and (3) the Department of Defense should increase ongoing efforts, to the maximum extent possible, to develop a predictive traumatic brain injury model for blast, in order to better understand the cellular response to blast impulses and the interaction of the human brain and protective equipment related to blast exposure. \_\_\_\_\_\_ SA 3861. Mr. COTTON submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. It is the sense of the Senate that-- (1) the impending cut of $71,000,000,000 to the national defense budget for fiscal ***year*** 2020 would have a disastrous impact on military readiness and would force the Department of Defense to choose between abandoning investments in weapon systems and making significant cuts to military personnel; (2) to avert this disaster, Congress must immediately begin negotiating budget levels for national defense for fiscal ***years*** 2020 and 2021 that provide funding levels necessary to maintain technological advancements as well as current troop levels; (3) the longer Congress waits to give budget certainty to the Department for fiscal ***years*** 2020 and 2021, the more taxpayer money will be wasted through delays on strategic decisions and critical ***programs***; and (4) Secretary of Defense James Mattis rightfully condemned these destructive cuts when he testified before Congress that ``[n]o enemy in the field has done more to harm the warfighting readiness of our military than sequestration''. \_\_\_\_\_\_ SA 3862. Mr. NELSON (for himself, Mr. Rubio, Mr. Blumenthal, and Mr. Donnelly) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: In title III of division B, under the heading ``Safe Schools and Citizenship Education'', strike ``(`Project SERV') ***program***:''and insert ``(`Project Serve') ***program*** and not more than $10,000,000 may be for a demonstration ***program*** to test and evaluate innovative partnerships between institutions of higher education and high-needs State or local educational agencies to train school counselors, social workers, psychologists, or other mental health professionals qualified to provide school-based mental health services, with the goal of expanding the pipeline of these workers into low-income public elementary schools and secondary schools in order to address the shortages of mental health service professionals in such schools:''. \_\_\_\_\_\_ SA 3863. Mr. DONNELLY submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. None of the funds appropriated or otherwise made available by this division may be used to integrate, or facilitate the integration of, the S-400 air and missile defense system into the Integrated Air and Missile Defence System of the North Atlantic Treaty Organization (NATO). [[Page S5778]] \_\_\_\_\_\_ SA 3864. Mr. PETERS (for himself, Mr. Gardner, and Ms. Stabenow) submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B insert the following: Sec. \_\_. Not later than 1 ***year*** after the date of enactment of this Act, the National Institute of Environmental Health Sciences shall provide the Committees on Appropriations of the House of Representatives and the Senate the results and status of research assessing the toxicological effects of short-chain and other alternative perfluoroalkyl and polyfluoroalkyl substances (PFAS). \_\_\_\_\_\_ SA 3865. Mr. MANCHIN (for himself and Mr. Casey) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in division B, insert the following: SEC. \_\_. SENSE OF THE SENATE REGARDING REPRESENTATION BY SENATE LEGAL COUNSEL IN TEXAS V. UNITED STATES. (a) Findings.--Congress finds the following: (1) Texas, Wisconsin, Alabama, Arkansas, Arizona, Florida, Georgia, Indiana, Kansas, Louisiana, Paul LePage (Governor of Maine), Mississippi (by and through Governor Phil Bryant), Missouri, Nebraska, North Dakota, South Carolina, South Dakota, Tennessee, Utah, and West Virginia have filed suit in the United States District Court for the Northern District of Texas, arguing that the Patient Protection and Affordable Care Act (Public Law 111-148; 124 Stat. 119), is unconstitutional and should be enjoined, by asserting that the Act's requirement to maintain minimum essential coverage (commonly known as the ``individual responsibility provision'') in section 5000A(a) of the Internal Revenue Code of 1986, is unconstitutional following the amendment of that provision by the Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal ***year*** 2018 (Public Law 115-97) (commonly known as the ``Tax Cuts and Jobs Act''). (2) These State and individual plaintiffs also seek to strike down the entire Patient Protection and Affordable Care Act as not severable from the individual responsibility provision. (3) On June 7, 2018, the Department of Justice refused to defend the constitutionality of the amended individual responsibility provision, despite the well-established duty of the Department to defend Federal statutes where reasonable arguments can be made in their defense. (4) The Department of Justice not only refused to defend the amended individual responsibility provision, but it affirmatively argued that this provision is unconstitutional and that the provisions of the Patient Protection and Affordable Care Act guaranteeing issuance of insurance coverage regardless of health status or pre-existing conditions (commonly known as the ``guaranteed issue provision''), sections 2702, 2704, and 2705(a) of the Public Health Service Act (42 U.S.C 300gg-1, 300gg-3, 300gg-4(a)), and prohibiting discriminatory premium rates (commonly known as the ``community rating provision''), sections 2701 and 2705(b) of the Public Health Service Act (42 U.S.C 300gg(a)(1), 300gg-4(b)) must now be struck down as not severable from the individual responsibility provision. (b) Sense of the Senate.--It is the sense of the Senate that the Senate Legal Counsel should be authorized to represent the Senate in Texas v. United States, No. 4:18-cv- 00167-O (N.D Tex.), including seeking to-- (1) intervene as a party in the matter; and (2) defend all provisions of the Patient Protection and Affordable Care Act, the amendments made by that Act to other provisions of law, and any amendments to such provisions, including the provisions ensuring affordable health coverage for those with pre-existing conditions. \_\_\_\_\_\_ SA 3866. Ms. DUCKWORTH (for herself and Mr. Merkley) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: On page 225, line 22, by striking the period and inserting ``: Provided further, That, in order to use funds made available under this heading, the Secretary shall prepare and submit to Congress, not later than September 24, 2018, a report specifying the process used by the Office of Refugee Resettlement in granting requests for congressional oversight visits to any facility in the United States in which unaccompanied alien children are housed or detained as a result of the policy described in the memorandum of the Attorney General entitled `Zero-Tolerance for Offenses Under 8 U.S.C Sec. 1325(a)' dated April 6, 2018.''. \_\_\_\_\_\_ SA 3867. Mr. MERKLEY (for himself, Mr. Tester, Mr. Crapo, Mr. Daines, Mr. Wyden, and Mr. Risch) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: On page 154, line 16, strike the period and insert ``: Provided further, That, of the amount made available under this heading, not less than $180,000,000 shall be used, during the period of July 1, 2019, through June 30, 2020, for the administration of Civilian Conservation Centers by the Secretary of ***Agriculture*** under section 147(d) of the Workforce Innovation and Opportunity Act (29 U.S.C 3197(d)): Provided further, That the Secretary, prior to July 1, 2019, shall prepare and submit to the Committee on Appropriations of the House of Representatives and the Committee on Appropriations of the Senate a report that includes-- ``(1) a copy of the interagency agreement between the Secretary of Labor and the Secretary of ***Agriculture*** relating to the Civilian Conservation Centers; ``(2) a list of all active Civilian Conservation Centers and contractors administering such Centers; and ``(3) a cumulative record of the funding provided to Civilian Conservation Centers during the 10 ***years*** preceding the date of the report, including, for each Civilian Conservation Center-- ``(A) the funds allocated to the Civilian Conservation Center; ``(B) the number of enrollment slots maintained, disaggregated by gender and by residential or nonresidential training type; ``(C) the career technical training offerings available; ``(D) the staffing levels and staffing patterns at the Civilian Conservation Center; and ``(E) the number of Career Technical Skills Training slots available.''. \_\_\_\_\_\_ SA 3868. Mr. JONES submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. Not later than 90 days after the date of the enactment of this Act, the Secretary of the Air Force shall submit to the congressional defense committees a report on the following: (1) Planned ***transfers*** or relocations of simulators for KC- 135 aircraft and KC-46 aircraft in fiscal ***year*** 2019. (2) The metrics used to evaluate ***transfers*** or relocations of simulators for KC-135 aircraft and KC-46 aircraft that occurred in fiscal ***years*** 2014 through 2018, and that will occur in fiscal ***year*** 2019. (3) The costs incurred by the Department of the Air Force in carrying out the ***transfers*** or relocations described in paragraph (2) that occurred before the date of the submittal of the report. \_\_\_\_\_\_ SA 3869. Mr. CASEY (for himself and Ms. Murkowski) submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place, insert the following: Sec. \_\_. (a) None of the funds made available by this Act or from any unobligated balances available from prior fiscal ***years*** may be used by the Social Security Administration for the purposes of reinstating reconsideration of an initial disability determination by the Disability Determination Services of Alabama, Alaska, Colorado, Louisiana, Michigan, Missouri, New Hampshire, New York, Pennsylvania, or California (Los Angeles North and Los Angeles West Branches). (b)(1) Not later than 180 days after the date of the enactment of this Act, the Commissioner of Social Security shall submit to the applicable committees a detailed plan to-- (A) improve the reconsideration level of review for disability determinations; and (B) decrease case processing time for initial disability determinations and appeals. (2) For purposes of developing the plan described in paragraph (1), the Commissioner of Social Security shall include information and input from-- (A) the Chairman of the Administrative Conference of the United States; (B) disability advocates and stakeholders through a National Disability Forum, as well as other outreach methods; (C) data collected from the 1997 Disability Redesign Prototype model, including the elimination of the reconsideration step of the administrative review process for disability determinations in the 10 prototype States; and [[Page S5779]] (D) scholarly experts as well as peer-reviewed disability or administrative review studies published by academic or non-profit research institutions. (3) For purposes of paragraph (1), the term ``applicable committees'' means the Committee on Ways and Means of the House of Representatives, the Committee on Appropriations of the House of Representatives, the Committee on Appropriations of the Senate, and the Committee on Finance of the Senate. (c) For purposes of this section, the term ``initial disability determination'' means a determination made by a State Disability Determination Services office in regards to whether an individual is disabled for purposes of any benefits under title II or XVI of the Social Security Act based on such individual's status as disabled. \_\_\_\_\_\_ SA 3870. Mr. PETERS (for himself and Mrs. Capito) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B, insert the following: Sec. \_\_. Not later than 180 days after the date of enactment of this Act, the Administrator of the Substance Abuse and Mental Health Services Administration shall submit to Congress a report on agency activities related to medication-assisted treatment. The report submitted by the Administrator under this section shall include a description of how the agency is taking steps to overcome barriers to medication-assisted treatment for adolescents and young adults. \_\_\_\_\_\_ SA 3871. Mr. DONNELLY (for himself and Mrs. Gillibrand) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title I of division B, insert the following: SEC. \_\_. ELIGIBILITY OF WORKERS WHOSE JOBS ARE ELIMINATED THROUGH AUTOMATION FOR TRADE ADJUSTMENT ASSISTANCE. (a) In General.--Section 222(a)(2) of the Trade Act of 1974 (19 U.S.C 2272(a)(2)) is amended-- (1) in subparagraph (A)(iii), by striking ``; or'' and inserting a semicolon; (2) in subparagraph (B)(ii), by striking the period at the end and inserting ``; or''; and (3) by adding at the end the following: ``(C)(i) there has been a shift in production of articles or supply of services by such workers' firm from utilizing the workers to methods or systems primarily utilizing automation; and ``(ii) the shift described in clause (i) contributed importantly to such workers' separation or threat of separation.''. (b) Automation Defined.--Section 222(c) of the Trade Act of 1974 (19 U.S.C 2272(c)) is amended-- (1) by redesignating paragraphs (1) through (4) as paragraphs (2) through (5), respectively; and (2) by inserting before paragraph (2), as redesignated by paragraph (1), the following: ``(1) Automation.--The term `automation' means using technology to produce a good or service previously produced by human work.''. (c) Specification of Basis for Eligibility.--Section 222 of the Trade Act of 1974 (19 U.S.C 2272) is amended by adding at the end the following: ``(f) Specification of Basis for Eligibility.--When the Secretary certifies a group of workers under this section as eligible to apply for adjustment assistance, the Secretary shall specify in the certification the basis for the eligibility of the group under subsection (a).''. (d) Conforming Amendments.--Subsections (b) and (c) of section 222 of the Trade Act of 1974 (19 U.S.C 2272) are amended by striking ``subsection (a)'' each place it appears and inserting ``subparagraph (A) or (B) of subsection (a)(2)''. (e) Regulations; Recommendations.--Not later than 2 ***years*** after the date of the enactment of this Act, the Secretary of Labor shall-- (1) prescribe regulations to carry out the amendments made by this section; and (2) submit to Congress a report that includes recommendations for any changes to law necessary to carry out the amendments made by this section, including any changes to section 236(a)(2)(A) of the Trade Act of 1974 (19 U.S.C 2296(a)(2)(A)). (f) Effective Date.--The amendments made by this section shall-- (1) take effect on the date that is 2 ***years*** after the date of the enactment of this Act; and (2) apply with respect to petitions for certifications of eligibility filed under section 221 of the Trade Act of 1974 (19 U.S.C 2271) on or after the date described in paragraph (1). SEC. \_\_. INDEPENDENT ADVISORY COMMISSION ON LABOR AUTOMATION. (a) Establishment.--The Secretary of Labor shall establish an independent advisory commission on labor automation to advise the Secretary on matters relating to jobs and occupations at risk of elimination as a result of automation. (b) Membership.--The Secretary shall ensure that membership on the advisory commission established under subsection (a) includes individuals with expertise in labor, individuals with expertise in technology, and individuals with expertise in business. (c) Annual Report.--Not less frequently than annually, the advisory commission established under subsection (a) shall submit to the Secretary and make available to the public a report describing jobs and occupations at risk of elimination as a result of automation that includes-- (1) an identification of the States most affected by that risk; and (2) recommendations for collaboration with State workforce agencies to identify and address that risk. (d) Automation Defined.--In this section, the term ``automation'' means using technology to produce a good or service previously produced by human work. \_\_\_\_\_\_ SA 3872. Mr. NELSON submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title III of division B, insert the following: Sec. \_\_. (a) Section 455(f) of the Higher Education Act of 1965 (20 U.S.C 1087e(f)) is amended-- (1) by redesignating paragraphs (3) and (4) as paragraphs (4) and (5), respectively; and (2) by inserting after paragraph (2) the following: ``(3) Deferment for borrowers receiving cancer treatment.-- ``(A) Effect on principal and interest.--A borrower of a loan made under this part who meets the requirements of subparagraph (B) shall be eligible for a deferment, during which periodic installments of principal need not be paid, and interest shall not accrue. ``(B) Eligibility.--A borrower of a loan made under this part shall be eligible for a deferment during-- ``(i) any period in which such borrower is receiving treatment for cancer; and ``(ii) the 6 months after such period. ``(C) Applicability.--This paragraph shall apply with respect to loans-- ``(i) made on or after the date of the enactment of this paragraph; or ``(ii) in repayment on the date of the enactment of this paragraph.''. (b) Section 427(a)(2)(C) of the Higher Education Act of 1965 (20 U.S.C 1077(a)(2)(C)) is amended-- (1) in clause (ii), by striking ``; or'' and inserting a semicolon; (2) in clause (iii), by inserting ``or'' after the semicolon; and (3) by inserting after clause (iii) the following: ``(iv) in which the borrower is receiving treatment for cancer and the 6 months after such period;''. (c) Section 428(b)(1)(M) of the Higher Education Act of 1965 (20 U.S.C 1078(b)(1)(M)) is amended-- (1) in clause (iii), by striking ``or (II); or'' and inserting ``or (II);''; (2) in clause (iv), by inserting ``or'' after the semicolon; and (3) by adding at the end the following: ``(v) during which the borrower is receiving treatment for cancer and the 6 months after such period;''. (d) Section 464(c)(2) of the Higher Education Act of 1965 (20 U.S.C 1087dd(c)(2)) is amended-- (1) in subparagraph (A)-- (A) in clause (iv), by striking ``; or'' and inserting a semicolon; (B) in clause (v), by inserting ``or'' after the semicolon; and (C) by inserting after clause (v) the following: ``(vi) during which the borrower is receiving treatment for cancer and the 6 months after such period;''. (e) Section 428H(e)(2) of the Higher Education Act of 1965 (20 U.S.C 1078-8(e)(2)) is amended-- (1) in subparagraph (A), by striking ``Interest'' and inserting, ``Except as provided in subparagraph (C), interest''; and (2) by adding at the end the following: ``(C) Interest shall not accrue on a loan deferred under section 428(b)(1)(M)(v) or 427(a)(2)(C)(iv).''. (f) The amendments made by this section shall apply with respect to loans-- (1) made on or after the date of the enactment of this Act; or (2) in repayment on the date of the enactment of this Act. \_\_\_\_\_\_ SA 3873. Ms. KLOBUCHAR (for herself and Mr. Grassley) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: [[Page S5780]] At the appropriate place, insert the following: TITLE \_\_\_ SEC. \_\_. CONGRESSIONAL FINDINGS AND DECLARATION OF PURPOSES. (a) Findings.--Congress finds the following: (1) In 1984, the Drug Price Competition and Patent Term Restoration Act (Public Law 98-417) (referred to in this Act as the ``1984 Act''), was enacted with the intent of facilitating the early entry of generic drugs while preserving incentives for innovation. (2) Prescription drugs make up approximately 10 percent of the national health care spending. (3) Initially, the 1984 Act was successful in facilitating generic competition to the benefit of consumers and health care payers, although 88 percent of all prescriptions dispensed in the United States are generic drugs, they account for only 28 percent of all expenditures. (4) Generic drugs cost substantially less than brand name drugs, with discounts off the brand price averaging 80 to 85 percent. (5) Federal dollars currently account for over 40 percent of the $325,000,000,000 spent on retail prescription drugs, and this share is expected to rise to 47 percent by 2025. (6)(A) In recent ***years***, the intent of the 1984 Act has been subverted by certain settlement agreements in which brand name companies ***transfer*** value to their potential generic competitors to settle claims that the generic company is infringing the branded company's patents. (B) These ``reverse ***payment***'' settlement agreements-- (i) allow a branded company to share its monopoly profits with the generic company as a way to protect the branded company's monopoly; and (ii) have unduly delayed the marketing of low-cost generic drugs contrary to free competition, the interests of consumers, and the principles underlying antitrust law. (C) Because of the price disparity between brand name and generic drugs, such agreements are more profitable for both the brand and generic manufacturers than competition and will become increasingly common unless prohibited. (D) These agreements result in consumers losing the benefits that the 1984 Act was intended to provide. (b) Purposes.--The purposes of this title are-- (1) to enhance competition in the pharmaceutical market by stopping anticompetitive agreements between brand name and generic drug manufacturers that limit, delay, or otherwise prevent competition from generic drugs; and (2) to support the purpose and intent of antitrust law by prohibiting anticompetitive practices in the pharmaceutical industry that harm consumers. SEC. \_\_. UNLAWFUL COMPENSATION FOR DELAY. (a) In General.--The Federal Trade Commission Act (15 U.S.C 44 et seq.) is amended by inserting after section 26 (15 U.S.C 57c-2) the following: ``SEC. 27. PRESERVING ACCESS TO AFFORDABLE GENERICS. ``(a) In General.-- ``(1) Enforcement proceeding.--The Commission may initiate a proceeding to enforce the provisions of this section against the parties to any agreement resolving or settling, on a final or interim basis, a patent infringement claim, in connection with the sale of a drug product. ``(2) Presumption and violation.-- ``(A) In general.--Subject to subparagraph (B), in such a proceeding, an agreement shall be presumed to have anticompetitive effects and shall be a violation of this section if-- ``(i) an ANDA filer receives anything of value, including an exclusive license; and ``(ii) the ANDA filer agrees to limit or forego research, development, manufacturing, marketing, or sales of the ANDA product for any period of time. ``(B) Exception.--Subparagraph (A) shall not apply if the parties to such agreement demonstrate by clear and convincing evidence that-- ``(i) the value described in subparagraph (A)(i) is compensation solely for other goods or services that the ANDA filer has promised to provide; or ``(ii) the procompetitive benefits of the agreement outweigh the anticompetitive effects of the agreement. ``(b) Limitations.--In determining whether the settling parties have met their burden under subsection (a)(2)(B), the fact finder shall not presume-- ``(1) that entry would not have occurred until the expiration of the relevant patent or statutory exclusivity; or ``(2) that the agreement's provision for entry of the ANDA product prior to the expiration of the relevant patent or statutory exclusivity means that the agreement is procompetitive. ``(c) Exclusions.--Nothing in this section shall prohibit a resolution or settlement of a patent infringement claim in which the consideration granted by the NDA holder to the ANDA filer as part of the resolution or settlement includes only one or more of the following: ``(1) The right to market the ANDA product in the United States prior to the expiration of-- ``(A) any patent that is the basis for the patent infringement claim; or ``(B) any patent right or other statutory exclusivity that would prevent the marketing of such drug. ``(2) A ***payment*** for reasonable litigation expenses not to exceed $7,500,000. ``(3) A covenant not to sue on any claim that the ANDA product infringes a United States patent. ``(d) Enforcement.-- ``(1) Enforcement.--A violation of this section shall be treated as a violation of section 5. ``(2) Judicial review.-- ``(A) In general.--Any party that is subject to a final order of the Commission, issued in an administrative adjudicative proceeding under the authority of subsection (a)(1), may, within 30 days of the issuance of such order, petition for review of such order in-- ``(i) the United States Court of Appeals for the District of Columbia Circuit; ``(ii) the United States Court of Appeals for the circuit in which the ultimate parent entity, as defined in section 801.1(a)(3) of title 16, Code of Federal Regulations, or any successor thereto, of the NDA holder is incorporated as of the date that the NDA is filed with the Commissioner of Food and Drugs; or ``(iii) the United States Court of Appeals for the circuit in which the ultimate parent entity of the ANDA filer is incorporated as of the date that the ANDA is filed with the Commissioner of Food and Drugs. ``(B) Treatment of findings.--In a proceeding for judicial review of a final order of the Commission, the findings of the Commission as to the facts, if supported by evidence, shall be conclusive. ``(e) Antitrust Laws.--Nothing in this section shall modify, impair, limit, or supersede the applicability of the antitrust laws as defined in subsection (a) of the first section of the Clayton Act (15 U.S.C 12(a)), and of section 5 of this Act to the extent that section 5 applies to unfair methods of competition. Nothing in this section shall modify, impair, limit, or supersede the right of an ANDA filer to assert claims or counterclaims against any person, under the antitrust laws or other laws relating to unfair competition. ``(f) Penalties.-- ``(1) Forfeiture.--Each party that violates or assists in the violation of this section shall forfeit and pay to the United States a civil penalty sufficient to deter violations of this section, but in no event greater than 3 times the value received by the party that is reasonably attributable to the violation of this section. If no such value has been received by the NDA holder, the penalty to the NDA holder shall be sufficient to deter violations, but in no event greater than 3 times the value given to the ANDA filer reasonably attributable to the violation of this section. Such penalty shall accrue to the United States and may be recovered in a civil action brought by the Commission, in its own name by any of its attorneys designated by it for such purpose, in a district court of the United States against any party that violates this section. In such actions, the United States district courts are empowered to grant mandatory injunctions and such other and further equitable relief as they deem appropriate. ``(2) Cease and desist.-- ``(A) In general.--If the Commission has issued a cease and desist order with respect to a party in an administrative adjudicative proceeding under the authority of subsection (a)(1), an action brought pursuant to paragraph (1) may be commenced against such party at any time before the expiration of 1 ***year*** after such order becomes final pursuant to section 5(g). ``(B) Exception.--In an action under subparagraph (A), the findings of the Commission as to the material facts in the administrative adjudicative proceeding with respect to the violation of this section by a party shall be conclusive unless-- ``(i) the terms of such cease and desist order expressly provide that the Commission's findings shall not be conclusive; or ``(ii) the order became final by reason of section 5(g)(1), in which case such finding shall be conclusive if supported by evidence. ``(3) Civil penalty.--In determining the amount of the civil penalty described in this section, the court shall take into account-- ``(A) the nature, circumstances, extent, and gravity of the violation; ``(B) with respect to the violator, the degree of culpability, any history of violations, the ability to pay, any effect on the ability to continue doing business, profits earned by the NDA holder, compensation received by the ANDA filer, and the amount of commerce affected; and ``(C) other matters that justice requires. ``(4) Remedies in addition.--Remedies provided in this subsection are in addition to, and not in lieu of, any other remedy provided by Federal law. Nothing in this paragraph shall be construed to affect any authority of the Commission under any other provision of law. ``(g) Definitions.--In this section: ``(1) Agreement.--The term `agreement' means anything that would constitute an agreement under section 1 of the Sherman Act (15 U.S.C 1) or section 5 of this Act. ``(2) Agreement resolving or settling a patent infringement claim.--The term `agreement resolving or settling a patent infringement claim' includes any agreement that is entered into within 30 days of the resolution or the settlement of the claim, or any other agreement that is contingent upon, provides a contingent condition for, or [[Page S5781]] is otherwise related to the resolution or settlement of the claim. ``(3) ANDA.--The term `ANDA' means an abbreviated new drug application filed under section 505(j) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C 355(j)) or a new drug application filed under section 505(b)(2) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C 355(b)(2)). ``(4) ANDA filer.--The term `ANDA filer' means a party that owns or controls an ANDA filed with the Commission of Food and Drugs or has the exclusive rights under such ANDA to distribute the ANDA product. ``(5) ANDA product.--The term `ANDA product' means the product to be manufactured under the ANDA that is the subject of the patent infringement claim. ``(6) Drug product.--The term `drug product' has the meaning given such term in section 314.3(b) of title 21, Code of Federal Regulations (or any successor regulation). ``(7) NDA.--The term `NDA' means a new drug application filed under section 505(b) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C 355(b)). ``(8) NDA holder.--The term `NDA holder' means-- ``(A) the holder of an approved NDA application for a drug product; ``(B) a person owning or controlling enforcement of the patent listed in the Approved Drug Products With Therapeutic Equivalence Evaluations (commonly known as the `FDA Orange Book') in connection with the NDA; or ``(C) the predecessors, subsidiaries, divisions, groups, and affiliates controlled by, controlling, or under common control with any of the entities described in subparagraphs (A) and (B) (such control to be presumed by direct or indirect share ownership of 50 percent or greater), as well as the licensees, licensors, successors, and assigns of each of the entities. ``(9) Party.--The term `party' means any person, partnership, corporation, or other legal entity. ``(10) Patent infringement.--The term `patent infringement' means infringement of any patent or of any filed patent application, extension, reissue, renewal, division, continuation, continuation in part, reexamination, patent term restoration, patents of addition, and extensions thereof. ``(11) Patent infringement claim.--The term `patent infringement claim' means any allegation made to an ANDA filer, whether or not included in a complaint filed with a court of law, that its ANDA or ANDA product may infringe any patent held by, or exclusively licensed to, the NDA holder of the drug product. ``(12) Statutory exclusivity.--The term `statutory exclusivity' means those prohibitions on the approval of drug applications under clauses (ii) through (iv) of section 505(c)(3)(E) (5- and 3-***year*** data exclusivity), section 527 (orphan drug exclusivity), or section 505A (pediatric exclusivity) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C 355(c)(3)(E), 360cc, 355a).''. (b) Effective Date.--Section 27 of the Federal Trade Commission Act, as added by this section, shall apply to all agreements described in section 27(a)(1) of that Act entered into after June 17, 2013. Section 27(f) of the Federal Trade Commission Act, as added by this section, shall apply to agreements entered into on or after the date of enactment of this Act. SEC. \_\_\_. NOTICE AND CERTIFICATION OF AGREEMENTS. (a) Notice of All Agreements.--Section 1112(c)(2) of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (21 U.S.C 355 note) is amended by-- (1) striking ``the Commission the'' and inserting the following: ``the Commission-- ``(A) the''; (2) striking the period and inserting ``; and''; and (3) inserting at the end the following: ``(B) any other agreement the parties enter into within 30 days of entering into an agreement covered by subsection (a) or (b).''. (b) Certification of Agreements.--Section 1112 of such Act is amended by adding at the end the following: ``(d) Certification.--The Chief Executive Officer or the company official responsible for negotiating any agreement under subsection (a) or (b) that is required to be filed under subsection (c) shall execute and file with the Assistant Attorney General and the Commission a certification as follows: `I declare that the following is true, correct, and complete to the best of my knowledge: The materials filed with the Federal Trade Commission and the Department of Justice under section 1112 of subtitle B of title XI of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, with respect to the agreement referenced in this certification-- `` `(1) represent the complete, final, and exclusive agreement between the parties; `` `(2) include any ancillary agreements that are contingent upon, provide a contingent condition for, or are otherwise related to, the referenced agreement; and `` `(3) include written descriptions of any oral agreements, representations, commitments, or promises between the parties that are responsive to subsection (a) or (b) of such section 1112 and have not been reduced to writing.'.''. SEC. \_\_\_. FORFEITURE OF 180-DAY EXCLUSIVITY PERIOD. Section 505(j)(5)(D)(i)(V) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C 355(j)(5)(D)(i)(V)) is amended by inserting ``section 27 of the Federal Trade Commission Act or'' after ``that the agreement has violated''. SEC. \_\_\_. COMMISSION LITIGATION AUTHORITY. Section 16(a)(2) of the Federal Trade Commission Act (15 U.S.C 56(a)(2)) is amended-- (1) in subparagraph (D), by striking ``or'' after the semicolon; (2) in subparagraph (E), by inserting ``or'' after the semicolon; and (3) inserting after subparagraph (E) the following: ``(F) under section 27;''. SEC. \_\_\_. STATUTE OF LIMITATIONS. The Federal Trade Commission shall commence any enforcement proceeding described in section 27 of the Federal Trade Commission Act, as added by section \_\_, except for an action described in section 27(f)(2) of the Federal Trade Commission Act, not later than 6 ***years*** after the date on which the parties to the agreement file the Notice of Agreement as provided by section 1112(c)(2) and (d) of the Medicare Prescription Drug Improvement and Modernization Act of 2003 (21 U.S.C 355 note). SEC. \_\_. SEVERABILITY. If any provision of this title, an amendment made by this title, or the application of such provision or amendment to any person or circumstance is held to be unconstitutional, the remainder of this title, the amendments made by this title, and the application of the provisions of such title or amendments to any person or circumstance shall not be affected. \_\_\_\_\_\_ SA 3874. Ms. KLOBUCHAR (for herself, Mr. Grassley, and Mr. Menendez) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in division B, insert the following: Sec. \_\_. (a) Joint Action Plan.--The Commissioner of Food and Drugs, in coordination with the Administrator of the Centers for Medicare & Medicaid Services, shall develop a joint action plan, in consultation with healthcare providers and patient advocates (including relevant Federal advisory committees) that-- (1) utilizes data from Medicare claims on how much of a single-use drug was not administered, examines single-use vial sizes in other countries, and analyzes the drug approval process for alternative vial size safety and efficacy approaches, to reduce drug waste and better manage costs with respect to drug vial sizes and other drug delivery systems, as appropriate; and (2) includes quantifiable metrics and specific timelines. (b) Report.--Not later than 1 ***year*** after the date of enactment of this Act, the Commissioner of Food and Drugs, in coordination with the Administrator of the Centers for Medicare & Medicaid Services, shall submit to Congress the joint action plan described in subsection (a) and a report containing recommendations for any legislative action needed to reduce drug waste and better manage costs with respect to drug vial sizes and other drug delivery systems, as appropriate. \_\_\_\_\_\_ SA 3875. Mr. CASEY (for himself and Ms. Collins) submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B insert the following: Sec. \_\_. Out of amounts appropriated under the heading ``Administration for Community Living'', $300,000 shall be available for the Secretary to establish the Advisory Council to Support Grandparents Raising Grandchildren under section 3 of the Supporting Grandparents Raising Grandchildren Act (Public Law 115-196). \_\_\_\_\_\_ SA 3876. Mr. WARNER (for himself, Mr. Young, Mr. Bennet, Mr. Sasse, Mr. Hoeven, and Mr. King) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: On page 153, strike line 7 and insert the following: 30, 2020; and (3) notwithstanding paragraphs (1) and (2), $20,000,000 shall be used to establish and carry out a Portable Benefits for Independent Workers Pilot ***Program***, to award grants to States, local governments, and nonprofit organizations-- (A) as a means of-- (i) promoting State, local, and nonprofit experimentation concerning portable employment benefits delivery to contingent and independent workers, and [[Page S5782]] (ii) providing an opportunity for States, local governments, and nonprofit organizations to fund innovative ways to attract talent and support an entrepreneurial economy, and (B) specifically for the purpose of-- (i) the evaluation, or improvement to the design or implementation, of existing (as of the date of the award) models or approaches for providing portable benefits, or (ii) the design, implementation, and evaluation of new models or approaches for providing such benefits. \_\_\_\_\_\_ SA 3877. Mr. GARDNER submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. 8\_\_\_. As soon as practicable after the date of enactment of this Act, the Secretary of Defense, in consultation with the Secretary of ***Agriculture*** and the Secretary of the Interior, shall-- (1) conduct a study to determine-- (A) whether additional wildfire firefighting capacity should be added at the Department of Defense; and (B) if the Secretary of Defense determines under subparagraph (A) that additional capacity should be added, any areas in which to add the capacity; and (2) submit to Congress the results of the study conducted under paragraph (1). \_\_\_\_\_\_ SA 3878. Mr. CORNYN (for himself and Mr. Blumenthal) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B, insert the following: Sec. \_\_. From amounts appropriated under this title, the Secretary of Health and Human Services, acting through the Office of Rural Health Policy of the Health Resources and Services Administration, shall award grants through the Telehealth Resource Center Grant ***Program*** to entities that use evidence-based practices that promote school safety and individual student health, mental health and well-being by-- (1) providing assessment and referrals for health, mental health, or substance use disorder services to students who may be struggling with behavioral or mental health issues; and (2) providing training and support to teachers, school counselors, administrative staff, school resource officers, and other relevant staff to identify, refer, and intervene to help students experiencing mental health needs or who are considering harming themselves or others. Telemental health services may be provided by ``qualified mental health professionals'' as defined under title XVIII of the Social Security Act (42 U.S.C 1395 et seq.) \_\_\_\_\_\_ SA 3879. Mr. TILLIS submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in division B, insert the following: Sec. \_\_\_. (a) Notwithstanding any other provision of law, including section 3142 of title 18, United States Code, any judicial determination (including any judicial determination made in Flores v. Sessions et. al., (9th Cir. July 5, 2017; C.D CA. July 9, 2018, July 24, 2015 and July 30, 2018), in Ms. L, et. al., v. U.S Immigration and Customs Enforcement, et al., S.D CA. June 26, 2018, and in M.M.M et al. v. Sessions et al., August 16, 2018)), consent decree, or settlement agreement issued before the date of the enactment of this Act, and section 236.3 of title 8, Code of Federal Regulations (or a successor regulation), the Secretary of Defense shall not use any appropriated funds, or be required to implement the terms of the stipulated settlement agreement filed on January 17, 1997, in the United States District Court for the Central District of California in Flores v. Reno, CV 85-4544-RJK, (commonly known as the ``Flores settlement agreement''), in the case of an alien child who is housed at a military facility or installation pursuant to an agreement executed between the Secretary of Homeland Security, the Secretary of Health and Human Services, and the Secretary of Defense and who is or was-- (1) under the age of 18 ***years***; (2) accompanied by a parent; and (3)(A) apprehended at or near the international border of the United States; or (B) seeking admission or sought admission to the United States at a port of entry. (b) The Secretary of Defense shall not use any appropriated funds to release any alien who is currently detained at a military facility or installation pursuant to an agreement executed between the Secretary of Homeland Security, the Secretary of Health and Human Services, and the Secretary of Defense and who-- (1) is inadmissible by reason of having committed any offense covered in section 212(a)(2) of the Immigration and Nationality Act (8 U.S.C 1182(a)(2)); (2) is deportable by reason of having committed any offense covered in section 237(a)(2) of the Immigration and Nationality Act (8 U.S.C 1227(a)(2)); (3) is convicted for an offense under section 275(a) of the Immigration and Nationality Act (8 U.S.C 1325); (4) is convicted for an offense under section 276 of the Immigration and Nationality Act (8 U.S.C 1326); (5) has been convicted of, or found to be a juvenile offender based on, an offense that involved-- (A) the use or attempted use of physical force, or threatened use of a deadly weapon; (B) the purchase, sale, offering for sale, exchange, use, ownership, possession, or carrying, or, of attempting or conspiring to purchase, sell, offer for sale, exchange, use, own, possess, or carry, any weapon, part, or accessory which is a firearm or destructive device (as defined in section 921(a) of title 18, United States Code) in violation of any law; (C) child abuse and neglect (as defined in section 40002(a)(3) of the Violence Against Women Act of 1994 (34 U.S.C 12291(a)(3))); (D) assault resulting in bodily injury (as defined in section 2266 of title 18, United States Code); (E) the violation of a protection order (as defined in section 2266 of title 18, United States Code); (F) driving while intoxicated or driving under the influence (as such terms are defined in section 164 of title 23, United States Code); or (G) any offense under foreign law (except a purely political offense) that, if the offense had been committed in the United States, would render the alien inadmissible under section 212(a) of the Immigration and Nationality Act (8 U.S.C 1182(a)); (6) has been convicted of, or found to be a juvenile offender based on, more than 1 criminal offense (other than minor traffic offenses); (7) has been convicted of, or found to be a juvenile offender, based on an offense that involved a sex offense (as defined in section 20911 of title 34, United States Code); (8) has been convicted of, or found to be a juvenile offender, based on an offense that involved a sexual assault (as defined in section 12291(a) of title 34, United States Code); (9) has been convicted of, or found to be a juvenile offender based on a crime of violence or an offense under Federal, State, or Tribal law, that has, as an element, the use or attempted use of physical force or the threatened use of physical force or a deadly weapon; (10) has engaged in, is engaged in, or is likely to engage after entry in any terrorist activity (as defined in section 212(a)(3)(B)(iii) of the Immigration and Nationality Act (8 U.S.C 1182(a)(3)(B)(iii))), or intends to participate or has participated in the activities of a foreign terrorist organization (as designated under section 219 of the Immigration and Nationality Act (8 U.S.C 1189)); (11) has been convicted of any drug trafficking crime (within the meaning of the Controlled Substances Act (21 U.S.C 801 et seq.) or the Controlled Substances Import and Export Act (21 U.S.C 951 et seq.); (12) is convicted for any felony with a maximum term of imprisonment of more than 180 days; or (13) is inadmissible under subparagraph (A) or (B) of section 212(a)(3) of the Immigration and Nationality Act (8 U.S.C 1182(a)(3)) or deportable under subparagraph (A) or (B) of section 237(a)(4) of the Immigration and Nationality Act (8 U.S.C 1227(a)(4)). \_\_\_\_\_\_ SA 3880. Mr. KENNEDY submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place, insert the following: Sec. \_\_. (a) None of the funds made available by this or any other Act may be used to enter into a contract, memorandum of understanding, or cooperative agreement with, make a grant to, or provide a loan or loan guarantee to any corporation that has any unpaid Federal tax liability that has been assessed, for which all judicial and administrative remedies have been exhausted or have lapsed, and that is not being paid in a timely manner pursuant to an agreement with the authority responsible for collecting such tax liability, provided that the applicable Federal agency is aware of the unpaid Federal tax liability. (b) Subsection (a) shall not apply if the applicable Federal agency has considered suspension or debarment of the corporation described in such subsection and has made a determination that such suspension or debarment is not necessary to protect the interests of the Federal Government. \_\_\_\_\_\_ SA 3881. Mr. KENNEDY submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. [[Page S5783]] Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title I of division B, insert the following: Sec. \_\_. (a) From funds appropriated under this title, not later than 180 days after the date of enactment of this Act, the Secretary of Labor shall submit a report to the Committees on Appropriations of the House of Representatives and the Senate on the implementation of the plan to reduce improper ***payments*** published by the Department of Labor in the fiscal ***year*** 2017 Agency Financial Report. (b) The report submitted under subsection (a) shall identify barriers to the reduction of improper ***payments*** that may require Congressional action to address. \_\_\_\_\_\_ SA 3882. Mr. HELLER (for himself and Mr. Tester) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in division B, insert the following: Sec. \_\_\_. (a) Of the amounts appropriated or otherwise made available under title I under the heading ``veterans employment and training'', $2,000,000 shall be available to carry out a pilot ***program*** for preparing members of the Armed Forces transitioning to civilian life to qualify for, and for assisting in placing them in, apprenticeship ***programs***. (b) Amounts made available under subsection (a) shall supplement and not supplant amounts appropriated or otherwise made available under this division for ***programs*** and activities relating to the Transition Assistance ***Program***. \_\_\_\_\_\_ SA 3883. Mr. WICKER (for himself and Mr. Peters) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title V of division B, insert the following: Sec. \_\_. It is the sense of Congress that-- (1) computer science education ***programs***, including coding academies, can provide important benefits to local industries and the economy and help meet in-demand workforce needs; and (2) the Department of Education and Department of Labor should work together with industry to improve and expand computer science education ***programs*** and opportunities, including through apprenticeships. \_\_\_\_\_\_ SA 3884. Mr. BOOKER (for himself, Ms. Baldwin, Mr. Young, and Mr. Scott) submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: On page 150, line 22, strike ``WIOA:'' and insert the following: ``WIOA: Provided further, That for purposes of any funds provided for technical assistance under section 168(b) of WIOA, priority for such assistance shall be given to States and areas that contain population census tracts that have been designated as qualified opportunity zones under section 1400Z-1 of the Internal Revenue Code of 1986, or to entities that predominately serve population census tracts that have been designated as qualified opportunity zones under such section:''. \_\_\_\_\_\_ SA 3885. Mr. CASEY submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. It is the sense of Congress that the Army Research Laboratory should continue to fully fund research into advanced materials development, with a focus on-- (1) the impact of ballistics on the human body; and (2) the development of new technologies for soldier protection and vehicle resilience. \_\_\_\_\_\_ SA 3886. Mr. GRASSLEY (for himself, Ms. Klobuchar, and Mr. Gardner) submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the end, add the following: DIVISION C--RURAL EMERGENCY ACUTE CARE HOSPITAL ACT SECTION \_01. SHORT TITLE. This division may be cited as the ``Rural Emergency Acute Care Hospital Act''. SEC. \_02. FINDINGS. Congress finds the following: (1) According to the University of North Carolina's Center for Health Services Research, 55 rural hospitals have closed in the Unites States since January 2010. (2) In 2014, iVantage conducted a study for the National Rural Health Association and found 283 hospitals at risk of closure based upon performance indicators that matched those facilities already forced to close in this decade. (3) Researchers at the University of North Carolina identified inpatient volume as a substantial contributing factor to the financial performance of rural hospitals, with many of the at-risk hospitals having an average daily bed census of less than two. (4) Adverse impacts to the local economy and the loss of timely access to emergency medical care are 2 major effects of rural hospital closures. (5) According to the National Center for Rural Health Works, the typical rural hospital creates over 140 jobs and generates $6,800,000 in compensation while serving an average population of 14,600. (6) The 2014 iVantage study estimates that the 283 at-risk hospitals could result in the loss of 36,000 health care jobs, 50,000 community jobs, and $10,600,000,000 in gross domestic product. (7) Time is the most critical factor for achieving successful outcomes in emergency medicine, and emergency medical clinicians refer to the time-sensitive period during which successful outcomes may be best achieved as the ``golden hour''. (8) The National Conference of State Legislatures states that 60 percent of trauma deaths in the United States occur in rural areas, where only 15 percent of the population is represented. (9) The disproportionate percentage of trauma deaths in rural areas is likely attributable in large part to a combination of response time to the scene and distance to the nearest emergency room to stabilize trauma victims. (10) The percentage of trauma deaths occurring in rural areas could continue to increase as more rural hospitals close, further limiting access to emergency services and requiring patients to travel longer distances to receive emergency medical care. (11) The creation of a rural emergency hospital designation under the Medicare ***program*** will allow facilities in rural areas to provide emergency medical services without having to maintain inpatient beds. (12) In addition to providing emergency care, rural emergency hospitals could convert the space previously used for inpatient services to provide other medical services including, but not limited to, observation care, skilled nursing facility care, infusion services, hemodialysis, home health, hospice, nursing home care, population health, and telemedicine services. SEC. \_03. RURAL EMERGENCY HOSPITAL ***PROGRAM***. (a) In General.-- (1) Rural emergency hospital and services defined.--Section 1861 of the Social Security Act (42 U.S.C 1395x) is amended-- (A) in subsection (e), in the last sentence of the matter following paragraph (9), by inserting ``or a rural emergency hospital (as defined in section 1861(jjj)(1))'' before the period at the end; and (B) by adding at the end the following subsection: ``Rural Emergency Hospital; Rural Emergency Hospital Outpatient Services ``(jjj)(1) The term `rural emergency hospital' means a facility that-- ``(A)(i) as of December 31, 2016-- ``(I) was a critical access hospital; or ``(II) was a hospital with not more than 50 beds located in a county (or equivalent unit of local government) in a rural area (as defined in section 1886(d)(2)(D)), or was a hospital with not more than 50 beds that was treated as being located in a rural area pursuant to section 1886(d)(8)(E); or ``(ii) was a critical access hospital described in clause (i)(I) or a hospital described in clause (i)(II) that ceased operations during the period beginning on the date that is 5 ***years*** prior to the date of the enactment of this subsection and ending on December 30, 2016; ``(B) provides 24-hour emergency medical care and observation care that does not exceed an annual per patient average of 24 hours or more than 1 midnight; ``(C) does not provide any acute care inpatient beds and has protocols in place for the timely ***transfer*** of patients who require acute care inpatient services or other inpatient services; ``(D) has elected to be designated as a rural emergency hospital; ``(E) has received approval to operate as a rural emergency hospital from the State under section 1834(v)(3)(A); and ``(F) is certified by the Secretary under section 1834(v)(3)(B). ``(2) The term `rural emergency hospital outpatient services' means medical and other health services furnished by a rural emergency hospital on an outpatient basis. [[Page S5784]] ``(3) Nothing in this subsection or section 1834(v)(3) shall be construed to prohibit a rural emergency hospital from providing extended care services.''. (2) ***Payment*** for rural emergency hospital services.-- (A) In general.--Section 1833(a) of the Social Security Act (42 U.S.C 1395l(a)) is amended-- (i) in paragraph (8), by striking ``and'' at the end; (ii) in paragraph (9), by striking the period at the end and inserting ``; and''; and (iii) by inserting after paragraph (9) the following new paragraph: ``(10) in the case of rural emergency hospital emergency services and services provided by a rural emergency hospital or other provider of ambulance services to transport patients who require acute care inpatient services or other inpatient services from such rural emergency hospital to a hospital or critical access hospital, the amounts described in section 1834(v).''. (B) ***Payment*** amount.--Section 1834 of the Social Security Act (42 U.S.C 1395m) is amended by adding at the end the following subsection: ``(v) ***Payment*** Rules Relating to Rural Emergency Hospitals.-- ``(1) ***Payment*** for rural emergency hospital outpatient services.-- ``(A) In general.--The amount of ***payment*** for rural emergency hospital outpatient services of a rural emergency hospital is equal to 110 percent of the reasonable costs of providing such services. ``(B) Telehealth services.--For purposes of this paragraph, in determining the reasonable costs of providing rural emergency hospital outpatient services, costs associated with having a backup physician available via a telecommunications system shall be considered reasonable costs. ``(2) ***Payment*** for transportation services.--The amount of ***payment*** for services provided by a rural emergency hospital or other provider of ambulance services to transport patients who require acute care inpatient services or other inpatient services from such rural emergency hospital to a hospital or critical access hospital is equal to 110 percent of the reasonable costs of providing such services. ``(3) Requirements for rural emergency hospitals.-- ``(A) State approval to operate as a rural emergency hospital.--No ***payment*** shall be made under this subsection to a facility, or to a provider of ambulance services providing transportation services from such facility, unless the State in which the facility is located has approved the facility's designation as a rural emergency hospital. ``(B) Certification of rural emergency hospital.-- ``(i) In general.--No ***payment*** shall be made under this subsection to a facility, or to a provider of ambulance services providing transportation services from such facility, unless the facility has been certified by the Secretary as a rural emergency hospital. ``(ii) Certification requirements.--The Secretary shall certify a facility as a rural emergency hospital if the facility-- ``(I) meets the criteria for rural emergency hospitals described in subparagraphs (A) through (E) of section 1861(jjj)(1); ``(II) either-- ``(aa) is verified by the American College of Surgeons or a State as having the resources required of a level IV trauma center or higher; or ``(bb) employs healthcare professionals that successfully completed within the preceding 4 ***years***-- ``(AA) the Advanced Trauma Life Support Course offered by the American College of Surgeons; or ``(BB) another trauma training ***program*** for healthcare professionals that is accepted by a State trauma system for certification purposes; ``(III) has in effect a ***transfer*** agreement with a level I or level II trauma center; and ``(IV) meets such staff training and certification requirements as the Secretary may require. ``(4) Coinsurance.-- ``(A) In general.--The amount of ***payment*** for rural emergency hospital services or transportation services made to a rural emergency hospital or other provider of ambulance services under this subsection shall be reduced by the coinsurance amount described in subparagraph (B). ``(B) Coinsurance amount.--The coinsurance amount described in this subparagraph, with respect to an item or service provided by a rural emergency hospital or provider of ambulance services, shall be calculated in the same manner as the coinsurance amount for an outpatient critical access hospital service is calculated under section 1866(a)(2).''. (b) Waiver of Distance Requirement for Replacement CAHs; Subsequent Redesignation of Rural Emergency Hospitals as CAHs.--Section 1820(c)(2) of the Social Security Act (42 U.S.C 1395i-4(c)(2)) is amended-- (1) in subparagraph (B)(i)(I), by inserting ``subject to subparagraph (F),'' before ``is located''; and (2) by adding at the end the following new subparagraphs: ``(F) Option to waive distance requirement.--Beginning on the date of the enactment of this subparagraph, for every critical access hospital located in a State that is certified as a rural emergency hospital under section 1834(v)(3)(B), the State shall have the option of waiving the distance requirement described in subparagraph (B)(i)(I) with respect to another facility located in the State that is seeking designation as a critical access hospital under this paragraph. ``(G) Redesignation of a rural emergency hospital as a critical access hospital.--A rural emergency hospital that was previously designated as a critical access hospital under this paragraph may elect to be redesignated as a critical access hospital (in the same manner that the hospital was originally designated as a critical access hospital) at any time, subject to such conditions as the Secretary may establish.''. (c) Studies and Reports.-- (1) Studies.--The Secretary of Health & Human Services shall conduct 3 studies to evaluate the impact of rural emergency hospitals on the availability of health care and health outcomes in rural areas (as defined in section 1886(d)(2)(D) of the Social Security Act (42 U.S.C 1395ww(d)(2)(D))). The Secretary shall conduct a study-- (A) 2 ***years*** after the date of the enactment of this Act; (B) 5 ***years*** after the date of the enactment of this Act; and (C) 10 ***years*** after the date of the enactment of this Act. (2) Reports.--Not later than 6 months after each date that the Secretary of Health & Human Services is required to conduct a study under paragraph (1), the Secretary shall submit a report to Congress containing the results of each such study. (d) Effective Date.--The amendments made by this section shall apply to items and services furnished on or after the date that is 1 ***year*** after the date of the enactment of this Act. SEC. \_04. INCLUSION OF EMERGENCY MEDICINE AS HEALTH SERVICES UNDER THE NATIONAL HEALTH SERVICE CORPS. Section 331(a)(3)(D) of the Public Health Service Act (42 U.S.C 254d(a)(3)(D)) is amended by inserting ``, and includes emergency medicine provided by physicians in a rural emergency hospital (as defined in section 1861(jjj) of the Social Security Act)'' before the period. SEC. \_05. PERMITTING HOSPITALS WITH APPROVED RESIDENCY ***PROGRAMS*** IN EMERGENCY MEDICINE TO INCLUDE TIME SPENT BY INTERNS AND RESIDENTS IN THE EMERGENCY DEPARTMENT OF A RURAL HOSPITAL IN FULL-TIME EQUIVALENT COUNT. (a) Indirect Medical Education.--Section 1886(d)(5)(B)(iv) of the Social Security Act (42 U.S.C 1395ww(d)(5)(B)(iv)) is amended by adding at the end the following new subclause: ``(III) Effective for discharges occurring on or after October 1, 2017, all of the time spent in patient care activities in the emergency department of a rural hospital by interns and residents in emergency medicine from a hospital with an approved medical residency training ***program*** (as defined in subsection (h)(5)(A)) in such specialty shall be included in determining the number of full-time equivalent interns and residents in such ***program*** if the hospital with such ***program*** incurs the costs of the stipends and fringe benefits of the interns or residents during the time the interns or residents spend in that rural hospital in accordance with subclause (II). In this subclause, the term `rural hospital' means a hospital that is located in a rural area (as defined for purposes of paragraph (2)(D)).''. (b) Direct Medical Education.--Section 1886(h)(4)(E) of the Social Security Act (42 U.S.C 1395(h)(4)(E)) is amended-- (1) in clause (ii), by striking the period at the end and inserting ``; and''; (2) by inserting after clause (ii) the following new clause: ``(iii) effective for cost reporting periods beginning on or after July 1, 2017, all of the time so spent in the emergency department of a rural hospital by residents in emergency medicine from a hospital with an approved medical residency training ***program*** in such specialty shall be counted towards the determination of full-time equivalency in such ***program*** if the hospital with such ***program*** bears all, or substantially all, of the costs of training such residents in the rural hospital. In this subparagraph, the term `rural hospital' means a hospital that is located in a rural area (as defined for purposes of subsection (d)(2)(D)).''; and (3) by adding at the end the following new sentence: ``For purposes of this subparagraph, the emergency department of a rural hospital described in clause (iii) is a nonprovider setting.''. \_\_\_\_\_\_ SA 3887. Mr. CRUZ submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in the matter under the heading ``School Improvement ***Programs***'' in title III of division B, insert ``: Provided further, That funds made available under this heading for and allotted to States under subpart 1 of part A of title IV of the ESEA may be used by the States, to improve school conditions for student learning, by enabling local educational agencies to use [[Page S5785]] such funds for the purpose of installing infrastructure, and implementing technology or other measures, that strengthen security on school premises, which may include-- ``(1) controlling access to school premises or facilities, through the use of metal detectors or other measures, or technology, with evidence-based effectiveness (to the extent the State involved determines that such evidence is reasonably available), in accordance with the needs of the school; ``(2) implementing any technology or measure, or installing any infrastructure, to cover and conceal students within the school during crisis situations; ``(3) implementing technology to provide notification to relevant law enforcement and first responders during such a situation; ``(4) implementing any technology or measure, including hiring school security officers, or installing any infrastructure, with evidence-based effectiveness (to the extent the State involved determines that such evidence is reasonably available) to increase the safety of school students and staff; ``(5) implementing any technology or measure, or installing any infrastructure, for school safety reinforcement, including bullet-resistant doors and windows; and ``(6) implementing any technology or system that would reduce the time needed to disseminate official information to parents regarding the safety of their children during and immediately following a crisis.''. \_\_\_\_\_\_ SA 3888. Mr. BOOKER submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title V of division B, insert the following: Sec. \_\_. (a) Not later than 180 days after the date of enactment of this Act, the Secretary of Health and Human Services, in consultation with the Administrator of the Health Resources and Services Administration and the Director of the Centers for Disease Control and Prevention, shall submit to the Committee on Health, Education, Labor, and Pensions of the Senate, the Committee on Appropriations of the Senate, the Committee on Energy and Commerce of the House of Representatives, and the Committee on Appropriations of the House of Representatives, a report that provides details on utilization by States, hospitals, and health systems of evidence-based practices to reduce maternal mortality and severe maternal morbidity, such as the Alliance for Innovation on Maternal Health. (b) The report under this section shall include-- (1) a list of States, hospitals, and health systems that participate in the Alliance for Innovation on Maternal Health or a similar evidence-based ***program***, and to the extent possible, the maternal health outcomes such evidence-based ***programs*** are intended to address; (2) what is known about States, hospitals, and health systems that participate in the Alliance for Innovation on Maternal Health or a similar evidence-based ***program***, including the rates of maternal mortality and severe maternal morbidity and any improvements with respect to such rates, or other improvements in maternal and infant health outcomes; and (3) barriers to implementation of evidence-based ***programs*** like the Alliance for Innovation in Maternal Health and recommendations for further implementation. \_\_\_\_\_\_ SA 3889. Mr. SHELBY submitted an amendment intended to be proposed to amendment SA 3699 proposed by Mr. McConnell (for Mr. Shelby) to the amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: In lieu of the matter proposed to be inserted, insert ``$8,503,001''. \_\_\_\_\_\_ SA 3890. Mr. SHELBY submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the end, add the following: This Act shall take effect 1 day after the date of the enactment of this Act. \_\_\_\_\_\_ SA 3891. Mr. SHELBY submitted an amendment intended to be proposed to amendment SA 3890 submitted by Mr. Shelby and intended to be proposed to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: On page 1, line 2, strike ``1 day'' and insert ``2 days''. \_\_\_\_\_\_ SA 3892. Mr. MURPHY (for himself and Mr. Portman) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. (a) From amounts appropriated or otherwise made available by this division, the Secretary of Defense shall ***transfer*** to the Secretary of State under section 385 of title 10, United States Code, $40,000,000 for the Global Engagement Center for support by the Department of State of security cooperation objectives of the Department of Defense as authorized by that section: Provided, That amounts ***transferred*** pursuant to this section shall remain available for obligation and expenditure until September 30, 2020. (b) Section 8117 shall have no force or effect. \_\_\_\_\_\_ SA 3893. Ms. HEITKAMP submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B, insert the following: Sec. \_\_. Of the funds appropriated under the heading ``Refugee and Entrant Assistance'' for carrying out Victims of Trafficking ***programs***, the amount made available to continue carrying out the SOAR (Stop, Observe, Ask, Respond) to Health and Wellness ***Program***, to train health care and social service providers on how to identify, treat, and respond appropriately to human trafficking, shall be not less than the amount made available for such ***program*** in fiscal ***year*** 2018. \_\_\_\_\_\_ SA 3894. Ms. HEITKAMP (for herself, Ms. Murkowski, and Mr. Udall) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B, insert the following: Sec. \_\_. (a) From amounts appropriated under this title, up to $1,000,000 shall be used for awarding grants for the purchase and implementation of telehealth services, including pilots and demonstrations for the use of electronic health records or other necessary technology and equipment (including ultra sound machines or other technology and equipment that is useful for caring for pregnant women) to coordinate obstetric care between pregnant women living in rural areas and obstetric care providers. (b) Notwithstanding any other provision of this Act, the total amount appropriated under the heading ``Vaccine Injury Compensation ***Program*** Trust Fund'' is hereby reduced by $1,000,000. \_\_\_\_\_\_ SA 3895. Mr. BROWN submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. (a) Not later than 180 days after the date of the enactment of this Act, the Secretary of Defense shall develop and implement for the Department of Defense a mechanism to track and monitor information on the indebtedness of individuals to the United States arising out of service in the Armed Forces. (b) The mechanism required by subsection (a) shall do the following: (1) Identify each individual who has a current indebtedness to the United States arising out of the individual's service in the Armed Forces. (2) Identify the current age and amount of indebtedness to the United States arising out of service in the Armed Forces of each individual identified pursuant to paragraph (1) (3) For each debt of an individual identified pursuant to paragraph (2), specify the following: (A) Whether such debt is the result of a delay in Department of Defense processing changes to beneficiary status or another action of the Department. (B) Whether such debt is currently disputed by such individual. (C) The amount and type of any fees or interest charges that have been applied to such debt, including any amounts charged for processing or handling the collection of such debt (c) Not later than 90 days after the date of the enactment of this Act, the Secretary shall submit to Congress a report on the status of the development and implementation of the mechanism required by subsection (a). [[Page S5786]] \_\_\_\_\_\_ SA 3896. Mr. HATCH submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place, insert the following: ``Provided, That sums allocated under the `CDC Injury Prevention and Control' for Traumatic Brain Injury include continuation of the creation of a National Concussion Surveillance System.''. \_\_\_\_\_\_ SA 3897. Mr. SCHATZ (for himself and Ms. Hirono) submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B insert the following: Sec. \_\_. Using amounts made available under this title, the Assistant Secretary for Mental Health and Substance Use shall provide technical assistance to any State or county impacted by a volcanic eruption covered by a major disaster declared by the President in ***calendar*** ***year*** 2018 in accordance with section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act. Such technical assistance shall be-- (1) to conduct a needs assessment for supporting the mental health of the impacted children and families; and (2) to develop mental health crisis recovery plans for the impacted children and families. \_\_\_\_\_\_ SA 3898. Mr. SCHATZ submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. None of the amounts appropriated or otherwise made available by this division may be used to establish a United States Space Force as one of the United States Armed Forces, or to establish the Space Development Agency: Provided, That this section shall not be construed to limit the use of funds for the establishment of a combatant command pertaining to space operations. \_\_\_\_\_\_ SA 3899. Ms. HIRONO submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division A, insert before the period at the end of the last proviso relating to Operation and Maintenance, Defense-Wide the following: ``: Provided further, That of the funds provided under this heading, the Secretary of Defense shall allocate an amount the Secretary determines appropriate for fiscal ***year*** 2019 to ensure the operation and maintenance of military construction projects funded through the Energy Resilience and Conservation Investment ***Program*** (ERCIP) authorized under section 2914 of title 10, United States Code: Provided further, That the Under Secretary of Defense (Comptroller), under the direction of the Secretary of Defense, shall submit to the congressional defense committees a plan to create a ***program*** element and supporting budgetary accounts and line items for the consideration of operation and maintenance appropriations for fiscal ***year*** 2019 and subsequent fiscal ***years*** to address operation and maintenance projects necessary for military construction projects funded through ERCIP: Provided further, That, not later than March 1, 2019, the Secretary of Defense shall submit to the congressional defense committees a report on its progress to establish the necessary budgetary accounts described in the preceding proviso''. \_\_\_\_\_\_ SA 3900. Ms. HIRONO submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in division A, insert the following: Sec. \_\_\_\_. Paragraph (2) of section 2919(b) of title 10, United States Code, is amended to read as follows: ``(2) credited to an appropriation designated by the Secretary of Defense, merged with the appropriation to which credited, and available for energy security or energy resilience projects.''. \_\_\_\_\_\_ SA 3901. Ms. HIRONO submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in section 8011 of title VIII of division A, strike the period at the end and insert the following:``: Provided further, That of the funds appropriated to the Air Force for operation and maintenance, the Secretary of the Air Force shall allocate an amount the Secretary determines appropriate for the operation and maintenance of the Eagle Vision system that provides the Air Force a critical humanitarian assistance and disaster relief capability: Provided further, That the Secretary of the Air Force is also directed to submit to the congressional defense committees a report on the progress of the Secretary in allocating such funding not later than March 1, 2019.'' \_\_\_\_\_\_ SA 3902. Mr. UDALL (for himself and Mr. Heinrich) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B, insert the following: Sec. \_\_\_. In addition to any other reporting requirements applicable to the Office of Refugee Resettlement of the Department of Health and Human Services as specified in Senate Report 115-289 (115th Congress), the Secretary of Health and Human Services shall, on a weekly basis, update information available to the public on the Internet website of the Department with respect to the following: (1) The total number of children referred to the Department, including the total number of unaccompanied alien children and the total number of children who were apprehended as part of a family unit. (2) The number of such children currently in the care of the Department. (3) The number of such children released to sponsors. (4) The number of preteen children in shelters and foster care ***programs*** operated by the Office. \_\_\_\_\_\_ SA 3903. Mr. MENENDEZ submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. Not later than 90 days after the date of the enactment of this Act, the Secretary of Defense shall submit to the congressional defense committees a report estimating the portion of the Department of Defense's advertising budget that is spent on advertising and public relations contracts with socially and economically disadvantaged small businesses and women, low-income, veteran (as that term is defined in section 3(q) of the Small Business Act (15 U.S.C 632(q)), and minority entrepreneurs and business owners at the prime and subcontracting levels. \_\_\_\_\_\_ SA 3904. Mr. MARKEY submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. Of the amounts appropriated or otherwise made available by title II of this division under the heading ``Operation and Maintenance, Defense-Wide'', up to $250,000 may be available to the Secretary of Defense for the creation of a service medal to honor and be awarded to retired and former members of the Armed Forces who were exposed to radiation during service in the Armed Forces in such circumstances as to be eligible for treatment as radiation- exposed veterans for purposes of section 1112(c) of title 38, United States Code. \_\_\_\_\_\_ SA 3905. Mr. ROUNDS submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place, insert the following: Sec. \_\_\_. Amounts appropriated or otherwise made available by this Act may not be used to implement or carry out any increase in cost-sharing requirements under [[Page S5787]] the TRICARE Pharmacy Benefits ***Program*** by reason of the amendment made by section 702(a) of the National Defense Authorization Act for Fiscal ***Year*** 2018 (Public Law 115-91; 131 Stat. 1433) with respect to any covered beneficiary who resides more than 40 miles from the nearest military medical treatment facility until the date on which the Secretary of Defense commences the conduct of the pilot ***program*** on prescription drug acquisition cost parity in the TRICARE Pharmacy Benefits ***Program*** authorized by section 743 of the National Defense Authorization Act for Fiscal ***Year*** 2017 (Public Law 114-328; 130 Stat. 2238; 10 U.S.C 1074g note). \_\_\_\_\_\_ SA 3906. Mr. ROUNDS submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place, insert the following: Sec. \_\_\_. Amounts appropriated or otherwise made available by this Act may not be used to implement or carry out any increase in cost-sharing requirements under the TRICARE Pharmacy Benefits ***Program*** by reason of the amendment made by section 702(a) of the National Defense Authorization Act for Fiscal ***Year*** 2018 (Public Law 115-91; 131 Stat. 1433) with respect to any covered beneficiary who resides more than 40 miles from the nearest military medical treatment facility. \_\_\_\_\_\_ SA 3907. Mr. PETERS (for himself and Ms. Stabenow) submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in division A, insert the following: Sec. \_\_\_. The amount appropriated by title III of this division under the heading ``Aircraft Procurement, Air Force'' is hereby increased by $65,000,000, with the amount of the increase to be available for the A-10 Wing Replacement ***Program***. \_\_\_\_\_\_ SA 3908. Ms. CANTWELL (for herself and Mr. Cassidy) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title III of division B, insert the following: Sec. \_\_\_. (a) It is the sense of the Senate that dedicated funding for coding courses in kindergarten through grade 12 education should be a top priority. (b) It is the sense of the Senate that the Secretary of Education should use the authority granted under section 114(e) of the Carl D. Perkins Career and Technical Education Act of 2006, as in effect on July 1, 2019, to award innovation and modernization grants. The use of such innovation and modernization grant funds for coding ***programs*** are especially important for rural and underserved areas that don't have access to coding resources in order to close the skills gap. These grants are opportunities for rural America to learn to read and write code to prepare students for the jobs of the future. \_\_\_\_\_\_ SA 3909. Ms. HIRONO (for herself, Mr. Booker, Mrs. Gillibrand, Ms. Warren, Mr. Blumenthal, and Mr. Markey) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: Beginning on page 238, line 13, strike ``which'' and all that follows through ``***programs***:'' on line 6, page 239 and insert the following: ``to support the access of marginalized youth to sexual health services: Provided further, That funding entities awarded such competitive grants may use the funds to provide medically accurate and complete age, developmentally, and culturally-appropriate information on how to access sexual health services; to promote effective communication regarding sexual health among marginalized youth; to promote and support better health, education, and economic opportunities for school-age parents; and to train individuals who work with marginalized youth to promote the prevention of unintended pregnancy, the prevention of sexually transmitted infections, healthy relationships, and the development of safe and supportive environments:''. \_\_\_\_\_\_ SA 3910. Mr. SHELBY (for himself and Mr. Durbin) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: In section 8010 of division A, in the matter immediately preceding the sixth proviso, insert after paragraph (5) the following: (6) SSN Virginia Class Submarines and Government-furnished equipment: \_\_\_\_\_\_ SA 3911. Ms. MURKOWSKI submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: Sec. \_\_\_. The amount appropriated by title II of this division under the heading ``Operation and Maintenance, Defense-Wide'' is hereby increased by $11,677,000, with the amount of the increase to be available for Civil Military ***Programs*** for the National Guard Youth Challenge ***Program*** (in addition to any other amounts available in this division for that ***Program***). \_\_\_\_\_\_ SA 3912. Mr. HELLER (for himself and Mr. Manchin) submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B insert the following: Sec. \_\_\_. (a) There are appropriated under the heading ``Birth Defects, Developmental Disabilities, Disabilities and Health'' under the heading ``Centers for Disease Control and Prevention'', in addition to any other amounts made available under such heading and in order to provide additional funding for activities related to neonatal abstinence syndrome, $2,000,000: Provided, That funds shall make use of existing State biosurveillance and other surveillance tools to improve voluntary, de-identified prenatal and newborn health data, which may include opioid-related information during pregnancy and early motherhood, to reduce risks associated with neonatal abstinence syndrome and optimize care. (b) Notwithstanding any other provision of this Act, the total amount appropriated under the heading ``Chronic Disease Prevention and Health Promotion'' under the heading ``Centers for Disease Control and Prevention'' is hereby reduced by $2,000,000. \_\_\_\_\_\_ SA 3913. Mr. LEE submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in division B, insert the following: Sec. \_\_\_. Notwithstanding any other provision of this Act, no funds made available under this Act may be used to mandate that, or implement a requirement that, a State annually measure the achievement of not less than 95 percent of all students, and 95 percent of all students in each subgroup of students, who are enrolled in public schools on the assessments described under section 1111(b)(2)(B)(v)(I) of the Elementary and Secondary Education Act of 1965 (20 U.S.C 6311(b)(2)(B)(v)(I)). \_\_\_\_\_\_ SA 3914. Mr. LEE submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in division B insert the following: Sec. \_\_. None of the funds made available by this Act may be used to conduct or support research using human fetal tissue if such tissue is obtained pursuant to an induced abortion. \_\_\_\_\_\_ SA 3915. Mr. LEE submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title I of division B, insert the following: Sec. \_\_\_. Notwithstanding any other provision of this Act, the amount made available under this Act for making ***payments*** under the Head Start Act shall be equal to the amount made available for making such ***payments*** for the fiscal ***year*** ending September 30, 2018, of which funds shall be made available for a study to determine the possibility of carrying out the activities of [[Page S5788]] the Head Start Act through a ***program*** providing block grants to States. \_\_\_\_\_\_ SA 3916. Mr. LEE submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place, insert the following: Sec. \_\_\_. The Secretary of Education shall carry out a pilot ***program*** that authorizes States to establish an alternative accreditation system for the purpose of establishing institutions that provide postsecondary education and postsecondary education courses or ***programs*** as eligible for funding under title IV of the Higher Education Act of 1965 if the State enters into an agreement with the Secretary for the establishment of the alternative accreditation system. \_\_\_\_\_\_ SA 3917. Mr. LEE submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in division A, insert the following: Sec. \_\_\_. None of the funds appropriated or otherwise made available by this division shall be used to enforce an authorization of detention without charge or trial of a citizen or lawful permanent resident of the United States who is apprehended in the United States. \_\_\_\_\_\_ SA 3918. Mrs. SHAHEEN (for herself and Ms. Hassan) submitted an amendment intended to be proposed by her to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B, insert the following: Sec. \_\_. (a) There are appropriated under the heading ``HIV/AIDS, Viral Hepatitis, Sexually Transmitted Diseases, and Tuberculosis Prevention'' under the heading ``Centers for Disease Control and Prevention'', in addition to any other amounts made available under such heading and in order to provide additional funding for sexually transmitted disease prevention, $5,000,000. (b) Notwithstanding any other provision of this Act, the total amount appropriated under the heading ``General Departmental Management'' under the heading ``Office of the Secretary'', is hereby reduced by $5,000,000. \_\_\_\_\_\_ SA 3919. Mr. CARDIN (for himself, Mr. Carper, Mr. Booker, Mr. Menendez, and Ms. Harris) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in division B, insert the following: report on racial disparities in pregnancy-related mortality rates Sec. \_\_. Not later than 120 days after the date of enactment of this Act, the Director of the Centers for Disease Control and Prevention shall submit to Congress a report on racial disparities in pregnancy-related mortality rates, which shall-- (1) identify the causes of racial disparities in pregnancy- related mortality rates in the United States, and why such rates are higher among African American women, Hispanic women, Asian American women, American Indian women, and Alaskan Native women; and (2) make recommendations for reducing-- (A) racial disparities in pregnancy-related mortality rates in the United States; and (B) the overall pregnancy-related mortality rate in the United States. \_\_\_\_\_\_ SA 3920. Mr. MURPHY (for himself, Mr. Manchin, and Mr. Schumer) submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B, insert the following: Sec. \_\_. (a) There are appropriated under the heading ``Mental Health'' under the heading ``Substance Abuse and Mental Health Services'', in addition to any other amounts made available under such heading and in order to provide additional funding to carry out section 520E of the Public Health Service Act, $1,573,000. (b) There are appropriated under the heading ``Mental Health'' under the heading ``Substance Abuse and Mental Health Services'', in addition to any other amounts made available under such heading and in order to provide additional funding to carry out section 520E-2 of the Public Health Service Act, $512,000. (c) Notwithstanding any other provision of this Act, the total amount appropriated under the heading ``Mental Health'' under the heading ``Substance Abuse and Mental Health Services Administration'' to carry out subpart I of part B of title XIX of the Public Health Service Act, is hereby reduced by $2,085,000. \_\_\_\_\_\_ SA 3921. Mr. MURPHY (for himself, Mr. Manchin, and Mr. Schumer) submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B, insert the following: Sec. \_\_. (a) There are appropriated under the heading ``Mental Health'' under the heading ``Substance Abuse and Mental Health Services'', in addition to any other amounts made available under such heading and in order to provide additional funding to carry out section 520E of the Public Health Service Act, $1,573,000. (b) There are appropriated under the heading ``Mental Health'' under the heading ``Substance Abuse and Mental Health Services'', in addition to any other amounts made available under such heading and in order to provide additional funding to carry out section 520E-2 of the Public Health Service Act, $512,000. (c) Notwithstanding any other provision of this Act, the total amount appropriated under the heading ``Mental Health'' under the heading ``Substance Abuse and Mental Health Services Administration'' to carry out subpart I of part B of title XIX of the Public Health Service Act, is hereby reduced by $2,085,000. \_\_\_\_\_\_ SA 3922. Mr. HATCH submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the end of section 8023(d), insert before the period the following: ``; Provided further, That the Secretary of Defense may waive a limitation in this subsection on the number of staff ***years*** for defense FFRDCs that may be funded during fiscal ***year*** 2019 if the Secretary certifies in writing to the congressional defense committees that the waiver is in the national interests of the United States''. \_\_\_\_\_\_ SA 3923. Mr. HEINRICH submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: On page 202, line 13, strike the period and insert ``: Provided, That of such amount made available for an evidence- based opioid drug overdoes prevention ***program***, $10,000,000 shall be for activities that reduce overprescribing in rural areas and on Indian land.''. \_\_\_\_\_\_ SA 3924. Mr. HEINRICH submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: On page 207, line 17, insert ``, of which $10,000,000 shall be for research related to non-opioid pain management alternatives'' after ``treatment''. \_\_\_\_\_\_ SA 3925. Mr. HEINRICH submitted an amendment intended to be proposed by him to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: On page 216, line 5, insert ``, of which 10 percent shall be reserved for grants to behavioral health clinics in States that have the highest rates of poverty and unemployment'' after ``Public Law 113-93''. \_\_\_\_\_\_ SA 3926. Mr. CASSIDY submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title VIII of division A, insert the following: [[Page S5789]] Sec. \_\_\_. (a) Not later than 180 days after the date of the enactment of this Act, the Secretary of Defense shall submit to the congressional defense committees a report on improving trauma training for trauma teams of the Department of Defense, including through the use of the Joint Trauma Education and Training Directorate established under section 708 of the National Defense Authorization Act for Fiscal ***Year*** 2017 (Public Law 114-328; 10 U.S.C 1071 note). (b) The report required by subsection (a) shall include recommendations regarding how to best coordinate trauma teams of the Department of Defense with trauma partners in the civilian sector, including evaluating how trauma surgeons and physicians of the Department can best partner with civilian level 1 trauma centers verified by the American College of Surgeons, including those trauma centers coupled to a burn center that offers burn rotations and clinical experience, to provide adequate training and readiness for the next generation of medical providers to treat critically injured burn patients and other military trauma victims. \_\_\_\_\_\_ SA 3927. Mr. ISAKSON (for himself and Mr. Murphy) submitted an amendment intended to be proposed to amendment SA 3695 proposed by Mr. Shelby to the bill H.R 6157, making appropriations for the Department of Defense for the fiscal ***year*** ending September 30, 2019, and for other purposes; which was ordered to lie on the table; as follows: At the appropriate place in title II of division B, insert the following: Sec. \_\_. (a) There are appropriated under the heading ``Public Health Scientific Services'' under the heading ``Centers for Disease Control and Prevention'', in addition to any other amounts made available under such heading, $5,000,000 to be available for the establishment of the National Neurological Conditions Surveillance System as authorized in 21st Century Cures Act (Public Law 114-255). (b) Notwithstanding any other provision of this Act, the total amount appropriated under the heading ``Substance Abuse and Mental Health Services Administration'' is hereby reduced by $5,000,000

**Load-Date:** August 29, 2018

**End of Document**



[***CAP reform is just tinkering around the edges of a flaes flawed and broken system***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SJ4-MC71-DY9P-N28H-00000-00&context=1516831)

Irish Independent

June 12, 2018 Tuesday

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**Section:** FARMING;NEWS; Pg. 14,15

**Length:** 919 words

**Byline:** DARRAGH McCULLOUGH

**Body**

I'm blue in the face giving out about the EU farm subsidy regime. Anybody who has been willing to listen to me in recent ***years*** will have heard why I think the ***payments*** system is a complete farce.

And despite the hype, I have no faith in the next 'reform' of the Common ***Agricultural*** Policy (CAP) to change anything for the better.

We'll hear plenty over the coming months and ***years*** about a switch from a compliance-based to performance-based system, but in reality it won't amount to anything more than tinkering at the edges.

Instead, there will be a gradual fall away in supports and subsidies to the point where they become irrelevant to the ability of the farmer to stay in business.

Political 'imperatives' will force that process to be dragged out over ***years*** so that it will be inflation that will ultimately eat away at the core value of the ***payments***.

Let's clear up a few things before we go any further. EU ***payments*** to farmers are a subsidy. I can't abide all the huffing and puffing (and PR money) that goes into trying to package CAP ***payments*** as anything other than a handout to help farmers remain profitable.

This notion that they are ***payments*** for keeping the environment nice or producing safe food is a load of codswallop.

If that was true it would mean that farming in every country that doesn't have a CAP regime would be wreaking havoc on the countryside and churning out food that was substandard.

Instead, we know that Kiwi dairy products are up there with the best of Irish, Ukrainian grain comes in by the boatload into Irish ports, and we all guzzle and chomp our way through Brazilian orange juice, Peruvian raspberries and Moroccan salad leaves.

The next myth to put to bed is the idea that these subsidies help farmers stay competitive. I would argue that they do the opposite.

Keeping unprofitable farms going by feeding them a subsidy from Europe only ties up land in either inherently unprofitable enterprises or with farmers that are unable to run successful businesses.

If you follow this logic through, you will rightly wonder if the biggest beneficiary from farm ***payments*** are the likes of the privately owned businesses that are then able to buy what are effectively subsidised produce from the farmers.

These big businesses must be only delighted with the politicians and farm organisations that tog out every five ***years*** to bang tables and campaign for CAP ***payments*** to be maintained.

Imagine how much extra they would have to pay for their raw materials if farmers actually had to charge them the full cost of production? Instead, Teagasc figures show ***year*** after ***year*** that drystock farmers sell their stock at break-even, if not loss-making prices and rely on the farm subsidies for a margin.

But it's not just the beef barons that are the true indirect beneficiaries of Irish and European taxpayers' largesse. Landowners are also regulars in the CAP winners' enclosure.

While most farmers are landowners in their own right, most full-time farmers are very reliant on rented land to achieve the scale required to make a living.

This land is invariably rented from former farmers or the descendants of former farmers.

The bonkers historical links on farm ***payments*** that politicians and farmers here lobbied hard for has effectively added another (EURO)100 per acre to the rental income on each acre.

For those of you lucky enough to be unfamiliar with how this ***transfer*** of taxpayers' money ***transfers*** into the pockets of landowners, here's how it works.

Jimmy has 100ac of land to rent out. He has farmed all his life and had an EU farm ***payment*** of (EURO)10,000.

That ***payment*** is linked to those acres. So you rent those acres for your farm operation, you will then fall in line for that EU ***payment***.

But of course Jimmy knows this and says that if the going rate for the land is (EURO)100/ac, then you can surely afford to pay him (EURO)200/ac when the EU farm ***payment*** is included.

When this was pointed out to the mandarins and politicians that were designing this archaic system over a decade ago, they insisted that the farmer renting in the land would be well able to tell the landowner where to go with their demands.

Any economist would have told you differently. Supply and demand is the phrase that springs to mind, so that farmer that needs the land can justify handing over the EU ***payment*** since they are just really interested in growing more crops or grazing more stock.

In doing so, however, it builds in another overhead cost that makes Irish ***agriculture*** less competitive on the global stage that it is required to trade on.

So a switch from compliance - to performance-based criteria for farmers to access EU subsidies isn't going to tackle any of the systemic flaws in the current system.

In fact, with the proposal to decentralise from much of the decision-making on how the (EURO)1.5bn gets divvied up among Irish farmers from Brussels back to Dublin, I dread to think what kind of system will be cooked up here.

Unfortunately, it will most likely pander to the lowest common denominator to keep the current incumbents in their respective political offices.

None of the views outlined here are popular, but that doesn't take away from the harsh truth they contain - the CAP is broken and the proposed 'reform' will do nothing to change that.

Darragh McCullough farms in Meath and presents RTÉ's Ear to the Ground ***programme***

THE BONKERS ; ; HISTORICAL ; ; LINKS ON FARM ; ; ***PAYMENTS*** HAS ; ; EFFECTIVELY ; ; ADDED (EURO)100 PER ; ; ACRE TO THE ; ; RENTAL INCOME ; ; ON EACH ACRE ;

**Load-Date:** June 12, 2018

**End of Document**



[***FSA Offers Disaster Assistance for Qualifying Tree, Bush and Vine Losses***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SHY-FCB1-JDG9-Y4XB-00000-00&context=1516831)

Impact News Service

October 16, 2018 Tuesday

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**Length:** 254 words

**Body**

Washington,DC: USDA Farm Service Agency has issued the following news release:

Orchardists and nursery tree growers who experience losses from natural disasters during ***calendar*** ***year*** 2018 must submit a TAP application either 90 ***calendar*** days after the disaster event or the date when the loss is apparent. TAP was authorized by the ***Agricultural*** Act of 2014 as a permanent disaster ***program***. TAP provides financial assistance to qualifying orchardists and nursery tree growers to replant or rehabilitate eligible trees, bushes and vines damaged by natural disasters.

Eligible tree types include trees, bushes or vines that produce an annual crop for commercial purposes. Nursery trees include ornamental, fruit, nut and Christmas trees that are produced for commercial sale. Trees used for pulp or timber are ineligible.

To qualify for TAP, orchardists must suffer a qualifying tree, bush or vine loss in excess of 15 percent mortality from an eligible natural disaster, plus an adjustment for normal mortality. The eligible trees, bushes or vines must have been owned when the natural disaster occurred; however, eligible growers are not required to own the land on which the eligible trees, bushes and vines were planted.

If the TAP application is approved, the eligible trees, bushes and vines must be replaced within 12 months from the date the application is approved. The cumulative total quantity of acres planted to trees, bushes or vines, for which a producer can receive TAP ***payments***, cannot exceed 1000 acres annually.

**Load-Date:** October 31, 2018

**End of Document**



[***Washington: INTRODUCTION OF BILLS AND JOINT RESOLUTIONS (Senate - May 24, 2018)***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SDH-BDB1-F0YC-N17F-00000-00&context=1516831)

Impact News Service

May 25, 2018 Friday

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**Length:** 1932 words

**Body**

Washington: The Library of Congress, The Government  of USA has issued the following house proceeding:

 The following bills and joint resolutions were introduced, read the first and second times by unanimous consent, and referred as indicated: By Mr. YOUNG (for himself and Mr. Van Hollen): S. 2945. A bill to authorize the Secretary of Housing and Urban Development to carry out a housing choice voucher mobility demonstration to encourage families receiving the voucher assistance to move to lower-poverty areas and expand access to opportunity areas; to the Committee on Banking, Housing, and Urban Affairs. By Mr. GRASSLEY (for himself, Mr. Nelson, Mr. Rubio, Mr. Whitehouse, Mr. Cruz, Mr. Blumenthal, Mr. Tillis, Mr. Coons, and Mr. Cornyn): S. 2946. A bill to amend title 18, United States Code, to clarify the meaning of the terms ``act of war'' and ``blocked asset'', and for other purposes; to the Committee on the Judiciary. By Mr. CASSIDY: S. 2947. A bill to establish the Caddo Lake National Heritage Area, and for other purposes; to the Committee on Energy and Natural Resources. By Mrs. McCASKILL (for herself, Mr. Johnson, and Mr. Carper): S. 2948. A bill to improve efforts to identify and reduce Governmentwide improper ***payments***, and for other purposes; to the Committee on Homeland Security and Governmental Affairs. By Mr. PERDUE: S. 2949. A bill to direct the Secretary of Defense to carry out certain activities to ensure the readiness of the Department of Defense with respect to joint electromagnetic spectrum operations; to the Committee on Armed Services.

By Mr. CASEY: S. 2950. A bill to amend the Internal Revenue Code of 1986 to allow credits for the establishment of franchises by veterans; to the Committee on Finance. By Mr. MARKEY (for himself and Ms. Warren): S. 2951. A bill to direct the Secretary of Transportation to establish a grant ***program*** for projects to strengthen and protect vulnerable infrastructure used during mass evacuations, and for other purposes; to the Committee on Commerce, Science, and Transportation. By Ms. KLOBUCHAR (for herself, Mr. Blunt, Mr. McConnell, Mr. Schumer, Mr. Grassley, Mrs. Gillibrand, Mrs. Capito, Mrs. McCaskill, Mr. Roberts, Mrs. Feinstein, Mrs. Fischer, Ms. Heitkamp, Mr. Enzi, Ms. Baldwin, Mrs. Ernst, Ms. Hirono, Mr. Cruz, Mrs. Shaheen, Mr. Isakson, Mr. Brown, Mr. Barrasso, Mr. Markey, Mr. Sullivan, Mr. Carper, Mr. Heller, Ms. Smith, Mr. Tillis, Mr. Casey, Mr. Kennedy, Mr. Nelson, Ms. Murkowski, Mr. Donnelly, Mr. Cornyn, Ms. Duckworth, Mr. Tester, Mr. Blumenthal, Mr. Merkley, Mr. Coons, Mr. Booker, Mr. Warner, Mr. Wyden, Mr. Murphy, Mr. Reed, and Mr. Manchin): S. 2952. A bill to amend the Congressional Accountability Act of 1995 to establish protections against congressional sexual harassment and discrimination, and for other purposes; considered and passed. By Mr. JONES (for himself, Mr. Heller, Ms. Heitkamp, and Mr. Kennedy): S. 2953. A bill to amend the Securities Exchange Act of 1934 to expand access for rural-area small businesses, and for other purposes; to the Committee on Banking, Housing, and Urban Affairs. By Mr. MENENDEZ: S. 2954. A bill to provide for the award of medals or other commendations to handlers of military working dogs and military working dogs, and for other purposes; to the Committee on Armed Services. By Mr. WICKER (for himself, Ms. Hassan, and Mr. Moran): S. 2955. A bill to reform the Mobility Fund Phase II challenge process conducted by the Federal Communications Commission; to the Committee on Commerce, Science, and Transportation. By Mr. WICKER (for himself, Mr. Daines, Mr. Blunt, and Mr. Lankford): S. 2956. A bill to intensify stem cell research showing evidence of substantial clinical benefit to patients, and for other purposes; to the Committee on Health, Education, Labor, and Pensions. By Mr. CRAPO (for himself, Mr. Warner, Mr. Moran, Mr. Blumenthal, Ms. Collins, Mrs. Feinstein, Mr. Toomey, Mrs. McCaskill, Mr. Daines, and Mr. Markey): S. 2957. A bill to amend the Horse Protection Act to designate additional unlawful acts under the Act, strengthen penalties for violations of the Act, improve Department of ***Agriculture*** enforcement of the Act, and for other purposes; to the Committee on Commerce, Science, and Transportation. By Mr. UDALL (for himself and Mr. Gardner): S. 2958. A bill to require the Federal Communications Commission to make the provision of Wi-Fi access on school buses eligible [[Page S2924]] for E-rate support; to the Committee on Commerce, Science, and Transportation. By Mr. HOEVEN (for himself and Ms. Klobuchar): S. 2959. A bill to direct the Federal Communications Commission to establish the Office of Rural Broadband, and for other purposes; to the Committee on Commerce, Science, and Transportation. By Mr. BOOKER: S. 2960. A bill to require health insurance for the treatment of infertility; to the Committee on Health, Education, Labor, and Pensions. By Mr. BLUNT (for himself, Mr. Coons, Mr. Young, Ms. Klobuchar, Mrs. Capito, Ms. Hirono, Mr. Burr, Mr. Casey, Mr. Rounds, Mrs. Fischer, and Mr. Durbin): S. 2961. A bill to reauthorize subtitle A of the Victims of Child Abuse Act of 1990; to the Committee on the Judiciary. By Mr. GARDNER (for himself and Mr. Markey): S. 2962. A bill to advocate for Taiwan's inclusion in certain international organizations, and for other purposes; to the Committee on Foreign Relations. By Mr. MENENDEZ: S. 2963. A bill to repeal the prohibition on the ***transfer*** of articles on the United States Munitions List to the Republic of Cyprus; to the Committee on Foreign Relations. By Ms. BALDWIN: S. 2964. A bill to amend the Competitive, Special, and Facilities Research Grant Act and the Department of ***Agriculture*** Reorganization Act of 1994 to further plant cultivar research, development, and commercialization, and for other purposes; to the Committee on ***Agriculture***, Nutrition, and Forestry. By Mr. DURBIN (for himself and Mr. Markey): S. 2965. A bill to amend the Children's Online Privacy Protection Act of 1998 to give Americans the option to delete personal information collected by internet operators as a result of the person's internet activity prior to age 13; to the Committee on Commerce, Science, and Transportation. By Mr. WHITEHOUSE (for himself, Mr. Durbin, and Mr. Blumenthal): S. 2966. A bill to amend the Federal Election Campaign Act of 1971 to require donor disclosure for certain organizations accepting donations from foreign nationals, and for other purposes; to the Committee on Finance. By Mr. BLUMENTHAL (for himself and Mr. Menendez): S. 2967. A bill to amend title 18, United States Code, to provide a penalty for assault against journalists, and for other purposes; to the Committee on the Judiciary. By Mr. DURBIN (for Ms. Duckworth): S. 2968. A bill to amend the Energy Reorganization Act of 1974 to clarify whistleblower rights and protections, and for other purposes; to the Committee on Energy and Natural Resources. By Ms. BALDWIN: S. 2969. A bill to amend the Consolidated Farm and Rural Development Act to improve water or waste disposal grants or direct or guaranteed loans, and for other purposes; to the Committee on ***Agriculture***, Nutrition, and Forestry. By Mr. DAINES (for himself and Mr. Leahy): S. 2970. A bill to amend the Rural Electrification Act of 1936 to provide requirements on the use of assistance for broadband deployment, and for other purposes; to the Committee on ***Agriculture***, Nutrition, and Forestry. By Mr. BOOKER (for himself and Mr. Blumenthal): S. 2971. A bill to amend the Animal Welfare Act to prohibit animal fighting in the United States territories; to the Committee on ***Agriculture***, Nutrition, and Forestry. By Mr. THUNE: S. 2972. A bill to prioritize the allocation of H-2B visas for States with low unemployment rates; to the Committee on the Judiciary. By Mr. ROBERTS (for himself, Mr. Moran, Mr. Blunt, and Mrs. Fischer): S. 2973. A bill to amend the Communications Act of 1934 to require providers of a covered service to provide location information concerning the telecommunications device of a user of such service to an investigative or law enforcement officer or an employee or other agent of a public safety answering point in an emergency situation involving risk of death or serious physical harm or in order to respond to the user's call for emergency services; to the Committee on Commerce, Science, and Transportation. By Mr. LEAHY (for himself and Mr. Nelson): S. 2974. A bill to amend section 923 of title 18, United States Code, to require an electronic, searchable database of the importation, production, shipment, receipt, sale, or other disposition of firearms; to the Committee on the Judiciary. By Mr. ALEXANDER: S. 2975. An original bill making appropriations for energy and water development and related agencies for the fiscal ***year*** ending September 30, 2019, and for other purposes; from the Committee on Appropriations; placed on the ***calendar***. By Mr. HOEVEN: S. 2976. An original bill making appropriations for ***Agriculture***, Rural Development, Food and Drug Administration, and Related Agencies ***programs*** for the fiscal ***year*** ending September 30, 2019, and for other purposes; from the Committee on Appropriations; placed on the ***calendar***. By Mr. WARNER (for himself and Mr. Moran): S. 2977. A bill to secure the technological edge of the United States in civil and military aviation; to the Committee on Commerce, Science, and Transportation. By Mr. CASEY (for himself, Mr. Van Hollen, and Mr. Cardin): S. 2978. A bill to amend the Food Security Act of 1985 to modify the conservation reserve enhancement ***program***, and for other purposes; to the Committee on ***Agriculture***, Nutrition, and Forestry. By Mr. LEE (for himself, Mr. Johnson, Mr. Toomey, Mrs. Ernst, Mr. Perdue, Mr. Kennedy, Mr. Paul, Mr. Flake, and Mr. Sasse): S. 2979. A bill to rescind certain budget authority proposed to be rescinded in special messages transmitted to the Congress by the President on May 8, 2018, in accordance with title X of the Congressional Budget and Impoundment Control Act 1974; to the Committee on Appropriations and the Committee on the Budget, concurrently, pursuant to the order of January 30, 1975, as modified by the order of April 11, 1986, with instructions that the Budget Committee be authorized to report its views to the Appropriations Committee, and that the latter alone be authorized to report the bill. By Mr. SULLIVAN (for himself, Mr. Schatz, Mr. Peters, Mr. Cruz, and Mr. Cotton): S. 2980. A bill to improve the missile defense capabilities of the United States, and for other purposes; to the Committee on Armed Services. By Mr. MARKEY (for himself and Mr. Kaine): S. 2981. A bill to provide certain protections from civil liability with respect to the emergency administration of opioid overdose drugs; to the Committee on the Judiciary. By Mr. DONNELLY (for himself, Mr. Peters, and Mrs. Gillibrand): S. 2982. A bill to make trade adjustment assistance available to workers whose jobs are eliminated through automation, and for other purposes; to the Committee on Finance. By Mr. MERKLEY (for himself and Mr. Wyden): S. 2983. A bill to amend title 49, United States Code, to improve the essential air service ***program***; to the Committee on Commerce, Science, and Transportation. By Mr. CARDIN: S. 2984. A bill to amend the Higher Education Act of 1965 to provide greater access to higher education for America's students, to eliminate educational barriers for participation in a public service career, and for other purposes; to the Committee on Health, Education, Labor, and Pensions.

**Load-Date:** May 26, 2018

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[***Council of the European Union: REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL on the implementation of the Common Monitoring and Evaluation Framework and first results on the performance of the Common Agricultural Policy PDF document ST 15268 2018 INIT06-12-2018***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TX4-T701-F0YC-N2FS-00000-00&context=1516831)

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Brussels: Council of the European Union has issued the following document:

15268/18 HVW/ik LIFE.1.B EN Council of the European Union Brussels, 6 December 2018 (OR. en) 15268/18 AGRI 626 AGRIFIN 144 FIN 980 COVER NOTE From: Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director date of receipt: 5 December 2018 To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union No. Cion doc.: COM(2018) 790 final Subject: REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL on the implementation of the Common Monitoring and Evaluation Framework and first results on the performance of the Common ***Agricultural*** Policy Delegations will find attached document COM(2018) 790 final. Encl.: COM(2018) 790 final EN EN EUROPEAN COMMISSION Brussels, 5.12.2018 COM(2018) 790 final REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL on the implementation of the Common Monitoring and Evaluation Framework and first results on the performance of the Common ***Agricultural*** Policy 2 REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL on the implementation of the Common Monitoring and Evaluation Framework and first results on the performance of the Common ***Agricultural*** Policy 1. INTRODUCTION The 2013 reform of the Common ***Agricultural*** Policy (CAP) established a Common Monitoring and Evaluation Framework (CMEF) with the aim of measuring the performance of the CAP implementation for 2014-2020, demonstrating its achievements and improving its efficiency.1 For the first time, this framework covered both the first pillar (direct payments2 and market measures3) and the second pillar (rural development4), as well as horizontal measures5 (e.g cross compliance) of the CAP. The CAP 2014-2020 established that the Commission shall present an initial report 'on the implementation of the Common Monitoring and Evaluation Framework and first results of the performance of the CAP by 31 December 2018', with the final assessment of the implementation of the CAP for 2014-2020 expected in 2021. The present report anticipates the publication date to feed the debate on the CAP legal proposals adopted on 1 June 2018, and is published together with the dissemination of the whole set of relevant indicators6. This initial report describes the design and the implementation of the framework, provides first results on the performance of the CAP on the basis of evidence collected through the CMEF and other studies (e.g evaluations) and links the lessons learnt with the performance and monitoring and evaluation framework included in the the CAP post-2020 proposals.

2. DESIGN AND IMPLEMENTATION OF THE COMMON MONITORING AND EVALUATION FRAMEWORK 2.1 Legal framework The monitoring and evaluation framework for the CAP 2014-2020 established in the Horizontal Regulation5 that the performance of the CAP shall be assessed in relation to the three general objectives of the CAP: a. viable food production, with a focus on ***agricultural*** income, ***agricultural*** productivity and price stability b. sustainable management of natural resources and climate action, with a focus on greenhouse gas (GHG) emissions, biodiversity, soil and water c. balanced territorial development, with a focus on rural employment, growth and poverty in rural areas. In addition, for the second pillar, the Common Provision Regulation7 lays down the common monitoring and evaluation elements for the European Structural and Investment Funds, while 1 Article 110 of Regulation (EU) No 1306/2013. 2 Regulation (EU) No 1307/2013. 3 Regulation (EU) No 1308/2013. 4 Regulation (EU) No 1305/2013. 5 Regulation (EU) No 1306/2013. 6 Forthcoming website. 7 Regulation (EU) No 1303/2013. 3 the Rural Development Regulation4 addresses the specificities for the rural development ***programmes***. The CMEF provides key information on the CAP implementation (monitoring), as well as on its results and impacts (evaluation)8. It quantifies the actions in Member States (output), describes achievements and verifies how well objectives were reached9. The Commission, together with Member States in the framework of an Expert group, designed the CMEF and developed a list of indicators which, selected on the basis of an intervention logic from general to specific objectives and interventions, were laid down in several implementing acts. 2.2 Indicators Five types of indicators were defined to support the assessment of the performance of the CAP:10 • 45 context indicators describing the general operational environment of the policy • 84 output indicators measuring activities directly related to policy interventions • 41 result indicators: 16 result indicators for the first pillar measuring the direct and immediate effects of interventions and 25 result indicators for the second pillar (of which 19 correspond to target indicators) • 24 target indicators (of which 19 correspond to result indicators) used to set quantified objectives at the beginning of the ***programming*** period • 16 impact indicators measuring the impact of policy interventions at longer term and beyond immediate effects (of which 13 are also included in the context indicator set) For each of the indicators, information sheets were prepared with the definition as well as the data sources, the level of geographical detail, the reporting frequency and timing.11 In addition, sub-indicators were included when a split was considered necessary e.g per sector or category. In total, the current framework has more than 900 sub-indicators. 2.3 Data sources The indicators are defined, to the extent possible, so that the collection of data is based on existing channels12 in order to avoid creating additional administrative burden for beneficiaries and Member States. The wide range of data sources used for the overall CMEF includes notifications from Member States, European statistics provided by Eurostat13, data collected by the European Environmental Agency. For the first pillar, output indicators are available via the Information System for ***Agricultural*** Market Management and Monitoring (ISAMM), the Clearance Audit Trail System (CATS) and Information System for ***Agriculture*** Refund Expenditure (AGREX). Data are available for 2015, 2016 and partly for 2017. For the second pillar, monitoring data are collected via the Annual Implementation Reports submitted by Member States each ***year*** in June with regard to the previous ***year***. These reports include output, result and target indicator values. In addition, Member States had to submit enhanced Annual Implementation Reports in 2017 (and 2019) including additional information based on evaluation activities. Additionally, information on expenditure is gathered quarterly via the Declaration of Expenditure for European ***Agricultural*** Fund for 8 Further information available in 'Technical handbook on the monitoring and evaluation framework of the CAP 2014-2020' (2015). 9 Further information available in 'The monitoring and evaluation framework for the CAP 2014-2020' (2015). 10 Commission Implementing Regulation (EU) No 834/2014. 11 Information sheets are available here. 12 Most sustainable development indicators are also part of the Common Monitoring and Evaluation Framework. 13 ***Agricultural*** statistics, agri-environmental statistics, land cover and land use statistics (including the LUCAS survey), regional statistics, social statistics, trade statistics etc. 4 Rural Development. For rural development, indicator data for 2015 and up to the end of 2016 is available.14 The use of existing data sources and the level of detail required for certain indicators have an impact on the timing and frequency of data availability. For example, data based on the Eurostat's Farm Structure Survey data are collected every three ***years*** and are available 1,5 ***year*** after the reference ***year***. Similarly, some environmental indicators are based on periodical surveys - the ones related to soil quality are collected on a 5-***year*** interval, with the latest information referring to 2012. 3. INITIAL ASSESSMENT OF THE PERFORMANCE OF THE CAP The performance of the CAP in achieving its common objectives shall be measured and assessed on the basis of common impact indicators, and the underlying specific objectives on the basis of result indicators. This initial report describes therefore the CAP achievements on the basis of the data available so far within the CMEF.15 Evaluation information is taken into account when available. Further analysis is available in the Impact Assessment for the proposals of the reform of the CAP post 202016 and in the various sources of background information collected for those purposes.17 A note of caution is pertinent here. To assess this performance, it is necessary to isolate the policy effect from other influencing factors (contextual facts, other related policies etc.). The so-called 'net impacts' need to be measured. This is normally done through evaluations. At this stage, limited information is available to carry out these evaluations due to the fact that the latest CAP reform has been implemented only in 2015. There are also delays in the availability of the impact (and context) indicators. For several indicators, the most recent data relate to 2012 or 2013, thus before the implementation of the 2013 reform of the CAP. Finally, some impact indicators require a longer period to show effects, leading to difficulties in netting-out the impact of the CAP. 3.1 Viable food production 3.1.1 Market orientation and price stability The CAP has undergone several reforms towards greater market orientation shifting from product support (through prices) to producer support (through income support, mainly with decoupled ***payments***). This shift reduced the price gap beween EU and world market prices over time increasing the competitiveness and trade performance of the EU: the ratio between EU and world market prices of main ***agricultural*** commodities (weighted average) declined from 140 % in 2007 to 113 % in 2017. EU agri-food exports almost doubled over the last 10 ***years*** to EUR 138 billion in 2017 and contributed to the further improvement of the trade balance to EUR 20.5 billion (+EUR 28 billion compared to 2007). EU exports make up for around 17 % of total world agri-food exports, with this share quite stable over time. At the same time, the EU market is more open: EU imports of agri-food products increased to EUR 117 billion in 2017 (+51 % compared to 2007), with EU imports from least developed countries increasing by more than 75 % since 2007, reaching a value of EUR 3.5 billion in 14 On June 30th 2018, Member States should notify 2017 data. When this report was drafted, these data were not yet available. 15 The Commission has carried out several quality checks. However, errors could not always be corrected. Moreover, rural development result indicators were recalculated by the Commission on the basis of output and context indicators for 2013 in order to ensure that the data are calculated in a harmonised way. 16 COM(2018) 392, COM(2018) 393, COM(2018) 394. 17 Facts and figures 5 2017. All the other top world traders US, China, Japan, Russia, and Canada together imported only EUR 3 billion from least developed countries. Although EU farmers are now more exposed to world price volatility, price volatility remains lower than for main competitors; e.g for soft wheat, it was 6.8 % in 2015-2017, whereas on the world market it was 10 %. With EU prices closer to world market prices, EU export refunds are not used anymore and intervention schemes are implemented less frequently than 20 ***years*** ago. The CAP now operates a market safety-net, supporting prices in sectors that are faced with excessive and exceptional price declines. Prices in most sectors stayed well above intervention price in recent ***years*** except for skimmed milk powder, where prices dropped below intervention price levels in 2015 and 2016, leading to public intervention buying-in representing 2% and 23% respectively of total EU production. The experience of the last few ***years*** shows that in case of need market measures are available and can be implemented to halt price drops. Exceptional measures like private storage aid and market withdrowals were introduced in response to the import ban imposed by Russia in 2014. 3.1.2 ***Agricultural*** income One of the key objectives of the CAP is to contribute to farm income and limit its variability. The main instrument to support farm income is direct ***payments***, most of which are decoupled from actual production. Average direct ***payments*** per beneficiary amounted to almost EUR 6 200 in 2016 making up a share of 44 % in ***agricultural*** entrepreneurial income in the EU-28 with different distribution between farm types and farm size18, In some sectors (beef, sheep, olives) and zones (areas facing natural constraints), direct ***payments*** make up an even higher share of income, helping to maintain farms in business on the whole EU territory and thus contributing to rural vitality. However, agriculural income in these sectors and zones remains below EU average. In sectors where price volatility is high, direct ***payments*** help farmers to better cope with price drops. A recent World Bank report concludes that the CAP contributes effectively to farm income, and helps reducing the gap between ***agricultural*** income and wages received in other economic sectors19. The 2013 CAP reform also offered several risk management tools: insurance premiums, mutual funds and a newly introduced income stabilisation tool. In view of their limited uptake20 (in 2016 only 0.5 % of ***agricultural*** holdings participated in EU risk management schemes) some changes were proposed in the so-called Omnibus Regulation21. A recent study on risk management in EU ***agriculture*** finds that European farmers are increasingly exposed to risks while the availability of risk management instruments lags behind. Insurance remains the most commonly used instrument; availability and uptake of mutual funds is more limited22. 18 Statistical factsheets: [*https://ec.europa.eu/****agriculture****/statistics/factsheets\_en*](https://ec.europa.eu/agriculture/statistics/factsheets_en). 19 World Bank, Thinking CAP: Supporting ***Agricultural*** Jobs and Incomes in the EU (2017). 20 The low uptake can be explained by the fact that the funds could only be used in case of income losses larger than 30 %. In addition, it was not allowed to target specific sectors and no public support for the initial capital stock is allowed. For more explanations see the Market Brief on risk management. 21 Regulation (EU) 2017/2393. 22   [*https://ec.europa.eu/****agriculture****/external-studies/2017-risk-management-eu-****agriculture****\_en*](https://ec.europa.eu/agriculture/external-studies/2017-risk-management-eu-agriculture_en). 6 3.1.3 ***Agricultural*** productivity ***Agricultural*** productivity, expressed as total factor productivity, is increasing steadily but slowly (+0.7% per ***year*** over the last five ***years***), with growth in labour productivity contributing most to productivity gains. CAP decoupled ***payments*** and rural development support are positively associated with increases in ***agricultural*** productivity per worker (contrary to coupled support). CAP ***payments*** increase farmers' credit access and reduce risk exposure, which allows them to invest more23. An important factor determining productivity growth in the long run is innovation. To speed up the uptake of innovation, the European Innovation Partnership for ***Agricultural*** Productivity and Sustainability was launched by the Commission in 2012 (see paragraph 3.4). 3.2 Sustainable management of natural resources and climate action The CAP contributes to the sustainable management of natural resources and climate action in many ways through the combined effects of different CAP measures, including cross compliance (on 90 % of utilised ***agricultural*** area - UAA), direct ***payments*** (greening on 77 % of UAA24) and rural development measures targeted towards specific environmental objectives, accompanied by support for farm advice and for the innovative activities of the European Innovation Partnership and its Operational Groups. ***Agricultural*** production has an impact on the environment but there are also other factors at play. Since recent data on environmental indicators is scarce and environmental impacts are often long-term processes, it remains difficult to establish a direct link between the CAP intervention and its actual result on the environment. ***Agricultural*** GHG emissions declined by more than 20 % since 1990 to 12 % of total EU GHG emissions in 2016, thanks to reduced nitrous oxide emissions from ***agricultural*** soil management (mainly due to a decline in use of nitrogenous fertilisers) and reduced enteric fermentation emissions due to an overall reduction in livestock numbers. However, the rate of decline has levelled out in the past 10 ***years*** and emissions now fluctuate around 490 million t of CO2 equivalent. Contrary to the common belief, emissions from grassland and cropland are still positive, albeit on a declining trend (-15% between 2006 and 2016). Main reasons are conversion of land to cropland and grassland management practices, but large differences between Member states are noted. In addition, ammonia emissions from ***agriculture*** increased during the last two ***years*** (+10%). These environmental indicators show that environmental problems are still present and that more shall be done through the future CAP. The three greening requirements under direct ***payments*** aim at making the CAP more effective in delivering its environmental and climate objectives and to ensure the long term sustainability of EU ***agriculture***: 1) Ecological Focus Areas primarily aiming at safeguarding and improving biodiversity at farms; 2) Maintenance of permanent grassland aiming at supporting carbon sequestration, supporting biodiversity and protecting against soil erosion and soil quality; 3) Crop diversification aiming at improving soil quality primarily. However, greening was criticized for the additional burden it entails for farmers and administrations compared to its environmental outcome. A recent evaluation on the ***payment*** 23   [*https://www.ceps.eu/publications/cap-subsidies-and-productivity-eu-farms*](https://www.ceps.eu/publications/cap-subsidies-and-productivity-eu-farms) 24 2016 data. Data for 2017 are not yet available for all Member States. 7 of ***agricultural*** practices beneficial for climate and environment25 confirms that the current implementation of greening by Member States and farmers could be improved to deliver better on its objectives. Regarding rural development measures, contracts supporting biodiversity and/or landscapes cover 13 % of UAA, contracts to improve water management 9 % of UAA, contracts to prevent soil erosion and to improve soil management 9 % of UAA and contracts targeting a reduction in GHG and/or ammonia emissions 1 % of UAA26. In addition, 7% of UAA is organic farming area27. The quantification of impacts by Member States has been limited, as according to them, for the evaluations carried out in 2016 it was 'too early to observe rural development ***programmes***’ effects on values of environmental impact indicators'28. The CAP reform established that Member States should reserve at least 30 % of Pillar II for measures on climate mitigation, as well as measures to address environmental issues29. In 2016, Member States went far beyond this obligation in terms of expenditure incurred, reaching 67 % on average in the EU, with Areas facing natural or other specific constraints (30 %) and Agri-Environment and Climate Measures (18 %) contributing most to this target. In addition to this CAP specific commitment at Member States level, the Council and European Parliament agreed that at least 20 % of the EU budget for 2014 to 2020 should be spent on climate related action with contributions from different policies30. The CAP plays a key role in the efforts to reach the target. Based on the climate tracking methodology defined for the current ***programming*** period31 in line with the OECD's 'Rio markers', the CAP contribution to climate change is estimated at 26% i.e EUR 102.8 billion. 3.3 Balanced territorial development ***Agriculture*** represents 13.5% of total employment in rural areas in 2016 (compared to 12.4% in 2012). The ***agricultural*** sector employed 8.7 million full time equivalent farmers (2013). The long-term trend for labour outflow from farming is driven by demographics, structural changes, mechanisation and opportunities outside the ***agricultural*** sector. In recent ***years***, ***agricultural*** labour outflow slowed down. The CAP contributes to balanced territorial development through several support schemes for the farm sector (which is often the backbone of the rural economy) and through direct assistance to non-farm entities in rural areas. These schemes include: • support to around 7 million beneficiaries, covering about 65 % of the total number of farms32. There were close to 6.8 million beneficiaries under direct support schemes and more than 3 million under rural development measures in claim ***year*** 201533. • specific support to farmers in mountain areas and other areas with specific constraints (2.7 million beneficiaries, EUR 8 billion). 25 Evaluation study of the ***payment*** for ***agricultural*** practices beneficial for the climate and the environment ('greening' of direct ***payments***) 26. For the calculation of this indicator, only the schemes whose results are ***programmed*** under Focus Area 5D are taken into account (regardless of where the relevant expenditure is ***programmed***). This percentage is in line with the aggregate EU target (3%). 27 The majority of organic farmers are supported via Rural Development. 28 Summary report: synthesis of the evaluation components of the 2017 enhanced Annual Implementation Report. 29 Article 59.6 of Regulation (EU) No 1305/2013 establishes that Member States should reserve at least 30% of Pillar II on Articles 17, 21, 28, 29, 30 (with the exception of the Water Framework Directive related ***payments***), 31, 32 and 34 of the same regulation. 30 COM(2011) 500 final of 29 June 2011, 'a Budget for Europe 2020', Part II, p. 13. 31 Commission Implementing Regulation (EU) No 215/2014. 32 The number of beneficiaries relate to Financial ***Year*** 2016 which corresponds to Claim ***Year*** 2015. The number of holdings relates to 2013 as this is the latest available data. 33 A majority of beneficiaries of rural development ***payments*** are also beneficiaries of direct ***payments*** but are only counted once. 8 • support to young farmers by a mandatory top up of the basic ***payment*** for the first five ***years*** supporting around 312 000 young farmers (EUR 352 million) and by a wide range of support measures for the young farmers under the rural development. • voluntary coupled support to 2.3 million34 beneficiaries (EUR 3.9 billion). Furthermore, Member States have the option to redistribute up to 30 % of their direct ***payments*** envelope to the first hectares on every farm ('redistributive ***payment***'), 9 Member States have implemented this scheme in 2016 supporting 1.8 million farmers with EUR 1.6 billion. The CAP also contributes directly to support the development of basic services and communication technologies in rural areas, in particular measures that take several ***years*** to be completed such as long-term investments (broadband, other infrastructures). In 2016, 90 million people profited of these investments. In addition, 171 million rural citizens are already covered by a local development strategy under LEADER, which has proved to be extremely successful approach for promoting local development and capacity building in rural areas. CAP support (such as investments in communication technologies and infrastructure) has a multiplier effect on other sectors in rural areas, notably for the food industry and for those providing services to ***agriculture***. The employment rate in rural areas recovered strongly from the 62.5% in 2011 (as a result of the economic crisis) to 66% in 2016, almost similar to the rate in the rest of the economy. The gap between ***agricultural*** incomes and incomes in other economic sectors is still substantial but is reducing (the share of the average ***agricultural*** income compared to the wage of the whole economy increased from 32 % over the period 2005-2010 to 47% in 2017). As a result, the poverty rate in rural areas declined (from 29 % in 2011 to 26 % in 2016 in the EU-28), approaching the poverty rate in the whole economy (25 %). The CAP has therefore an important role in poverty reduction in rural areas and contributes to the creation of better jobs for farmers across the EU17. 3.4 Knowledge ***transfer*** and innovation Fostering knowledge ***transfer*** and innovation is a cross cutting priority of the CAP, with a total budget of EUR 5.7 billion allocated to it. The 2014-2020 Rural Development ***Programmes*** include a flexible package of measures supporting advice, training, innovation and cooperation and the development of knowledge in rural areas. More than 492 000 farmers (4.5% of total farmers) have received funding for training and more than 63 500 farmers for advice35. An ex-ante evaluation study carried out in 2016 was positive on the EIP initiative. All Member States (except Luxembourg) have decided to implement EIP in the current period (see also chapter 3.2). By the end of 2016, more than 245 cooperation operations were supported. 36 4. LESSONS LEARNT 4.1 The Common Monitoring and Evaluation Framework Despite its rather short implementation, the contribution of the CMEF to the assessment of the CAP 2014-2020 already provides lessons that are useful for its future evolution. Experience has shown that there are currently too many indicators and sub-indicators. Firstly, they do not allow to obtain an immediate impression of the achievements of the CAP. 34 One beneficiary may receive coupled support under more than one measure. Therefore this number may contain double counting. 35 Member States notifications were not fully harmonised (e.g number of trainings given versus number of leaflets). 36 Evaluation study of the implementation of the European Innovation Partnership for ***Agricultural*** Productivity and Sustainability. 9 Secondly, not all indicators are suitable for their purpose, e.g some indicators are not available on a ***yearly*** basis and/or with delay and can thus not be used for early monitoring. Some other indicators have only a weak link with the CAP. At the same time, certain indicators are missing. E.g an ongoing evaluation on climate change concludes that the limited breakdown of some output indicators impedes having sufficient information on CAP implementation with regard to climate change. For Pillar II, experience from previous ***programming*** periods shows that there is a learning curve for Member States in the first ***years*** to correctly report the data. This is also valid for the ***programming*** period 2014-2020. In order to address this issue, a validation process has been developed in 2018 based on the experience gained to warn Member States about possible errors before submission of data in the Annual Implementation Report. It has to be noted that the current CAP does not include a legal obligation for Member States to correct data after notification. Where experience with the data (availability) has shown the necessity of adjustment of one of the elements related to the indicator (e.g definition, coverage, reporting frequency), the related detailed description of the indicators and, where appropriate, the relevant regulation, were adapted. The latter has been the case e.g for the reporting requirements with regard to investments and support for young farmers. As Member States only had to report when the action was completed, partial achievements were not reported. This meant a strong underestimation of the values compared to the actual performance, particularly for such measures that may last several ***years***. A change in the implementing rules now allows Member States to report achieved indicator values for partially implemented operations as from the 2017 reporting ***year***. Issues were also reported for several impact indicators. E.g the indicator on High Nature Value does not have comparable data for all Member States. The data used for calculating the Farmland Bird Index is not complete and the Commission is looking at ways to improve this data collection. The possibility to measure via surveys the contribution of Rural Development measures to water and energy savings in ***agriculture*** has not yet been taken up due to, amongst others, the limited implementation period. 4.2 Performance Monitoring and Evaluation in the future CAP The proposals for reform of the CAP after 2020 shift emphasis from compliance and rules towards results and performance, with more Member States flexibility to decide how best to meet common objectives. The new Performance Monitoring and Evaluation Framework sets out a single set of objectives at EU level for both pillars of the CAP. The overall policy performance will be assessed multi-annually on the basis of impact indicators, with annual policy performance follow-up relying on the full list of result indicators while output indicators should annually link expenditure with the performance of policy implementation. The relevance of the experience with the current framework is that, in this shift towards performance, fewer but better targeted indicators are essential. Therefore, in the CAP legal proposals post-2020 it is proposed to reduce the number of indicators from to 146 to 101.37 This, more targeted, set of indicators has been selected in a way to reflect as closely as possible whether the supported interventions contribute to achieving the objectives. The performance based policy also requires that the quality of the notifications submitted by Member States improves. Therefore in the next CAP the certification bodies will have to ensure the reliability of the performance reporting on outputs and results. Moreover, selected indicators are generally generated by administrative processes or otherwise available, to 37 Excluding context indicators, which remain. 10 reduce the administrative burden. There is a strong need to improve future data availability (both by further data sharing between existing sources and by new technologies). CATS (Clearance Audit Trail System) or a data set with similar features, will, however, remain necessary as data source.

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[***Register of Commission documents: from the Commission to the European Parliament and the Council on the implementation of the Common Monitoring and Evaluation Framework and first results on the performance of the Common Agricultural Policy Document date: 2018-12-05 COM\_COM(2018)0790 COM documents***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SSJ-NW91-JDG9-Y0JB-00000-00&context=1516831)

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Additionally, information on expenditure is gathered quarterly via the Declaration of Expenditure for European ***Agricultural*** Fund for 8 Further information available in 'Technical handbook on the monitoring and evaluation framework of the CAP 2014-2020' (2015). 9 Further information available in 'The monitoring and evaluation framework for the CAP 2014-2020' (2015). 10 Commission Implementing Regulation (EU) No 834/2014. 11 Information sheets are available here. 12 Most sustainable development indicators are also part of the Common Monitoring and Evaluation Framework. 13 ***Agricultural*** statistics, agri-environmental statistics, land cover and land use statistics (including the LUCAS survey), regional statistics, social statistics, trade statistics etc. 4 Rural Development. For rural development, indicator data for 2015 and up to the end of 2016 is available.14 The use of existing data sources and the level of detail required for certain indicators have an impact on the timing and frequency of data availability. For example, data based on the Eurostat's Farm Structure Survey data are collected every three ***years*** and are available 1,5 ***year*** after the reference ***year***. Similarly, some environmental indicators are based on periodical surveys - the ones related to soil quality are collected on a 5-***year*** interval, with the latest information referring to 2012. 3. INITIAL ASSESSMENT OF THE PERFORMANCE OF THE CAP The performance of the CAP in achieving its common objectives shall be measured and assessed on the basis of common impact indicators, and the underlying specific objectives on the basis of result indicators. This initial report describes therefore the CAP achievements on the basis of the data available so far within the CMEF.15 Evaluation information is taken into account when available. Further analysis is available in the Impact Assessment for the proposals of the reform of the CAP post 202016 and in the various sources of background information collected for those purposes.17 A note of caution is pertinent here. To assess this performance, it is necessary to isolate the policy effect from other influencing factors (contextual facts, other related policies etc.). The so-called 'net impacts' need to be measured. This is normally done through evaluations. At this stage, limited information is available to carry out these evaluations due to the fact that the latest CAP reform has been implemented only in 2015. There are also delays in the availability of the impact (and context) indicators. For several indicators, the most recent data relate to 2012 or 2013, thus before the implementation of the 2013 reform of the CAP. Finally, some impact indicators require a longer period to show effects, leading to difficulties in netting-out the impact of the CAP. 3.1 Viable food production 3.1.1 Market orientation and price stability The CAP has undergone several reforms towards greater market orientation shifting from product support (through prices) to producer support (through income support, mainly with decoupled ***payments***). This shift reduced the price gap beween EU and world market prices over time increasing the competitiveness and trade performance of the EU: the ratio between EU and world market prices of main ***agricultural*** commodities (weighted average) declined from 140 % in 2007 to 113 % in 2017. EU agri-food exports almost doubled over the last 10 ***years*** to EUR 138 billion in 2017 and contributed to the further improvement of the trade balance to EUR 20.5 billion (+EUR 28 billion compared to 2007). EU exports make up for around 17 % of total world agri-food exports, with this share quite stable over time. At the same time, the EU market is more open: EU imports of agri-food products increased to EUR 117 billion in 2017 (+51 % compared to 2007), with EU imports from least developed countries increasing by more than 75 % since 2007, reaching a value of EUR 3.5 billion in 14 On June 30th 2018, Member States should notify 2017 data. When this report was drafted, these data were not yet available. 15 The Commission has carried out several quality checks. However, errors could not always be corrected. Moreover, rural development result indicators were recalculated by the Commission on the basis of output and context indicators for 2013 in order to ensure that the data are calculated in a harmonised way. 16 COM(2018) 392, COM(2018) 393, COM(2018) 394. 17 Facts and figures 5 2017. All the other top world traders US, China, Japan, Russia, and Canada together imported only EUR 3 billion from least developed countries. Although EU farmers are now more exposed to world price volatility, price volatility remains lower than for main competitors; e.g for soft wheat, it was 6.8 % in 2015-2017, whereas on the world market it was 10 %. With EU prices closer to world market prices, EU export refunds are not used anymore and intervention schemes are implemented less frequently than 20 ***years*** ago. The CAP now operates a market safety-net, supporting prices in sectors that are faced with excessive and exceptional price declines. Prices in most sectors stayed well above intervention price in recent ***years*** except for skimmed milk powder, where prices dropped below intervention price levels in 2015 and 2016, leading to public intervention buying-in representing 2% and 23% respectively of total EU production. The experience of the last few ***years*** shows that in case of need market measures are available and can be implemented to halt price drops. Exceptional measures like private storage aid and market withdrowals were introduced in response to the import ban imposed by Russia in 2014. 3.1.2 ***Agricultural*** income One of the key objectives of the CAP is to contribute to farm income and limit its variability. The main instrument to support farm income is direct ***payments***, most of which are decoupled from actual production. Average direct ***payments*** per beneficiary amounted to almost EUR 6 200 in 2016 making up a share of 44 % in ***agricultural*** entrepreneurial income in the EU-28 with different distribution between farm types and farm size18, In some sectors (beef, sheep, olives) and zones (areas facing natural constraints), direct ***payments*** make up an even higher share of income, helping to maintain farms in business on the whole EU territory and thus contributing to rural vitality. However, agriculural income in these sectors and zones remains below EU average. In sectors where price volatility is high, direct ***payments*** help farmers to better cope with price drops. A recent World Bank report concludes that the CAP contributes effectively to farm income, and helps reducing the gap between ***agricultural*** income and wages received in other economic sectors19. The 2013 CAP reform also offered several risk management tools: insurance premiums, mutual funds and a newly introduced income stabilisation tool. In view of their limited uptake20 (in 2016 only 0.5 % of ***agricultural*** holdings participated in EU risk management schemes) some changes were proposed in the so-called Omnibus Regulation21. A recent study on risk management in EU ***agriculture*** finds that European farmers are increasingly exposed to risks while the availability of risk management instruments lags behind. Insurance remains the most commonly used instrument; availability and uptake of mutual funds is more limited22. 18 Statistical factsheets: [*https://ec.europa.eu/****agriculture****/statistics/factsheets\_en*](https://ec.europa.eu/agriculture/statistics/factsheets_en). 19 World Bank, Thinking CAP: Supporting ***Agricultural*** Jobs and Incomes in the EU (2017). 20 The low uptake can be explained by the fact that the funds could only be used in case of income losses larger than 30 %. In addition, it was not allowed to target specific sectors and no public support for the initial capital stock is allowed. For more explanations see the Market Brief on risk management. 21 Regulation (EU) 2017/2393. 22   [*https://ec.europa.eu/****agriculture****/external-studies/2017-risk-management-eu-****agriculture****\_en*](https://ec.europa.eu/agriculture/external-studies/2017-risk-management-eu-agriculture_en). 6 3.1.3 ***Agricultural*** productivity ***Agricultural*** productivity, expressed as total factor productivity, is increasing steadily but slowly (+0.7% per ***year*** over the last five ***years***), with growth in labour productivity contributing most to productivity gains. CAP decoupled ***payments*** and rural development support are positively associated with increases in ***agricultural*** productivity per worker (contrary to coupled support). CAP ***payments*** increase farmers' credit access and reduce risk exposure, which allows them to invest more23. An important factor determining productivity growth in the long run is innovation. To speed up the uptake of innovation, the European Innovation Partnership for ***Agricultural*** Productivity and Sustainability was launched by the Commission in 2012 (see paragraph 3.4). 3.2 Sustainable management of natural resources and climate action The CAP contributes to the sustainable management of natural resources and climate action in many ways through the combined effects of different CAP measures, including cross compliance (on 90 % of utilised ***agricultural*** area - UAA), direct ***payments*** (greening on 77 % of UAA24) and rural development measures targeted towards specific environmental objectives, accompanied by support for farm advice and for the innovative activities of the European Innovation Partnership and its Operational Groups. ***Agricultural*** production has an impact on the environment but there are also other factors at play. Since recent data on environmental indicators is scarce and environmental impacts are often long-term processes, it remains difficult to establish a direct link between the CAP intervention and its actual result on the environment. ***Agricultural*** GHG emissions declined by more than 20 % since 1990 to 12 % of total EU GHG emissions in 2016, thanks to reduced nitrous oxide emissions from ***agricultural*** soil management (mainly due to a decline in use of nitrogenous fertilisers) and reduced enteric fermentation emissions due to an overall reduction in livestock numbers. However, the rate of decline has levelled out in the past 10 ***years*** and emissions now fluctuate around 490 million t of CO2 equivalent. Contrary to the common belief, emissions from grassland and cropland are still positive, albeit on a declining trend (-15% between 2006 and 2016). Main reasons are conversion of land to cropland and grassland management practices, but large differences between Member states are noted. In addition, ammonia emissions from ***agriculture*** increased during the last two ***years*** (+10%). These environmental indicators show that environmental problems are still present and that more shall be done through the future CAP. The three greening requirements under direct ***payments*** aim at making the CAP more effective in delivering its environmental and climate objectives and to ensure the long term sustainability of EU ***agriculture***: 1) Ecological Focus Areas primarily aiming at safeguarding and improving biodiversity at farms; 2) Maintenance of permanent grassland aiming at supporting carbon sequestration, supporting biodiversity and protecting against soil erosion and soil quality; 3) Crop diversification aiming at improving soil quality primarily. However, greening was criticized for the additional burden it entails for farmers and administrations compared to its environmental outcome. A recent evaluation on the ***payment*** 23   [*https://www.ceps.eu/publications/cap-subsidies-and-productivity-eu-farms*](https://www.ceps.eu/publications/cap-subsidies-and-productivity-eu-farms) 24 2016 data. Data for 2017 are not yet available for all Member States. 7 of ***agricultural*** practices beneficial for climate and environment25 confirms that the current implementation of greening by Member States and farmers could be improved to deliver better on its objectives. Regarding rural development measures, contracts supporting biodiversity and/or landscapes cover 13 % of UAA, contracts to improve water management 9 % of UAA, contracts to prevent soil erosion and to improve soil management 9 % of UAA and contracts targeting a reduction in GHG and/or ammonia emissions 1 % of UAA26. In addition, 7% of UAA is organic farming area27. The quantification of impacts by Member States has been limited, as according to them, for the evaluations carried out in 2016 it was 'too early to observe rural development ***programmes***’ effects on values of environmental impact indicators'28. The CAP reform established that Member States should reserve at least 30 % of Pillar II for measures on climate mitigation, as well as measures to address environmental issues29. In 2016, Member States went far beyond this obligation in terms of expenditure incurred, reaching 67 % on average in the EU, with Areas facing natural or other specific constraints (30 %) and Agri-Environment and Climate Measures (18 %) contributing most to this target. In addition to this CAP specific commitment at Member States level, the Council and European Parliament agreed that at least 20 % of the EU budget for 2014 to 2020 should be spent on climate related action with contributions from different policies30. The CAP plays a key role in the efforts to reach the target. Based on the climate tracking methodology defined for the current ***programming*** period31 in line with the OECD's 'Rio markers', the CAP contribution to climate change is estimated at 26% i.e EUR 102.8 billion. 3.3 Balanced territorial development ***Agriculture*** represents 13.5% of total employment in rural areas in 2016 (compared to 12.4% in 2012). The ***agricultural*** sector employed 8.7 million full time equivalent farmers (2013). The long-term trend for labour outflow from farming is driven by demographics, structural changes, mechanisation and opportunities outside the ***agricultural*** sector. In recent ***years***, ***agricultural*** labour outflow slowed down. The CAP contributes to balanced territorial development through several support schemes for the farm sector (which is often the backbone of the rural economy) and through direct assistance to non-farm entities in rural areas. These schemes include:  support to around 7 million beneficiaries, covering about 65 % of the total number of farms32. There were close to 6.8 million beneficiaries under direct support schemes and more than 3 million under rural development measures in claim ***year*** 201533.  specific support to farmers in mountain areas and other areas with specific constraints (2.7 million beneficiaries, EUR 8 billion). 25 Evaluation study of the ***payment*** for ***agricultural*** practices beneficial for the climate and the environment ('greening' of direct ***payments***) 26. For the calculation of this indicator, only the schemes whose results are ***programmed*** under Focus Area 5D are taken into account (regardless of where the relevant expenditure is ***programmed***). This percentage is in line with the aggregate EU target (3%). 27 The majority of organic farmers are supported via Rural Development. 28 Summary report: synthesis of the evaluation components of the 2017 enhanced Annual Implementation Report. 29 Article 59.6 of Regulation (EU) No 1305/2013 establishes that Member States should reserve at least 30% of Pillar II on Articles 17, 21, 28, 29, 30 (with the exception of the Water Framework Directive related ***payments***), 31, 32 and 34 of the same regulation. 30 COM(2011) 500 final of 29 June 2011, 'a Budget for Europe 2020', Part II, p. 13. 31 Commission Implementing Regulation (EU) No 215/2014. 32 The number of beneficiaries relate to Financial ***Year*** 2016 which corresponds to Claim ***Year*** 2015. The number of holdings relates to 2013 as this is the latest available data. 33 A majority of beneficiaries of rural development ***payments*** are also beneficiaries of direct ***payments*** but are only counted once. 8  support to young farmers by a mandatory top up of the basic ***payment*** for the first five ***years*** supporting around 312 000 young farmers (EUR 352 million) and by a wide range of support measures for the young farmers under the rural development.  voluntary coupled support to 2.3 million34 beneficiaries (EUR 3.9 billion). Furthermore, Member States have the option to redistribute up to 30 % of their direct ***payments*** envelope to the first hectares on every farm ('redistributive ***payment***'), 9 Member States have implemented this scheme in 2016 supporting 1.8 million farmers with EUR 1.6 billion. The CAP also contributes directly to support the development of basic services and communication technologies in rural areas, in particular measures that take several ***years*** to be completed such as long-term investments (broadband, other infrastructures). In 2016, 90 million people profited of these investments. In addition, 171 million rural citizens are already covered by a local development strategy under LEADER, which has proved to be extremely successful approach for promoting local development and capacity building in rural areas. CAP support (such as investments in communication technologies and infrastructure) has a multiplier effect on other sectors in rural areas, notably for the food industry and for those providing services to ***agriculture***. The employment rate in rural areas recovered strongly from the 62.5% in 2011 (as a result of the economic crisis) to 66% in 2016, almost similar to the rate in the rest of the economy. The gap between ***agricultural*** incomes and incomes in other economic sectors is still substantial but is reducing (the share of the average ***agricultural*** income compared to the wage of the whole economy increased from 32 % over the period 2005-2010 to 47% in 2017). As a result, the poverty rate in rural areas declined (from 29 % in 2011 to 26 % in 2016 in the EU-28), approaching the poverty rate in the whole economy (25 %). The CAP has therefore an important role in poverty reduction in rural areas and contributes to the creation of better jobs for farmers across the EU17. 3.4 Knowledge ***transfer*** and innovation Fostering knowledge ***transfer*** and innovation is a cross cutting priority of the CAP, with a total budget of EUR 5.7 billion allocated to it. The 2014-2020 Rural Development ***Programmes*** include a flexible package of measures supporting advice, training, innovation and cooperation and the development of knowledge in rural areas. More than 492 000 farmers (4.5% of total farmers) have received funding for training and more than 63 500 farmers for advice35. An ex-ante evaluation study carried out in 2016 was positive on the EIP initiative. All Member States (except Luxembourg) have decided to implement EIP in the current period (see also chapter 3.2). By the end of 2016, more than 245 cooperation operations were supported. 36 4. LESSONS LEARNT 4.1 The Common Monitoring and Evaluation Framework Despite its rather short implementation, the contribution of the CMEF to the assessment of the CAP 2014-2020 already provides lessons that are useful for its future evolution. Experience has shown that there are currently too many indicators and sub-indicators. Firstly, they do not allow to obtain an immediate impression of the achievements of the CAP. 34 One beneficiary may receive coupled support under more than one measure. Therefore this number may contain double counting. 35 Member States notifications were not fully harmonised (e.g number of trainings given versus number of leaflets). 36 Evaluation study of the implementation of the European Innovation Partnership for ***Agricultural*** Productivity and Sustainability. 9 Secondly, not all indicators are suitable for their purpose, e.g some indicators are not available on a ***yearly*** basis and/or with delay and can thus not be used for early monitoring. Some other indicators have only a weak link with the CAP. At the same time, certain indicators are missing. E.g an ongoing evaluation on climate change concludes that the limited breakdown of some output indicators impedes having sufficient information on CAP implementation with regard to climate change. For Pillar II, experience from previous ***programming*** periods shows that there is a learning curve for Member States in the first ***years*** to correctly report the data. This is also valid for the ***programming*** period 2014-2020. In order to address this issue, a validation process has been developed in 2018 based on the experience gained to warn Member States about possible errors before submission of data in the Annual Implementation Report. It has to be noted that the current CAP does not include a legal obligation for Member States to correct data after notification. Where experience with the data (availability) has shown the necessity of adjustment of one of the elements related to the indicator (e.g definition, coverage, reporting frequency), the related detailed description of the indicators and, where appropriate, the relevant regulation, were adapted. The latter has been the case e.g for the reporting requirements with regard to investments and support for young farmers. As Member States only had to report when the action was completed, partial achievements were not reported. This meant a strong underestimation of the values compared to the actual performance, particularly for such measures that may last several ***years***. A change in the implementing rules now allows Member States to report achieved indicator values for partially implemented operations as from the 2017 reporting ***year***. Issues were also reported for several impact indicators. E.g the indicator on High Nature Value does not have comparable data for all Member States. The data used for calculating the Farmland Bird Index is not complete and the Commission is looking at ways to improve this data collection. The possibility to measure via surveys the contribution of Rural Development measures to water and energy savings in ***agriculture*** has not yet been taken up due to, amongst others, the limited implementation period. 4.2 Performance Monitoring and Evaluation in the future CAP The proposals for reform of the CAP after 2020 shift emphasis from compliance and rules towards results and performance, with more Member States flexibility to decide how best to meet common objectives. The new Performance Monitoring and Evaluation Framework sets out a single set of objectives at EU level for both pillars of the CAP. The overall policy performance will be assessed multi-annually on the basis of impact indicators, with annual policy performance follow-up relying on the full list of result indicators while output indicators should annually link expenditure with the performance of policy implementation. The relevance of the experience with the current framework is that, in this shift towards performance, fewer but better targeted indicators are essential. Therefore, in the CAP legal proposals post-2020 it is proposed to reduce the number of indicators from to 146 to 101.37 This, more targeted, set of indicators has been selected in a way to reflect as closely as possible whether the supported interventions contribute to achieving the objectives. The performance based policy also requires that the quality of the notifications submitted by Member States improves. Therefore in the next CAP the certification bodies will have to ensure the reliability of the performance reporting on outputs and results. Moreover, selected indicators are generally generated by administrative processes or otherwise available, to 37 Excluding context indicators, which remain. 10 reduce the administrative burden. There is a strong need to improve future data availability (both by further data sharing between existing sources and by new technologies). CATS (Clearance Audit Trail System) or a data set with similar features, will, however, remain necessary as data source.

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EN EN EUROPEAN COMMISSION Brussels, 14.2.2018 COM(2018) 98 final COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL AND THE COUNCIL A new, modern Multiannual Financial Framework for a European Union that delivers efficiently on its priorities post-2020 The European Commission's contribution to the Informal Leaders' meeting on 23 February 2018 1 A BUDGET FOR OUR UNION AT 27 “Budgets are not bookkeeping exercises – they are about priorities and ambition. So let’s first discuss about the Europe we want.” Jean-Claude Juncker European Commission President 8 January 2018 1. A budget for a more united, stronger and more democratic Union Every seven ***years***, the Union decides about its future finances. This is a time for Leaders to commit financially to the kind of Union they want. This is always an important moment. But it is doubly vital at a time when Europe is in the midst of a fundamental debate on how the Union should evolve in the ***years*** to come.

We now have an opportunity to choose the Europe we want and to decide on a budget that helps us build it. The Informal Leaders' meeting on 23 February is therefore both timely and essential. The first step is to define what Europe wants to do together and agree on priorities. The second is to equip the Union with the means to act. The two are inseparable. The choices we make on priorities and where we want the Union to be active will shape the type of budget we need. The EU budget is a means to achieve our political goals. The Commission's White Paper on the Future of Europe of 1 March 2017 set out a number of possible scenarios for Europe's future. The Reflection Paper on the Future of EU Finances of 28 June 2017 looked at what each of these scenarios could mean for the Union's budget. A Europe limited to the Single Market does not need large funding ***programmes***. A Europe that chooses to do more together needs the resources to match this wider ambition. Whichever path we choose, one thing remains constant: the future Union of 27 must be equipped with a reliable and future-proof budget that allows it to deliver efficiently on its priorities. The current Financial Framework was agreed against the backdrop of the worst economic and financial crisis for generations. Public finances in many Member States were under strain. Thanks to the concerted efforts of the Union and its Member States, today’s context is different. As the economic recovery has gathered pace, the focus has shifted to our current and future challenges. Leaders agreed on 16 September 2016 in Bratislava and on 25 March 2017 in the Rome Declaration on a positive agenda for the Europe of 27. Citizens now expect their Union to deliver on this. The next Multiannual Financial Framework is a decisive moment to match aspirations with the means to act. The withdrawal of the United Kingdom from the Union will mean the loss of a significant contributor to the financing of the Union's policies and ***programmes***. This will require us to take a critical look at where savings can be made and priorities delivered more efficiently. This is an essential part of the preparation of any budget proposal and the Commission is fully committed to modernising and streamlining wherever possible. However, a willingness to look with an open mind at the resources needed to turn new priorities into tangible results will also be required. 2 The Commission intends to present its proposals for the next Multiannual Financial Framework by early May 2018 at the latest, on the basis of intensive consultations with Member States, the European Parliament and the wider public. These proposals will be fair, balanced, and focused squarely on delivering efficiently. It will then be for the Member States and the European Parliament to decide – both on the future budget and, more fundamentally, on the type of Europe we want. Agreement on a new Multiannual Financial Framework for the period 2021 to 2027 will be a key moment for EU Leaders to recommit to the positive agenda and to Europe itself. It will be an important test of the unity of our Union and our capacity to act in a changing world. Leaders now have a window of opportunity to choose a more united, stronger and more democratic Union – and a budget that delivers it. 2. The EU budget: a driver for European added value The EU budget is unique. Unlike national budgets which are used in large part to provide public services and fund social security systems, the EU budget is primarily an investment budget. The seven-***year*** Multiannual Financial Framework provides a longer-term planning horizon and the stability needed for investment planning. The EU budget must always be in balance. The EU budget helps the Union to implement common policies and address a wide range of challenges – both at home and elsewhere in the world. It represents a small part of total public expenditure in the Union, accounting for around 1% of the combined Gross National Income (GNI) of the 28 current Member States and only around 2% of public spending in the EU. This means that every citizen enjoys the huge benefits that the Union brings for less than the price of one cup of coffee per day. The size of the EU budget as percentage of Gross National Income 1.25% 1.09% 1.12% 1.03% 1999 Average 2000-2006 Average Average Commitments ceiling in % EU28 GNI \*2014-2020 estimated commitments, UK expenditure excluded, in % EU27 GNI (1.13%)\* Average 1993-1999 Average 2007-2013 Average 2014-2020 3 Over time, the composition of the EU budget has evolved. The share of ***agriculture*** and cohesion spending has declined, though still represents around 70% of the total. Investment is increasingly focused on ***programmes*** directly managed at European level and in areas such as research and innovation, trans-European transport and energy networks, mobility ***programmes*** for young people and Europe's external action. During the economic and financial crisis, national budgets in many Member States came under severe strain. In that time, the EU budget, and notably the European Structural and Investment Funds, emerged as a major source of stable growth-supporting investment. The European Fund for Strategic Investments has since played a major role in mobilising private investment throughout Europe. Most recently, the EU budget underpinned the European response to the refugee crisis and to the threat of organised crime and terrorism. This tested the budget's flexibility to the limit. In all these areas, pooling resources at European level can deliver results that spending at national level cannot. This is the added value of the EU budget. A euro spent through the European budget must be worth more to our citizens than a euro spent at national level. In many areas, funding at national, regional or local level is the right approach. In others, the cross-border nature of challenges means that pan-European ***programmes*** are both more effective and more efficient. By focusing in the right areas, even a relatively modest EU budget can have a strong impact on the ground. And it can do so while allowing for savings to be made in national budgets. The benefits of well-designed EU budget ***programmes*** are felt by all Europeans. Fostering economic convergence for the least developed regions through cohesion policy strengthens the Single Market and creates opportunities for companies, workers and consumers across the Union. Scientific breakthroughs from EU-funded research ***programmes*** improve the quality of life for all. Mobility ***programmes*** such as Erasmus+ equip young people with labour market skills, improve cultural understanding and strengthen the social fabric of our Union. Common ***Agricultural*** Policy and Fisheries Economic, social and territorial cohesion Other ***programmes*** Administration \*Adjusted for 1995 enlargement 4 The common focus on 'net balances' in the EU budget debate is therefore misleading. Net balance calculations have fed the perception that EU budget negotiations are a zero-sum game between net contributors and net beneficiaries. This misses the essence of the EU budget. Expenditure allocated to one Member State in reality benefits many others by creating market opportunities or improving infrastructure. For example, it is estimated that a quarter of additional growth in non-cohesion countries is due to indirect benefits from increased sales to and trade with cohesion countries. This is thanks to the 2007-2013 cohesion ***programmes***. These effects are amplified by the leverage effect of loans or other financial instruments guaranteed by the EU budget. Europe in accounting terms EU budget: average annual balance 2014-2016\* (EUR billion) \* Average operating budgetary balances 2014-2016 in EUR billion. Figures may vary per ***year***. EU spending also creates European public goods that benefit all. The benefits from stability, peace, common values, a level-playing field in Europe's Single Market, or a negotiating capacity which rivals the biggest global powers, do not show up in net balance calculations. For example, the Single Market has a significant and direct positive impact on jobs and growth. It allows companies to operate more efficiently, creates jobs and offers lower prices for consumers. It gives people the freedom to live, study and work where they want. Poland: 10.1 Romania: 5.2 Greece: 4.8 Hungary: 4.6 Czech Republic: 4.0 Spain: 2.4 Slovakia: 2.0 Bulgaria: 2.0 Portugal: 2.0 Lithuania: 1.1 Latvia: 0.7 Slovenia: 0.5 Estonia: 0.4 Croatia: 0.3 Ireland: 0.2 Malta: 0.1 Cyprus: 0.04 Luxembourg: -0.004 Finland: -0.6 Denmark: -0.8 Austria: -1.0 Belgium: -1.4 Sweden: -1.8 Netherlands: -2.8 Italy: -3.5 France: -7.4 United Kingdom: -7.6 Germany: -13.6 -14 -12 -10 -8 -6 -4 -2 0 2 4 6 8 10 5 Benefits of Single Market integration Gains in income (EUR billion, baseline ***year*** 2014)1 The Commission proposals for the future Financial Framework will be shaped by the principle of European added value. By focusing on common policies and priorities and the areas where the EU budget can deliver public goods that national spending cannot, we can move beyond the 'net balance' debate. With a well-designed, modern EU budget, all Member States are net beneficiaries. 3. Towards our priorities for the future The next Multiannual Financial Framework should better align available financing with our political priorities. It should build on what works well today while also anticipating the challenges of tomorrow. In line with the Rome Declaration, the budget should enable a Europe that is safe and secure. A Europe that is prosperous and sustainable. A Europe that is social. And a Europe that is stronger on the global scene. Europeans consistently point to security and safety as a top priority for their Union2. This comes at a time when instability in Europe's neighbourhood pose serious challenges both within and outside of our borders. The EU budget is instrumental in ensuring effective migration management, countering terrorism and addressing cyber threats. It has a crucial role to play in reinforcing the control of external borders. Our post-2020 budget will, for example, determine whether the vision of a strengthened and fully operational European Border and Coast Guard can be realised in practice. 1 Source: Gabriel Felbermayr, Jasmin Gröschl, Inga Heiland (2018), Undoing Europe in a New Quantitative Trade Model, ifo Working Paper No. 250. The chart shows the gains in income attributable, according to the model applied, to being part of the Single Market. 2 Special Eurobarometer 464b: European's attitudes towards security, December 2017. 0 20 40 60 80 100 120 Germany France United Kingdom Netherlands Italy Belgium Spain Poland Austria Sweden Germany France United Kingdom Netherlands Italy Belgium Spain Poland Austria Sweden Ireland Czech Republic Denmark Hungary Luxembourg Finland Romania Slovakia Portugal Greece Slovenia Bulgaria Croatia Lithuania Estonia Latvia Malta Cyprus 6 OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK3 How can the EU budget support better management of the EU's external borders? Leaders have called for stronger external borders as a precondition to lifting internal borders. In 2016, the European Border and Coast Guard was set up based on a proposal from the European Commission. By 2020, the European Border and Coast Guard will have 1,015 staff, including field operatives – as well as at least 1,500 national staff on standby in the rapid reaction pool. Its annual budget of EUR 292 million should increase by that time to EUR 335 million. The EU also provides funding to co-finance national management of Europe's external border by 96,000 national border guards and emergency support through the Internal Security Fund (Borders). Combined, these activities amount to around EUR 4 billion over a seven ***year*** period, or 0.4% of the total EU budget. The future development of the European Border and Coast Guard will depend on the decisions taken on the future Financial Framework. Depending on the level of ambition, several scenarios could be envisaged: Exploiting the existing European Border and Coast Guard to the maximum would support the continuous development of the information exchange framework (Eurosur), as well as Member States’ capacity investments for border management. It would also ensure that the European Border and Coast Guard has access to the equipment it needs. This would require a budget of around EUR 8 billion over a seven ***year*** period, corresponding to approximately 0.8% of the current Multiannual Financial Framework. An upgraded European Border and Coast Guard would allow support for a fully integrated EU border management system. This would be based on a revised legal framework with an expanded mandate, bringing together and reinforcing the existing tools related to risk assessment and situational pictures; stepping up the operational capacity of the agency with a standing corps of European border guards of at least 3,000 EU staff; providing financial support and training for the increase of the national border guard component in vulnerable Member States; bigger and more operational expert pools; and reinforced own equipment. It would entail a much stronger return role at the EU level; and lower intervention thresholds for the Agency to help prevent serious shortcomings in the external border controls that could lead to a crisis. This scenario would require a budget of around EUR 20 – 25 billion over a seven ***year*** period, corresponding to approximately 1.8 – 2.3% of the current Multiannual Financial Framework. A full EU border management system would imply 100,000 EU staff and a substantial EU equipment pool, comparable to the US or the Canadian system. It would require around EUR 150 billion over a seven ***year*** period, taking into account all national expenditure on border protection. This would correspond to approximately 14% of the current Multiannual Financial Framework, the equivalent of an annual EU budget. As an example, the US Customs and Border Protection agency alone has an annual budget of US$ 13.56 billion and more than 62,000 employees. The Canada Border Services Agency has an annual budget of about Can$ 2 billion and more than 14,000 employees. Our Union will also need well-designed, flexible and streamlined instruments in relation to defence. We face complex security challenges that no Member State can meet on its own. Europe will need to take greater responsibility for protecting its interests, values and the European way of life, in complementarity with the North Atlantic Treaty Organisation. While the Union cannot substitute Member States' efforts in defence, it can complement and leverage their collaboration in developing the defence capabilities needed to address our common security challenges. This would avoid duplication and allow for a more efficient use of taxpayers' money. 3 Policy options set out in this document are intended to illustrate possible choices to be made, based on ideas put forward in the public debate. They are not exhaustive and do not necessarily reflect the position of the European Commission. 7 OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK How best to support a true European Defence Union? The European Defence Fund was launched in June 2017 and is gradually being built up. With a limited initial budget of EUR 90 million for defence research and EUR 500 million for industrial development for the period 2017-2020 (taken together, this represents approximately 0.05% of the current Financial Framework), it will in its first phase only be able to support a limited number of collaborative research and development projects. What type of defence fund do we want for the future? A true European Defence Union would require a significant budgetary investment. Given the scale of existing national defence research budgets – France and Germany are each individually spending more than EUR 1 billion per ***year*** on defence research – and the high costs of developing cutting-edge defence technologies, including for cyber-defence, the research window of the Fund would need an estimated budget of at least EUR 3.5 billion over the period to make a substantial difference. Likewise, at least around EUR 7 billion would be needed between 2021 and 2027 to co-finance part of the cost of defence industrial development. This would allow leveraging a significant total investment for the development of defence capabilities of at least EUR 35 billion over seven ***years***. This would correspond to 14% of national spending on defence capabilities. It would be a major step towards the target agreed by Member States in the European Defence Agency to use 35% of their equipment spending for collaborative projects. The European Defence Fund has the potential to provide an important boost to the EU's strategic autonomy and the competitiveness of Europe's defence industry. However, due to the limitations of the Treaties the EU budget is not able to cover all EU areas of action in the field of security and defence. A separate funding mechanism of around EUR 10 billion for the 2021-2027 period would significantly increase the EU's ability to financially support operations with defence implications. This would compare to up to EUR 3.5 billion under the current period. Two ***years*** after the Paris Agreement, the EU also needs to remain firmly in the lead in fighting climate change and ensuring a smooth transition towards a modern, clean and circular economy. The experience with climate mainstreaming should be taken into account. The EU must also make good on its commitment to the United Nations Sustainable Development Goals. The EU budget also supports Europe's unique social market economy. Economic and social realities differ across Europe, from employment and poverty rates to social protection systems. The EU budget will need to deliver on the promises made by Leaders at the Gothenburg Social Summit. This means further developing the social dimension of the Union, including through the full implementation of the European Pillar of Social Rights, and supporting young people and the mobility of European citizens. Adequate resources will be required to improve employment opportunities and address the skills challenges, including those linked to digitisation. 8 OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK How best to support the mobility of young people? After 30 ***years***, Erasmus+ has helped nine million young people to study, train, teach or volunteer in another country, boosting their chances on the labour market. The current Erasmus+ ***programme*** 2014-2020 has a budget of EUR 14.7 billion (around 1.3% of the overall size of the current Multiannual Financial Framework), which can only offer learning mobility opportunities for less than 4% of young people living in Europe. There is a strong consensus for the need to step up mobility and exchanges, including through a substantially strengthened, inclusive and extended Erasmus+ ***programme***. Depending on the level of ambition, several scenarios could be envisaged: Doubling the number of young people in the EU participating in Erasmus+ to reach 7.5% of young people across Europe would require an investment of EUR 30 billion in the next Multiannual Financial Framework (over a seven ***year*** period). Providing the opportunity for 1 in 3 young people to participate in an Erasmus+ learning experience abroad would require a budget for the 2021-2027 period in the order of EUR 90 billion. State-of-the-art connectivity of digital, energy and transport infrastructure is key to Europe’s territorial, social, and economic cohesion. Europe must embrace the potential of innovation and seize the opportunities it brings. In particular, technological change and digitisation are transforming our industries and the way we work, as well as our education and welfare systems. Europe lags behind on the road towards a digital economy and society. The digital investment gap not only undermines Europe's innovation and growth capacity but also its potential to respond to emerging societal needs. Unlocking online opportunities and completing the Digital Single Market is therefore a key priority of the Union. OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK How best to power Europe's digital transformation? EU support for Europe's data infrastructure, connectivity and digital skills amounts to around EUR 35 billion over the seven-***year*** period. This is provided through the European Regional Development Fund (EUR 17 billion), the Research and Innovation Framework ***Programme*** (EUR 13 billion), the European Social Fund (EUR 2.3 billion), the Connecting Europe Facility (EUR 1 billion) and the Creative Europe ***Programme*** (EUR 1 billion). Maintaining or even lowering current investment levels would risk compromising the EU's ability to remain competitive in key industrial and service sectors such as industrial production and machinery, financial services, health care, transport, energy or the automotive industry. Underinvestment in digital skills would further widen the gap between demand and available expertise, while automation will replace traditional tasks. This would translate into lower jobs and growth prospects, sub-standard public services and higher vulnerability to cybersecurity threats. Doubling the amounts currently invested in the digital economy to around EUR 70 billion over the period 2021-2027 would deliver strong progress towards smart growth in areas such as high quality data infrastructure, connectivity and cybersecurity. It would enable the roll-out of new trusted and secure services in e-health, e-government or mobility. It would help secure European leadership in supercomputing, next generation internet, artificial intelligence, robotics and big data. This would reinforce the competitive position of industry and businesses in Europe across the digitised economy. It would also have a significant impact on filling the skills gap across the Union. 9 The EU budget provides a launch pad for researchers and their teams to pursue research and stimulate innovation. Europe also needs to help create the conditions for companies to scale up. Developing mid-cap companies and small and medium-sized enterprises beyond the start-up phase remains a challenge. Many entrepreneurs leave Europe in search of better conditions to grow. Research and innovation are crucial for our future. They are the only way to simultaneously and sustainably tackle low economic growth, limited job creation and global challenges such as health and security, food and oceans, climate and energy. OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK How best to boost competitiveness through research and innovation? For advanced economies like Europe, research and innovation make the difference in enhancing productivity and boosting competitiveness. The future EU budget must therefore allow the EU to invest in the drivers of innovation enabling European industry to grow and thrive. The Union is currently spending close to EUR 80 billion for its Horizon 2020 Research and Innovation Framework ***Programme*** over 2014-2020. What research budget should it have in the future? Maintaining or even lowering current investment levels would not address the problem of underfunding. This would have knock-on effects on national and private investment, and undermine efforts to reach the target set by the Europe 2020 strategy of investing 3% of Gross Domestic Product in research and development. The Union would fall further behind compared to the world leaders. Research support to other EU policies would be reduced. An increase in the Framework ***Programme*** by 50% to EUR 120 billion would create an estimated additional 420,000 jobs by 2040 and increase Gross Domestic Product by around 0.33% over the same period. This would continue the growing trend of recent EU Research and Innovation budgets and ensure an acceptable share of high-quality proposals funded. It would increase the Union's world-wide attractiveness for leading researchers and tackle weaknesses in innovation and scale-up opportunities. It would support progress on priorities such as digital, energy, climate and health. Doubling the Framework ***Programme*** to EUR 160 billion would create an estimated 650,000 jobs by 2040 and add around 0.46% to Gross Domestic Product over the same period. It would enable the EU to emerge as a global leader in large-scale initiatives, preparing full market deployment of solutions in areas like batteries, infectious diseases, smart and clean buildings and vehicles, decarbonisation technologies, circular economy, solutions for plastic waste and connected/automated cars. With the economy expanding at above 2% annually, we are now turning the page on the EU's worst economic and financial crisis. The euro area has enlarged to 19 Member States and the euro is the second most used currency in the world. All but one of the EU-27 Member States are legally committed to join the euro area at some stage. Financial markets have regained their pre-crisis strength and recent improvements, including the establishment of the Banking and Capital Markets Union, give us the opportunity to fix the roof while the sun is shining. 10 OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK How can the EU budget underpin a genuine Economic and Monetary Union? In December 2017, the Commission set out a vision of how the euro area and the Union as a whole could be strengthened using the EU's budget – both today and tomorrow. Four specific functions were presented: to support structural reforms at national level; to facilitate convergence for Member States on their way to joining the euro; to provide a backstop for the Banking Union; and to develop a stabilisation function, bringing together different EU and euro area level funds and instruments, to help maintain investment levels in the event of large asymmetric shocks. These functions require a rethink that goes over and above the constraints of the current EU budget. For instance, this could be done through synergies with the European Investment Bank and a future European Monetary Fund. However, our budget post-2020 will also need to play its part: The reform delivery tool and the convergence facility will need to be able to provide strong support and incentives for a broad range of reforms across Member States. A budget line in the order of at least EUR 25 billion over a seven-***year*** period would provide critical mass and help avoid a concentration of funding on a few Member States only. The stabilisation function is to be built progressively over time, relying on back-to-back loans guaranteed by the EU budget, loans from the European Monetary Fund, a voluntary insurance mechanism based on national contributions as well as a grant component from the European budget. The amounts required from the EU budget would not necessarily need to be very high but would need to be significant enough to, for example, reduce the interest burden of the loans and provide incentives to properly implement the support scheme. Cohesion policy is the Union's main investment policy to reduce disparities among regions and Member States by offering equal opportunities to people across Europe. It is a major driver of job creation, sustainable growth and innovation in Europe’s diverse regions. By providing incentives for reform through a stronger link with the European Semester, in particular the Country Specific Recommendations, the future cohesion policy could strengthen its role as a driver for the modernisation of our economies. 11 OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK What level of ambition for an efficient cohesion policy? Cohesion policy is a concrete expression of solidarity with less economically developed parts of our Union. Its purpose is to foster economic, social and territorial cohesion. Support from the European Structural and Investment Funds is currently available to all EU Member States. Should this continue or should the policy be limited to less developed regions and/or Member States? If eligibility is maintained for all, what should the level of ambition be? If the eligibility for support from the European Regional Development Fund, the European Social Fund and the Cohesion Fund were to be maintained for all Member States and all regions, efficiency gains could be achieved by modulating aid intensities and better targeting support. If current expenditure levels of around EUR 370 billion4, accounting for almost 35% of the Multiannual Financial Framework, were maintained, this would allow a strong focus to be maintained on investment across all regions in areas like innovation, industrial transformation, transition to clean energy, climate action, and better employment opportunities. If the European Regional Development Fund and the European Social Fund were to end support for more developed and transition regions, this would amount to a reduction of approximately EUR 95 billion over the period, accounting for more than a quarter of current allocations from those funds. This corresponds to around 8.7% of the current Multiannual Financial Framework. In this scenario, support for regions in Austria, Belgium, Denmark, Finland, mainland France, Germany, Ireland, the Netherlands, Sweden and many regions in Italy and Spain would be discontinued. If support were limited even further to cohesion countries, investment for less developed regions in France, Italy and Spain would also need to be discontinued. This would amount to a reduction of approximately EUR 124 billion over the period, accounting for around 33% of the current allocations. This corresponds to around 11% of the current Multiannual Financial Framework. In scenarios 2 and 3, support for economic, social and territorial challenges would have to be taken over by national, regional and local authorities in line with the principle of subsidiarity. Scenario 1: Support for all European regions Categories of regions Less developed: GDP/head < 75% of EU-27 average Transition: GDP/head >= 75% and < 100% of EU-27 average More developed: GDP/head >= 100% of EU-27 average Scenario 2: Support for less developed regions and cohesion countries Potentially eligible regions Regional support Cohesion Fund support Other regions Scenario 3: Support for cohesion countries only Potentially eligible regions Regional support Cohesion Fund support Other regions 4 Around EUR 12 billion of that amount are preallocated to the United Kingdom, corresponding to approximately 3% of the cohesion envelope over the period. 12 A modernised Common ***Agricultural*** Policy will need to support the transition towards a fully sustainable ***agricultural*** sector and the development of vibrant rural areas. It must ensure access to safe, high quality, affordable, nutritious and diverse food. A modernised Common ***Agricultural*** Policy must enhance its European added value by reflecting a higher level of environmental and climate ambition and addressing citizens' expectations for their health, the environment and the climate. Europe needs a smart and resilient ***agricultural*** sector based on a strong socio-economic fabric in rural areas. OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK What level of ambition for an efficient Common ***Agricultural*** Policy? In the 2014-2020 framework, the Common ***Agricultural*** Policy mobilises around EUR 400

billion to finance market measures, direct ***payments*** for farmers and rural development ***programmes*** in order to promote sustainable ***agriculture*** and viable rural economies. Direct ***payments*** represent around 70% of this amount. Rural development ***programmes*** support investment, training and more resource-efficient ***agricultural*** production and are currently worth around EUR 100 billion over the period. These ***programmes*** are co-financed by Member States. Through the Common ***Agricultural*** Policy, the Union is helping to address structural problems in rural areas, such as a lack of attractive employment opportunities or skills shortages. Creating new value chains such as clean energy and bio-energy, and helping rural areas to profit from its scenic value are among the key objectives of these efforts. Discussions are ongoing as to how to make best use of direct ***payments***. A prominent suggestion is to reduce and better target direct ***payments***, in line with the objectives of the policy. Today, 80% of direct ***payments*** go to 20% of farmers. Ways to reduce differences of ***agricultural*** support between Member States are also being discussed. Changes to the system of direct ***payments*** could provide an opportunity to focus ***payments*** on expected results, such as sustained ***agricultural*** production in less profitable or mountainous regions, a focus on small and medium sized farms, investments in sustainable and resource efficient production systems and better coordination with rural development measures. Maintaining expenditure levels of around EUR 400 billion5 over the period for the Common ***Agricultural*** Policy, corresponding to approximately 37% of the current Multiannual Financial Framework, would through better targeting allow support in particular for small and medium sized farms to be increased with positive knock-on effects for rural areas. A reduction of support for the Common ***Agricultural*** Policy by 30% would represent around EUR 120 billion over the period of the next Multiannual Financial Framework, or approximately 11% of the current Multiannual Financial Framework. This scenario could see average farm income drop by more than 10% in a number of Member States and potentially more pronounced income drops in specific sectors. A reduction of support for the Common ***Agricultural*** Policy by 15% would represent around EUR 60 billion over the period of the next Multiannual Financial Framework, or approximately 5.5% of the current Multiannual Financial Framework. In this scenario, the reduction of average farm incomes would be more limited but could still have a noticeable impact in certain sectors depending on the choices made. These scenarios cannot be seen in isolation. Any reduction in direct ***payments*** should be accompanied by better targeting the remaining budget, for example through an increased focus on small and medium sized farms and better coordination with rural development measures. The Union must also be able to deliver on its international goals. The Union and its Member States are collectively the world’s biggest providers of development assistance. EU citizens expect Europe to play a leading role in the world, to promote good governance, democracy, the rule of law and human rights, and sustainable economic development. They want Europe to project stability and security, in particular in Europe’s immediate neighbourhood. They want Europe to provide the critical mass to tackle the root causes of global challenges such as irregular migration and violent extremism. They want Europe to support sustainable 5 Around EUR 27 billion of that amount are preallocated to the United Kingdom, corresponding to approximately 7% of the total Common ***Agricultural*** Policy. 13 development, the eradication of poverty, and the promotion of better governance and the rule of law, including tackling corruption and organised crime. They want Europe to respond to crises whether they be man-made or natural. They want Europe to lead multilateral discussions on matters of world-wide concern, to continue to promote a rules-based global order, and to foster co-operation in areas of common interest, from the economy, to energy, peace and security, defence and climate action. At the same time, instability and conflicts in our southern neighbourhood and beyond have been aggravated by the global economic crisis. This has exacerbated migratory pressures with more people than ever on the move in the region. This will remain a reality and a challenge. We must consolidate and reinforce the external dimension of our efforts to tackle migration and provide support to growth and job creation. In this context, we should look for intelligent synergies with international financial institutions and national promotional and development banks, in order to make sure that scarce resources are spent effectively and private investments mobilised where possible. The European Sustainable Development Fund, the core of the EU's External Investment Plan, is a model that could be expanded in the future. OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK How best to project our interests abroad? In future, the Union will need to be equipped with instruments that allow it to deliver on existing and new ambitions and challenges. In the 2014-2020 framework, the budget dedicated to external action amounts to around EUR 66 billion. It represents around 6% of the current Multiannual Financial Framework. Furthermore, the European Development Fund, currently outside the Union budget, is the main instrument for providing development assistance to African, Caribbean and Pacific countries and to overseas countries and territories. The total financial resources of the 11th European Development Fund amount to around EUR 31 billion for the period 2014-2020. In future: An increase of the current volume of financing for external instruments beyond EUR 100 billion over the period would allow the EU to meet the existing and new ambitions, which range from international cooperation, migration management, investment, governance, human rights and rule of law, to promoting the Sustainable Development Goals, humanitarian assistance, crisis response and conflict prevention. Particular attention will need to be given to supporting the EU's strategy for the Western Balkans as well as the EU's stabilisation efforts in its neighbourhood and in Africa. A significant simplification and streamlining of external instruments could further enhance the effectiveness and efficiency of the external relations budget. This could include the integration of the European Development Fund in the Multiannual Financial Framework, provided that this is reflected in the overall expenditure ceiling and that existing flexibilities are preserved. The budget for external relations should also be seen against the backdrop of the EU's and Member States’ collective commitment to devote 0.7% of Gross National Income to Official Development Assistance by 2030. This would entail an additional effort in the next Multiannual Financial Framework in the order of EUR 40 billion over seven ***years***, without the participation of the UK. This assumes that the EU would maintain its current share of 20% of Official Development Assistance. 14 4. Modernising the EU Budget The priorities and policy options set out above illustrate the choices to be made for the future EU budget. These choices will determine the size and ambition of the first Multiannual Financial Framework of the Union at 27. They will define the level of ambition for Europe and to what extent the Union is able to live up to the promise of the Bratislava Agenda. The next Financial Framework needs to be sufficiently large in size and sufficiently flexible in nature. It needs to be large enough to manage new priorities and deal with the withdrawal of the United Kingdom. The shortfall resulting from the United Kingdom's withdrawal should be covered in equal measure by 'fresh' money and savings in existing ***programmes***. It will need to combine proportionate savings and redeployments within the EU budget with a willingness to provide additional resources to deliver on new priorities. It is also clear that the impact of the European budget depends not only on its size but also on the design and implementation of policy ***programmes***. European added value, enhanced performance and simplification are the keys to a modern and effective EU budget. Further streamlining of rules and procedures will help to achieve this aim. Europe's spending ***programmes*** must reflect our determination to make sure that every euro is spent in the most efficient way possible and that results are quickly felt on the ground. This requires making best use of instruments such as guarantees, loans or financial instruments. The reinforced European Fund for Strategic Investments is for example playing a key role in catalysing private investments throughout Europe. By investing jointly in research, innovation and infrastructure, we have been able to create jobs and growth while tackling the global challenges of the day, from climate change, to science, transport, energy and space policy. The successful use of these instruments requires a clear strategy and a more streamlined approach. Grants and subsidies will continue to be needed for projects that do not generate revenue, like an Erasmus+ exchange or humanitarian assistance. However, guarantees and financial instruments can leverage the budget wherever there is a market interest. OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK How to do more with less through financial instruments? The Commission's Reflection Paper on the Future of EU Finances underlined the importance of guarantees and financial instruments in helping to do 'more with less'. The European Fund for Strategic Investments is for example expected to mobilise more than EUR 500 billion, a major boost to the European economy. However, the current landscape of EU market-based instruments is fragmented, with almost 40 financial instruments and three budgetary guarantees and guarantee funds managed centrally, which amount to a share of around 4% of the current Multiannual Financial Framework. In the area of small and medium-sized enterprises alone, there are seven financial instruments managed centrally and several hundred in shared management. There is clear scope for rationalisation and greater efficiency. One option to improve the efficiency and impact of instruments aiming at investment support in the EU could be their integration within a single investment support instrument. This would further reinforce the European Fund for Strategic Investment and have a positive impact on investment levels, economic growth and employment across the EU. A wider use of financial instruments and budgetary guarantees could more than double the investments mobilised over the next Multiannual Financial Framework up to EUR 2 trillion. 15 Budgetary flexibility is another key principle that should underpin the next Multiannual Financial Framework. This will be essential to adapting to new needs and unstable geopolitical and domestic conditions. Building on the existing mechanisms, special instruments will remain crucial for dealing with emerging challenges like migration or humanitarian assistance. In addition, there is a strong argument for re-thinking existing mechanisms to ensure that allocated budgets effectively support European priorities. This is not always currently the case, since a part of the budgetary commitments provided for in the Multiannual Financial Framework are later cancelled. This can happen for a number of reasons, such as delays in getting projects off the ground, formal mistakes in project implementation or errors in claiming costs. As a result, the EU budget is not being used to its full potential to support EU objectives and provide European added value. This is a missed opportunity to support our common priorities. OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK How to make the most of decommitted funds? Currently, funds that have been committed to the EU budget but which are ultimately not spent in the implementation of EU ***programmes*** are cancelled. These resources reduce the annual calculations of Member States’ gross national contributions compared to the full implementation of budgetary commitments. Instead of cancelling these amounts, they could be used as a Union reserve. This reserve could be deployed to achieve common priorities and respond to common challenges. Current estimates suggest that around EUR 21 to 28 billion could become available through this mechanism over a 7-***year*** period. Such amounts could have been used, for example, in 2015 to finance the European Fund for Strategic Investments and address the investment gaps that opened up as a result of the financial crisis. This would have been done instead of cutting valuable ***programmes*** like Horizon 2020 or the Connecting Europe Facility. Similarly, the reserve could have been used in 2016 to support the establishment of the Facility for Refugees in Turkey, which required the use of all the flexibility in the EU budget as well as separate contributions by Member States. It would also have allowed more funding to be mobilised swiftly to address the migration crisis. In today's fast-changing world, unpredictable events will occur with increasing frequency. The Union Reserve would allow a more swift and decisive reaction to such developments. We will still be implementing the next Financial Framework almost ten ***years*** from now. This long-term stability is an asset but also a constraint. A Union Reserve would provide a powerful and flexible new tool to tackle unforeseen events and respond to emergencies in areas such as security and migration. Finally, as part of the public debate, it has been suggested that the disbursement of EU budget funds could be linked to the respect for the values set out in Article 2 of the EU Treaty and in particular to the state of the rule of law in Member States. Some have gone further, arguing that serious breaches of EU law should have consequences and should lead to the suspension of disbursements from the EU budget. The Union is a community of law and its values constitute the very basis of its existence. They permeate its entire legal and institutional structure and all its policies and ***programmes***. Respect for these values must therefore be ensured throughout all Union policies. This includes the EU budget, where respect for fundamental values is an essential precondition for sound financial management and effective EU funding. Respect for the rule of law is important for European citizens, as well as for business initiatives, innovation and investment. The European economy flourishes most where the legal and institutional framework adheres fully to the common values of the Union. 16 OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK Should we make EU funding more conditional? The potential of the EU budget can only be fully unleashed if the economic, regulatory and administrative environment in the Member States is supportive. This is why, under the current Multiannual Financial Framework, all Member States and beneficiaries are required to show that the regulatory framework for financial management is robust, that the relevant EU regulation is being implemented correctly, and that the necessary administrative and institutional capacity exists to make EU funding a success. In addition, policy conditionality can foster the cooperation between Member States in areas where economies of scale or externalities are significant. New provisions were also introduced under the current Multiannual Financial Framework to avoid situations where the effectiveness of EU funding is undermined by unsound economic and fiscal policies. The new Multiannual Financial Framework is an opportunity to look at whether these principles have created a solid platform for results. It is also the moment to consider how the link between EU funding and the respect for the EU's fundamental values can be strengthened. Any such mechanism would however need to be transparent, proportionate and legally watertight. While it could in principle apply to all relevant policies involving expenditure from the EU budget, any financial conditionality would need to be precise, proportionate and require a sufficient connection between the conditions imposed and the aim of the funding. This debate will also need to consider the impact of possible breaches of fundamental values or the rule of law at national level on the individual beneficiaries of EU funding, such as Erasmus students, researchers or civil society organisations, who are not responsible for such breaches6. 5. Financing the EU Budget The debate on the post-2020 Financial Framework will cover not only what the EU budget should be used for, but also how it will be financed in future. The revenue side of the budget has become complicated and the link between the goals of the EU budget and the way it is funded has become progressively weaker. Sources of financing of the EU budget 6 This would follow the logic of Article 7(3) of the Treaty on European Union, which provides that any suspension of rights of Member States 'shall take into account the possible consequences […] on the rights and obligations of natural and legal persons.' 1.2% 1.0% 0.8% 0.6% 0.4% 0.2% 0.0% % of Gross National Income Financial contributions Customs duties Statistical Value Added Tax-based own resource Gross National Income-based own resource Other revenue 17 A reform of the revenue side of the EU budget would help to focus the debate on objectives and on those areas where the EU can deliver real added value7. OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK What could new Own Resources bring to the EU budget? Emission Trading System: The European Emissions Trading System is the cornerstone of EU climate policy. A number of allowances are auctioned by Member States and purchased by companies to cover their greenhouse gas emissions. A share of the proceeds from the auctioning of allowances could be made available for the EU budget. Depending on the market prices for allowances, a share of the revenues generated by the Emission Trading System could generate estimated revenues between EUR 7 billion and EUR 105 billion over seven ***years***. VAT-based Own Resource: Value Added Tax is a consumption tax assessed on the value added to all goods and services sold in the EU. Today, the Own Resource based on that tax relies on very complex statistical calculations. A reformed Own Resource could be levied from a simplified Value Added Tax base. Revenues from the current VAT-based Own Resource are currently around EUR 105-140 billion over seven ***years*** and could be adjusted by calibrating the call-rate in function of required levels. Common Consolidated Corporate Tax Base: Large companies greatly benefit from the Single Market. The Common Consolidated Corporate Tax Base is a single set of common rules for the calculation of companies’ taxable profits in the Union. A contribution based on a harmonised corporate tax base, possibly including a digital component, would reinforce the link between the benefits of the Single Market and the financing of the Union. Each Member State would retain the possibility to tax its share of the profits at its own national tax rate. Depending on the model chosen and the call-rate applied, a tax linked to the common consolidated corporate tax base could bring between EUR 21 and EUR 140 billion over seven ***years***, not including expected revenue from the decrease of tax evasion. Seigniorage is the term used to describe the revenue which central banks and governments accrue from issuing money. Since monetary income of the European Central Bank for the issuance of the euro is directly linked to the Economic and Monetary Union, it could be considered as a possible new Own Resource. An amount corresponding to a share of the net profits arising from national central banks' shares in euro area monetary income paid out to national treasuries, could be made available for the EU budget as a form of national contribution. A similar logic was applied in respect of the income generated by the European Central Bank and the national central banks from accumulated Greek Government bonds when in 2012 Eurogroup Ministers agreed on a ***transfer*** of the equivalent of the income generated by the Eurosystem holding (European Central Bank and national central banks) of Greek government bonds to Greece. Depending on the percentage applied, estimated revenues from seigniorage could range between EUR 10.5 billion (10%) and EUR 56 billion (50%) over seven ***years***. New Own Resources could be used to forge an even more direct link to Union policies8. This could notably be the case to support sustainability objectives, the Single Market and the Economic and Monetary Union. For example, a share of the revenues from the Emission Trading System could help support EU sustainability goals. The Value Added Tax-based Own Resource should be simplified and should take account of the ongoing reform towards a single European Value Added Tax area. An Own Resource based on a share of revenue from the relaunched common consolidated corporate tax base would strengthen the link between 7 See the report on “Future financing of the EU” presented in January 2017 by a high-level group set up jointly by the European Parliament, the Council and the European Commission and chaired by Mario Monti. 8 Changes to the Own Resources Decision needed to reform the system would require unanimity in the Council, after consultation of the European Parliament, and ratification by all Member States in accordance with their Constitutional requirements. Such changes have been made before as part of the package accompanying each new Multiannual Financial Framework. Changes in the Own Resources ceiling are in any event be likely to be required to cover financial liability linked to loans or financial facilities guaranteed from the EU budget, the new stabilisation function and the possible integration of the European Development Fund in the Multiannual Financial Framework. 18 the benefits of the Single Market and the financing of the EU budget. A share of the income earned by the European Central Bank for the issuance of banknotes is another example of a possible new source of revenue for the EU budget. Further Own Resources, including those mentioned in the Monti report, are being looked at in more detail. The withdrawal of the United Kingdom will present an opportunity to radically simplify the revenue side of the budget. The rebate previously granted to the United Kingdom, and the rebates received by other Member States contributing to the financing of the United Kingdom rebate, made the revenue side of the budget more complex and less transparent. There is now a strong case for eliminating all such corrections as part of a fair and balanced budget package. 6. The importance of the right timing A swift political agreement on a new, modern EU budget will be essential to demonstrate that the Union is ready to deliver on the positive political agenda outlined in Bratislava and Rome. This would show that, following the withdrawal of the United Kingdom in 2019, the Europe of 27 is unified, has a clear sense of purpose and direction, and is ready to deliver. And it would give the best possible chance for new ***programmes*** to hit the ground running on schedule on 1 January 2021, turning political objectives into quick results on the ground. An early agreement is not only politically desirable. It is also a practical imperative. All our partners and beneficiaries of EU funding as well as national and regional authorities need legal and financial certainty. They need time to prepare the implementation of the new ***programmes***. The late adoption of the current Financial Framework led to significant delays in the launch of the new ***programmes*** and consequently to the achievement of our funding priorities. The opportunity cost of such delays is high. A seamless transition to the new Multiannual Financial Framework will be vital to maintain the momentum of the economic recovery, and to allow the Union to continue to act swiftly and decisively in the many areas where speed of response is key to success. We must therefore make sure that the experience of the current framework is not repeated. Agreement on the next Multiannual Financial Framework in 2019 would not only send a signal of a strong and united Europe of 27 that is able to deliver convincingly, it would also ensure predictability and continuity of funding to the benefit of all. 19 WHY DO DELAYS MATTER? The launch of the 2014-2020 European Structural and Investment Fund ***programmes*** was significantly delayed. Legislation for the sectoral ***programmes*** was only finalised in December 2013 following an agreement on the Multiannual Financial Framework in the first half of that ***year***. This has delayed the adoption of the detailed rules needed to make the ***programmes*** work on the ground, as well as the subsequent negotiation of the Partnership Agreements with the Member States. As a consequence, investments were delayed, as was the support for much needed projects and reforms. This came in addition to an important reduction of commitment appropriations at the beginning of the current period. Evolution of commitment ceilings between 2000 and 2020 (current prices) Delays have real consequences for people. The legal acts for the Asylum, Migration and Security Funds were only adopted in 2014. This meant that to the designation of authorities and adoption of ***programmes*** only came in 2015. As a result of the delay, Member States were not able to launch projects in time. This impacted on reception and accommodation capacities in Member States and the management of borders. The delays made it very difficult for the Greek administration to use EU funding to prepare for the crisis in 2015. Shelters were not ready. Conditions to receive refugees were poor at a time people in need of protection were pouring into the islands between June and September 2015. At the same time, other Member States, including Sweden and Austria, did not have EU funding at their disposal to help accommodate people coming through the Balkan route. The EU had to use emergency assistance to support these Member States in these challenging times. 0,85% 0,90% 0,95% 1,00% 1,05% 1,10% 1,15% 1,20% 1,25% 1,30% Commitment ceilings % of EU GNI 1.20% of GNI (European System of Accounts 2010) '14-'20 average 1.03% '07-'13 average 1.12% '00-'06 average 1.09% 1.23% of GNI incl. FISIM 1.27% of GNP = 1.24% of GNI excl. Financial Intermediation Services Indirectly Measured (FISIM) 2015 revision 1.30% 1.25% 1.20% 1.15% 1.10% 1.05% 1.00% 0.95% 0.90% 0.85% Commitment ceilings 20 A number of international actions under the Erasmus+ ***programme*** could not be achieved in 2014 due to the late adoption of the last Financial Framework. This meant that around 25-30,000 exchanges between students and teachers from our Member States and our partner countries planned for 2014 could not take place that ***year***. If such delays were to occur for the whole ***programme***, as many as 1,000,000 young people would not be able to benefit from an Erasmus+ exchange in 2021. Delays in implementing the next Research Framework ***Programme*** would imply the loss of around 5,000 research jobs per month (around 3-4% of overall EU research jobs) and an additional 7000 jobs in the wider economy. More than 200 research publications would be lost for the same period, including around 100 high-impact articles. Delays in selecting projects in the early stage of implementation of the cohesion ***programmes*** would mean more than 100,000 projects would not be able to start on time. The areas impacted include business support, energy efficiency, health care, education and social inclusion. A number of large-scale infrastructure projects would also be strongly impacted by delays. Space ***programmes*** like Galileo or Copernicus have long investment cycles. They therefore need predictability when it comes to procurements. An ongoing procurement process for a number of Galileo satellites will be concluded in 2019 and can only be fully implemented once the new legal and budgetary requirements are fully in place. Other examples of the negative effects of delays in agreeing a new financial framework include Rail Baltica. The project will build a crucial railway link into the Baltic States and should be completed by 2025/2027. The project must be able to launch the major procurements it needs for construction in 2021. This is crucial for the completion of a project that will help connect five million people in the Baltic States to the rest of Europe. The high-speed rail link will cater at the same time for freight flows all the way from Finland to Germany, the Benelux and the Adriatic. The Brenner base tunnel is planned to be completed by 2027, with the rail engineering works due to start under the next MFF. It is a crucial project to shift half of the 2.2 million trucks of the Brenner motorway to rail. This will cut down on pollution in the precious valleys between Munich-Innsbruck and Verona. The Fehmarn Belt between Denmark and Germany, the Evora-Merida railway link that will finally connect Lisbon and Madrid, the Lyon-Torino base tunnel that will connect the high-speed railway networks of France and Italy are also all due to be completed by the end of the next Multiannual Financial Framework. Such projects cannot afford to see delays in planning or procurement simply because of the late adoption of the next Multiannual Financial Framework. CONCLUSION The post-2020 Multiannual Financial Framework will be a litmus test for the European Union at 27. When Leaders meet to take decisions on the future of Europe in Sibiu, Romania on 9 May 2019, the Union of 27 must be a Union of action. Decisive progress on the Financial Framework by then would show that the Union can bridge the gap between political priorities and the delivery of tangible results for all Europeans. A timely agreement on a new, modern Financial Framework will only be possible with the strong guidance of EU Leaders and close engagement from the outset with the European Parliament. The European Council meetings in October 2018 and December 2018 will be crucial milestones in this process. The Commission is ready to play its role to the full. We have been listening to EU institutions, Member States, national Parliaments and representatives of all the many stakeholders who have a stake in the future budget. We will continue to listen in the months to come. All the options and figures cited in this Communication are illustrative and intended to stimulate an open debate. They do not represent the Commission's definite position. 21 Final decisions on the Multiannual Financial Framework will be for European Leaders to take, with the consent of the European Parliament. Our proposals will expand on the ideas presented in this Communication and will provide a solid basis for a timely agreement by all Member States with the consent of the European Parliament. They will take as their starting point the priorities that the Leaders have agreed together. The proposals will demonstrate clearly what these priorities mean in financial terms. Maintaining this link is essential for the credibility of the future EU budget. If the Union decides to do less, a smaller budget will suffice. But wherever the Union decides to do more, the financial consequences must follow. Europeans expect a strong Union able to face the challenges of the future and a budget that can deliver for them. Leaders must play their part in meeting these expectations. The Commission invites Leaders to:  support a new and modern Multiannual Financial Framework, which serves a Europe that protects, empowers and defends;  stand fully and firmly behind the priorities agreed on 16 September 2016 in Bratislava and on 25 March 2017 in the Rome Declaration,  acknowledge that in order to translate these priorities into financial terms, a budget of sufficient size is necessary which is backed by an intelligent combination of proportionate savings, redeployments and fresh resources;  support a reform of the revenue side of the EU budget as part of a balanced overall package for the next Multiannual Financial Framework, eliminating corrections and establishing a closer link with concrete policy objectives of the Union;  express their commitment to work closely with the European Parliament and the European Commission on the concrete proposal for the Multiannual Financial Framework with an understanding that the Commission presents its proposal by early May 2018 at the latest.  commit to making decisive progress on the Multiannual Financial Framework by their meeting in Sibiu on 9 May 2019 in order to get the Europe of 27 off to the best possible start.

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[***Council of the European Union: COMMUNICATION FROM THE COMMISSION A new, modern Multiannual Financial Framework for a European Union that delivers efficiently on its priorities post-2020 The European Commission's contribution to the Informal Leaders' meeting on 23 February 2018 ST 6229 2018 INIT***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RTH-M8J1-JDG9-Y4V9-00000-00&context=1516831)

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6229/18 ACdF/cd DPG EN Council of the European Union Brussels, 15 February 2018 (OR. en) 6229/18 CADREFIN 11 POLGEN 7 FIN 132 CO EUR-PREP 9 COVER NOTE From: Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director date of receipt: 15 February 2018 To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union No. Cion doc.: COM(2018) 98 final Subject: COMMUNICATION FROM THE COMMISSION A new, modern Multiannual Financial Framework for a European Union that delivers efficiently on its priorities post-2020 The European Commission's contribution to the Informal Leaders' meeting on 23 February 2018 Delegations will find attached document COM(2018) 98 final. Encl.: COM(2018) 98 final EN EN EUROPEAN COMMISSION Brussels, 14.2.2018 COM(2018) 98 final COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL AND THE COUNCIL A new, modern Multiannual Financial Framework for a European Union that delivers efficiently on its priorities post-2020 The European Commission's contribution to the Informal Leaders' meeting on 23 February 2018 1 A BUDGET FOR OUR UNION AT 27 “Budgets are not bookkeeping exercises – they are about priorities and ambition. So let’s first discuss about the Europe we want.” Jean-Claude Juncker European Commission President 8 January 2018 1. A budget for a more united, stronger and more democratic Union Every seven ***years***, the Union decides about its future finances.

This is a time for Leaders to commit financially to the kind of Union they want. This is always an important moment. But it is doubly vital at a time when Europe is in the midst of a fundamental debate on how the Union should evolve in the ***years*** to come. We now have an opportunity to choose the Europe we want and to decide on a budget that helps us build it. The Informal Leaders' meeting on 23 February is therefore both timely and essential. The first step is to define what Europe wants to do together and agree on priorities. The second is to equip the Union with the means to act. The two are inseparable. The choices we make on priorities and where we want the Union to be active will shape the type of budget we need. The EU budget is a means to achieve our political goals. The Commission's White Paper on the Future of Europe of 1 March 2017 set out a number of possible scenarios for Europe's future. The Reflection Paper on the Future of EU Finances of 28 June 2017 looked at what each of these scenarios could mean for the Union's budget. A Europe limited to the Single Market does not need large funding ***programmes***. A Europe that chooses to do more together needs the resources to match this wider ambition. Whichever path we choose, one thing remains constant: the future Union of 27 must be equipped with a reliable and future-proof budget that allows it to deliver efficiently on its priorities. The current Financial Framework was agreed against the backdrop of the worst economic and financial crisis for generations. Public finances in many Member States were under strain. Thanks to the concerted efforts of the Union and its Member States, today’s context is different. As the economic recovery has gathered pace, the focus has shifted to our current and future challenges. Leaders agreed on 16 September 2016 in Bratislava and on 25 March 2017 in the Rome Declaration on a positive agenda for the Europe of 27. Citizens now expect their Union to deliver on this. The next Multiannual Financial Framework is a decisive moment to match aspirations with the means to act. The withdrawal of the United Kingdom from the Union will mean the loss of a significant contributor to the financing of the Union's policies and ***programmes***. This will require us to take a critical look at where savings can be made and priorities delivered more efficiently. This is an essential part of the preparation of any budget proposal and the Commission is fully committed to modernising and streamlining wherever possible. However, a willingness to look with an open mind at the resources needed to turn new priorities into tangible results will also be required. 2 The Commission intends to present its proposals for the next Multiannual Financial Framework by early May 2018 at the latest, on the basis of intensive consultations with Member States, the European Parliament and the wider public. These proposals will be fair, balanced, and focused squarely on delivering efficiently. It will then be for the Member States and the European Parliament to decide – both on the future budget and, more fundamentally, on the type of Europe we want. Agreement on a new Multiannual Financial Framework for the period 2021 to 2027 will be a key moment for EU Leaders to recommit to the positive agenda and to Europe itself. It will be an important test of the unity of our Union and our capacity to act in a changing world. Leaders now have a window of opportunity to choose a more united, stronger and more democratic Union – and a budget that delivers it. 2. The EU budget: a driver for European added value The EU budget is unique. Unlike national budgets which are used in large part to provide public services and fund social security systems, the EU budget is primarily an investment budget. The seven-***year*** Multiannual Financial Framework provides a longer-term planning horizon and the stability needed for investment planning. The EU budget must always be in balance. The EU budget helps the Union to implement common policies and address a wide range of challenges – both at home and elsewhere in the world. It represents a small part of total public expenditure in the Union, accounting for around 1% of the combined Gross National Income (GNI) of the 28 current Member States and only around 2% of public spending in the EU. This means that every citizen enjoys the huge benefits that the Union brings for less than the price of one cup of coffee per day. The size of the EU budget as percentage of Gross National Income Commitments ceiling in % EU28 GNI \*2014-2020 estimated commitments, UK expenditure excluded, in % EU27 GNI (1.13%)\* Average 1993-1999 Average 2000-2006 Average 2007-2013 Average 2014-2020 3 Over time, the composition of the EU budget has evolved. The share of ***agriculture*** and cohesion spending has declined, though still represents around 70% of the total. Investment is increasingly focused on ***programmes*** directly managed at European level and in areas such as research and innovation, trans-European transport and energy networks, mobility ***programmes*** for young people and Europe's external action. During the economic and financial crisis, national budgets in many Member States came under severe strain. In that time, the EU budget, and notably the European Structural and Investment Funds, emerged as a major source of stable growth-supporting investment. The European Fund for Strategic Investments has since played a major role in mobilising private investment throughout Europe. Most recently, the EU budget underpinned the European response to the refugee crisis and to the threat of organised crime and terrorism. This tested the budget's flexibility to the limit. In all these areas, pooling resources at European level can deliver results that spending at national level cannot. This is the added value of the EU budget. A euro spent through the European budget must be worth more to our citizens than a euro spent at national level. In many areas, funding at national, regional or local level is the right approach. In others, the cross-border nature of challenges means that pan-European ***programmes*** are both more effective and more efficient. By focusing in the right areas, even a relatively modest EU budget can have a strong impact on the ground. And it can do so while allowing for savings to be made in national budgets. The benefits of well-designed EU budget ***programmes*** are felt by all Europeans. Fostering economic convergence for the least developed regions through cohesion policy strengthens the Single Market and creates opportunities for companies, workers and consumers across the Union. Scientific breakthroughs from EU-funded research ***programmes*** improve the quality of life for all. Mobility ***programmes*** such as Erasmus+ equip young people with labour market skills, improve cultural understanding and strengthen the social fabric of our Union. Common ***Agricultural*** Policy and Fisheries Economic, social and territorial cohesion Other ***programmes*** Administration \*Adjusted for 1995 enlargement 4 The common focus on 'net balances' in the EU budget debate is therefore misleading. Net balance calculations have fed the perception that EU budget negotiations are a zero-sum game between net contributors and net beneficiaries. This misses the essence of the EU budget. Expenditure allocated to one Member State in reality benefits many others by creating market opportunities or improving infrastructure. For example, it is estimated that a quarter of additional growth in non-cohesion countries is due to indirect benefits from increased sales to and trade with cohesion countries. This is thanks to the 2007-2013 cohesion ***programmes***. These effects are amplified by the leverage effect of loans or other financial instruments guaranteed by the EU budget. Europe in accounting terms EU budget: average annual balance 2014-2016\* (EUR billion) \* Average operating budgetary balances 2014-2016 in EUR billion. Figures may vary per ***year***. EU spending also creates European public goods that benefit all. The benefits from stability, peace, common values, a level-playing field in Europe's Single Market, or a negotiating capacity which rivals the biggest global powers, do not show up in net balance calculations. For example, the Single Market has a significant and direct positive impact on jobs and Poland: 10.1 Romania: 5.2 Greece: 4.8 Hungary: 4.6 Czech Republic: 4.0 Spain: 2.4 Slovakia: 2.0 Bulgaria: 2.0 Portugal: 2.0 Lithuania: 1.1 Latvia: 0.7 Slovenia: 0.5 Estonia: 0.4 Croatia: 0.3 Ireland: 0.2 Malta: 0.1 Cyprus: 0.04 Luxembourg: -0.004 Finland: -0.6 Denmark: -0.8 Austria: -1.0 Belgium: -1.4 Sweden: -1.8 Netherlands: -2.8 Italy: -3.5 France: -7.4 United Kingdom: -7.6 Germany: -13.6 -14 -12 -10 -8 -6 -4 -2 0 2 4 6 8 10 5 growth. It allows companies to operate more efficiently, creates jobs and offers lower prices for consumers. It gives people the freedom to live, study and work where they want. Benefits of Single Market integration Gains in income (EUR billion, baseline ***year*** 2014)1 The Commission proposals for the future Financial Framework will be shaped by the principle of European added value. By focusing on common policies and priorities and the areas where the EU budget can deliver public goods that national spending cannot, we can move beyond the 'net balance' debate. With a well-designed, modern EU budget, all Member States are net beneficiaries. 3. Towards our priorities for the future The next Multiannual Financial Framework should better align available financing with our political priorities. It should build on what works well today while also anticipating the challenges of tomorrow. In line with the Rome Declaration, the budget should enable a Europe that is safe and secure. A Europe that is prosperous and sustainable. A Europe that is social. And a Europe that is stronger on the global scene. Europeans consistently point to security and safety as a top priority for their Union2. This comes at a time when instability in Europe's neighbourhood pose serious challenges both within and outside of our borders. The EU budget is instrumental in ensuring effective 1 Source: Gabriel Felbermayr, Jasmin Gröschl, Inga Heiland (2018), Undoing Europe in a New Quantitative Trade Model, ifo Working Paper No. 250. The chart shows the gains in income attributable, according to the model applied, to being part of the Single Market. 2 Special Eurobarometer 464b: European's attitudes towards security, December 2017. Germany France United Kingdom Netherlands Italy Belgium Spain Poland Austria Sweden Ireland Czech Republic Denmark Hungary Luxembourg Finland Romania Slovakia Portugal Greece Slovenia Bulgaria Croatia Lithuania Estonia Latvia Malta Cyprus 6 migration management, countering terrorism and addressing cyber threats. It has a crucial role to play in reinforcing the control of external borders. Our post-2020 budget will, for example, determine whether the vision of a strengthened and fully operational European Border and Coast Guard can be realised in practice. OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK3 How can the EU budget support better management of the EU's external borders? Leaders have called for stronger external borders as a precondition to lifting internal borders. In 2016, the European Border and Coast Guard was set up based on a proposal from the European Commission. By 2020, the European Border and Coast Guard will have 1,015 staff, including field operatives – as well as at least 1,500 national staff on standby in the rapid reaction pool. Its annual budget of EUR 292 million should increase by that time to EUR 335 million. The EU also provides funding to co-finance national management of Europe's external border by 96,000 national border guards and emergency support through the Internal Security Fund (Borders). Combined, these activities amount to around EUR 4 billion over a seven ***year*** period, or 0.4% of the total EU budget. The future development of the European Border and Coast Guard will depend on the decisions taken on the future Financial Framework. Depending on the level of ambition, several scenarios could be envisaged: Exploiting the existing European Border and Coast Guard to the maximum would support the continuous development of the information exchange framework (Eurosur), as well as Member States’ capacity investments for border management. It would also ensure that the European Border and Coast Guard has access to the equipment it needs. This would require a budget of around EUR 8 billion over a seven ***year*** period, corresponding to approximately 0.8% of the current Multiannual Financial Framework. An upgraded European Border and Coast Guard would allow support for a fully integrated EU border management system. This would be based on a revised legal framework with an expanded mandate, bringing together and reinforcing the existing tools related to risk assessment and situational pictures; stepping up the operational capacity of the agency with a standing corps of European border guards of at least 3,000 EU staff; providing financial support and training for the increase of the national border guard component in vulnerable Member States; bigger and more operational expert pools; and reinforced own equipment. It would entail a much stronger return role at the EU level; and lower intervention thresholds for the Agency to help prevent serious shortcomings in the external border controls that could lead to a crisis. This scenario would require a budget of around EUR 20 – 25 billion over a seven ***year*** period, corresponding to approximately 1.8 – 2.3% of the current Multiannual Financial Framework. A full EU border management system would imply 100,000 EU staff and a substantial EU equipment pool, comparable to the US or the Canadian system. It would require around EUR 150 billion over a seven ***year*** period, taking into account all national expenditure on border protection. This would correspond to approximately 14% of the current Multiannual Financial Framework, the equivalent of an annual EU budget. As an example, the US Customs and Border Protection agency alone has an annual budget of US$ 13.56 billion and more than 62,000 employees. The Canada Border Services Agency has an annual budget of about Can$ 2 billion and more than 14,000 employees. Our Union will also need well-designed, flexible and streamlined instruments in relation to defence. We face complex security challenges that no Member State can meet on its own. Europe will need to take greater responsibility for protecting its interests, values and the European way of life, in complementarity with the North Atlantic Treaty Organisation. While the Union cannot substitute Member States' efforts in defence, it can complement and 3 Policy options set out in this document are intended to illustrate possible choices to be made, based on ideas put forward in the public debate. They are not exhaustive and do not necessarily reflect the position of the European Commission. 7 leverage their collaboration in developing the defence capabilities needed to address our common security challenges. This would avoid duplication and allow for a more efficient use of taxpayers' money. OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK How best to support a true European Defence Union? The European Defence Fund was launched in June 2017 and is gradually being built up. With a limited initial budget of EUR 90 million for defence research and EUR 500 million for industrial development for the period 2017-2020 (taken together, this represents approximately 0.05% of the current Financial Framework), it will in its first phase only be able to support a limited number of collaborative research and development projects. What type of defence fund do we want for the future? A true European Defence Union would require a significant budgetary investment. Given the scale of existing national defence research budgets – France and Germany are each individually spending more than EUR 1 billion per ***year*** on defence research – and the high costs of developing cutting-edge defence technologies, including for cyber-defence, the research window of the Fund would need an estimated budget of at least EUR 3.5 billion over the period to make a substantial difference. Likewise, at least around EUR 7 billion would be needed between 2021 and 2027 to co-finance part of the cost of defence industrial development. This would allow leveraging a significant total investment for the development of defence capabilities of at least EUR 35 billion over seven ***years***. This would correspond to 14% of national spending on defence capabilities. It would be a major step towards the target agreed by Member States in the European Defence Agency to use 35% of their equipment spending for collaborative projects. The European Defence Fund has the potential to provide an important boost to the EU's strategic autonomy and the competitiveness of Europe's defence industry. However, due to the limitations of the Treaties the EU budget is not able to cover all EU areas of action in the field of security and defence. A separate funding mechanism of around EUR 10 billion for the 2021-2027 period would significantly increase the EU's ability to financially support operations with defence implications. This would compare to up to EUR 3.5 billion under the current period. Two ***years*** after the Paris Agreement, the EU also needs to remain firmly in the lead in fighting climate change and ensuring a smooth transition towards a modern, clean and circular economy. The experience with climate mainstreaming should be taken into account. The EU must also make good on its commitment to the United Nations Sustainable Development Goals. The EU budget also supports Europe's unique social market economy. Economic and social realities differ across Europe, from employment and poverty rates to social protection systems. The EU budget will need to deliver on the promises made by Leaders at the Gothenburg Social Summit. This means further developing the social dimension of the Union, including through the full implementation of the European Pillar of Social Rights, and supporting young people and the mobility of European citizens. Adequate resources will be required to improve employment opportunities and address the skills challenges, including those linked to digitisation. 8 OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK How best to support the mobility of young people? After 30 ***years***, Erasmus+ has helped nine million young people to study, train, teach or volunteer in another country, boosting their chances on the labour market. The current Erasmus+ ***programme*** 2014-2020 has a budget of EUR 14.7 billion (around 1.3% of the overall size of the current Multiannual Financial Framework), which can only offer learning mobility opportunities for less than 4% of young people living in Europe. There is a strong consensus for the need to step up mobility and exchanges, including through a substantially strengthened, inclusive and extended Erasmus+ ***programme***. Depending on the level of ambition, several scenarios could be envisaged: Doubling the number of young people in the EU participating in Erasmus+ to reach 7.5% of young people across Europe would require an investment of EUR 30 billion in the next Multiannual Financial Framework (over a seven ***year*** period). Providing the opportunity for 1 in 3 young people to participate in an Erasmus+ learning experience abroad would require a budget for the 2021-2027 period in the order of EUR 90 billion. State-of-the-art connectivity of digital, energy and transport infrastructure is key to Europe’s territorial, social, and economic cohesion. Europe must embrace the potential of innovation and seize the opportunities it brings. In particular, technological change and digitisation are transforming our industries and the way we work, as well as our education and welfare systems. Europe lags behind on the road towards a digital economy and society. The digital investment gap not only undermines Europe's innovation and growth capacity but also its potential to respond to emerging societal needs. Unlocking online opportunities and completing the Digital Single Market is therefore a key priority of the Union. OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK How best to power Europe's digital transformation? EU support for Europe's data infrastructure, connectivity and digital skills amounts to around EUR 35 billion over the seven-***year*** period. This is provided through the European Regional Development Fund (EUR 17 billion), the Research and Innovation Framework ***Programme*** (EUR 13 billion), the European Social Fund (EUR 2.3 billion), the Connecting Europe Facility (EUR 1 billion) and the Creative Europe ***Programme*** (EUR 1 billion). Maintaining or even lowering current investment levels would risk compromising the EU's ability to remain competitive in key industrial and service sectors such as industrial production and machinery, financial services, health care, transport, energy or the automotive industry. Underinvestment in digital skills would further widen the gap between demand and available expertise, while automation will replace traditional tasks. This would translate into lower jobs and growth prospects, sub-standard public services and higher vulnerability to cybersecurity threats. Doubling the amounts currently invested in the digital economy to around EUR 70 billion over the period 2021-2027 would deliver strong progress towards smart growth in areas such as high quality data infrastructure, connectivity and cybersecurity. It would enable the roll-out of new trusted and secure services in e-health, e-government or mobility. It would help secure European leadership in supercomputing, next generation internet, artificial intelligence, robotics and big data. This would reinforce the competitive position of industry and businesses in Europe across the digitised economy. It would also have a significant impact on filling the skills gap across the Union. 9 The EU budget provides a launch pad for researchers and their teams to pursue research and stimulate innovation. Europe also needs to help create the conditions for companies to scale up. Developing mid-cap companies and small and medium-sized enterprises beyond the start-up phase remains a challenge. Many entrepreneurs leave Europe in search of better conditions to grow. Research and innovation are crucial for our future. They are the only way to simultaneously and sustainably tackle low economic growth, limited job creation and global challenges such as health and security, food and oceans, climate and energy. OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK How best to boost competitiveness through research and innovation? For advanced economies like Europe, research and innovation make the difference in enhancing productivity and boosting competitiveness. The future EU budget must therefore allow the EU to invest in the drivers of innovation enabling European industry to grow and thrive. The Union is currently spending close to EUR 80 billion for its Horizon 2020 Research and Innovation Framework ***Programme*** over 2014-2020. What research budget should it have in the future? Maintaining or even lowering current investment levels would not address the problem of underfunding. This would have knock-on effects on national and private investment, and undermine efforts to reach the target set by the Europe 2020 strategy of investing 3% of Gross Domestic Product in research and development. The Union would fall further behind compared to the world leaders. Research support to other EU policies would be reduced. An increase in the Framework ***Programme*** by 50% to EUR 120 billion would create an estimated additional 420,000 jobs by 2040 and increase Gross Domestic Product by around 0.33% over the same period. This would continue the growing trend of recent EU Research and Innovation budgets and ensure an acceptable share of high-quality proposals funded. It would increase the Union's world-wide attractiveness for leading researchers and tackle weaknesses in innovation and scale-up opportunities. It would support progress on priorities such as digital, energy, climate and health. Doubling the Framework ***Programme*** to EUR 160 billion would create an estimated 650,000 jobs by 2040 and add around 0.46% to Gross Domestic Product over the same period. It would enable the EU to emerge as a global leader in large-scale initiatives, preparing full market deployment of solutions in areas like batteries, infectious diseases, smart and clean buildings and vehicles, decarbonisation technologies, circular economy, solutions for plastic waste and connected/automated cars. With the economy expanding at above 2% annually, we are now turning the page on the EU's worst economic and financial crisis. The euro area has enlarged to 19 Member States and the euro is the second most used currency in the world. All but one of the EU-27 Member States are legally committed to join the euro area at some stage. Financial markets have regained their pre-crisis strength and recent improvements, including the establishment of the Banking and Capital Markets Union, give us the opportunity to fix the roof while the sun is shining. 10 OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK How can the EU budget underpin a genuine Economic and Monetary Union? In December 2017, the Commission set out a vision of how the euro area and the Union as a whole could be strengthened using the EU's budget – both today and tomorrow. Four specific functions were presented: to support structural reforms at national level; to facilitate convergence for Member States on their way to joining the euro; to provide a backstop for the Banking Union; and to develop a stabilisation function, bringing together different EU and euro area level funds and instruments, to help maintain investment levels in the event of large asymmetric shocks. These functions require a rethink that goes over and above the constraints of the current EU budget. For instance, this could be done through synergies with the European Investment Bank and a future European Monetary Fund. However, our budget post-2020 will also need to play its part: The reform delivery tool and the convergence facility will need to be able to provide strong support and incentives for a broad range of reforms across Member States. A budget line in the order of at least EUR 25 billion over a seven-***year*** period would provide critical mass and help avoid a concentration of funding on a few Member States only. The stabilisation function is to be built progressively over time, relying on back-to-back loans guaranteed by the EU budget, loans from the European Monetary Fund, a voluntary insurance mechanism based on national contributions as well as a grant component from the European budget. The amounts required from the EU budget would not necessarily need to be very high but would need to be significant enough to, for example, reduce the interest burden of the loans and provide incentives to properly implement the support scheme. Cohesion policy is the Union's main investment policy to reduce disparities among regions and Member States by offering equal opportunities to people across Europe. It is a major driver of job creation, sustainable growth and innovation in Europe’s diverse regions. By providing incentives for reform through a stronger link with the European Semester, in particular the Country Specific Recommendations, the future cohesion policy could strengthen its role as a driver for the modernisation of our economies. 11 OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK What level of ambition for an efficient cohesion policy? Cohesion policy is a concrete expression of solidarity with less economically developed parts of our Union. Its purpose is to foster economic, social and territorial cohesion. Support from the European Structural and Investment Funds is currently available to all EU Member States. Should this continue or should the policy be limited to less developed regions and/or Member States? If eligibility is maintained for all, what should the level of ambition be? If the eligibility for support from the European Regional Development Fund, the European Social Fund and the Cohesion Fund were to be maintained for all Member States and all regions, efficiency gains could be achieved by modulating aid intensities and better targeting support. If current expenditure levels of around EUR 370 billion4, accounting for almost 35% of the Multiannual Financial Framework, were maintained, this would allow a strong focus to be maintained on investment across all regions in areas like innovation, industrial transformation, transition to clean energy, climate action, and better employment opportunities. If the European Regional Development Fund and the European Social Fund were to end support for more developed and transition regions, this would amount to a reduction of approximately EUR 95 billion over the period, accounting for more than a quarter of current allocations from those funds. This corresponds to around 8.7% of the current Multiannual Financial Framework. In this scenario, support for regions in Austria, Belgium, Denmark, Finland, mainland France, Germany, Ireland, the Netherlands, Sweden and many regions in Italy and Spain would be discontinued. If support were limited even further to cohesion countries, investment for less developed regions in France, Italy and Spain would also need to be discontinued. This would amount to a reduction of approximately EUR 124 billion over the period, accounting for around 33% of the current allocations. This corresponds to around 11% of the current Multiannual Financial Framework. In scenarios 2 and 3, support for economic, social and territorial challenges would have to be taken over by national, regional and local authorities in line with the principle of subsidiarity. Scenario 1: Support for all European regions Categories of regions Less developed: GDP/head < 75% of EU-27 average Transition: GDP/head >= 75% and < 100% of EU-27 average More developed: GDP/head >= 100% of EU-27 average Scenario 2: Support for less developed regions and cohesion countries Potentially eligible regions Regional support Cohesion Fund support Other regions Scenario 3: Support for cohesion countries only Potentially eligible regions Regional support Cohesion Fund support Other regions 4 Around EUR 12 billion of that amount are preallocated to the United Kingdom, corresponding to approximately 3% of the cohesion envelope over the period. 12 A modernised Common ***Agricultural*** Policy will need to support the transition towards a fully sustainable ***agricultural*** sector and the development of vibrant rural areas. It

must ensure access to safe, high quality, affordable, nutritious and diverse food. A modernised Common ***Agricultural*** Policy must enhance its European added value by reflecting a higher level of environmental and climate ambition and addressing citizens' expectations for their health, the environment and the climate. Europe needs a smart and resilient ***agricultural*** sector based on a strong socio-economic fabric in rural areas. OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK What level of ambition for an efficient Common ***Agricultural*** Policy? In the 2014-2020 framework, the Common ***Agricultural*** Policy mobilises around EUR 400 billion to finance market measures, direct ***payments*** for farmers and rural development ***programmes*** in order to promote sustainable ***agriculture*** and viable rural economies. Direct ***payments*** represent around 70% of this amount. Rural development ***programmes*** support investment, training and more resource-efficient ***agricultural*** production and are currently worth around EUR 100 billion over the period. These ***programmes*** are co-financed by Member States. Through the Common ***Agricultural*** Policy, the Union is helping to address structural problems in rural areas, such as a lack of attractive employment opportunities or skills shortages. Creating new value chains such as clean energy and bio-energy, and helping rural areas to profit from its scenic value are among the key objectives of these efforts. Discussions are ongoing as to how to make best use of direct ***payments***. A prominent suggestion is to reduce and better target direct ***payments***, in line with the objectives of the policy. Today, 80% of direct ***payments*** go to 20% of farmers. Ways to reduce differences of ***agricultural*** support between Member States are also being discussed. Changes to the system of direct ***payments*** could provide an opportunity to focus ***payments*** on expected results, such as sustained ***agricultural*** production in less profitable or mountainous regions, a focus on small and medium sized farms, investments in sustainable and resource efficient production systems and better coordination with rural development measures. Maintaining expenditure levels of around EUR 400 billion5 over the period for the Common ***Agricultural*** Policy, corresponding to approximately 37% of the current Multiannual Financial Framework, would through better targeting allow support in particular for small and medium sized farms to be increased with positive knock-on effects for rural areas. A reduction of support for the Common ***Agricultural*** Policy by 30% would represent around EUR 120 billion over the period of the next Multiannual Financial Framework, or approximately 11% of the current Multiannual Financial Framework. This scenario could see average farm income drop by more than 10% in a number of Member States and potentially more pronounced income drops in specific sectors. A reduction of support for the Common ***Agricultural*** Policy by 15% would represent around EUR 60 billion over the period of the next Multiannual Financial Framework, or approximately 5.5% of the current Multiannual Financial Framework. In this scenario, the reduction of average farm incomes would be more limited but could still have a noticeable impact in certain sectors depending on the choices made. These scenarios cannot be seen in isolation. Any reduction in direct ***payments*** should be accompanied by better targeting the remaining budget, for example through an increased focus on small and medium sized farms and better coordination with rural development measures. The Union must also be able to deliver on its international goals. The Union and its Member States are collectively the world’s biggest providers of development assistance. EU citizens expect Europe to play a leading role in the world, to promote good governance, democracy, the rule of law and human rights, and sustainable economic development. They want Europe to project stability and security, in particular in Europe’s immediate neighbourhood. They want Europe to provide the critical mass to tackle the root causes of global challenges such as irregular migration and violent extremism. They want Europe to support sustainable 5 Around EUR 27 billion of that amount are preallocated to the United Kingdom, corresponding to approximately 7% of the total Common ***Agricultural*** Policy. 13 development, the eradication of poverty, and the promotion of better governance and the rule of law, including tackling corruption and organised crime. They want Europe to respond to crises whether they be man-made or natural. They want Europe to lead multilateral discussions on matters of world-wide concern, to continue to promote a rules-based global order, and to foster co-operation in areas of common interest, from the economy, to energy, peace and security, defence and climate action. At the same time, instability and conflicts in our southern neighbourhood and beyond have been aggravated by the global economic crisis. This has exacerbated migratory pressures with more people than ever on the move in the region. This will remain a reality and a challenge. We must consolidate and reinforce the external dimension of our efforts to tackle migration and provide support to growth and job creation. In this context, we should look for intelligent synergies with international financial institutions and national promotional and development banks, in order to make sure that scarce resources are spent effectively and private investments mobilised where possible. The European Sustainable Development Fund, the core of the EU's External Investment Plan, is a model that could be expanded in the future. OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK How best to project our interests abroad? In future, the Union will need to be equipped with instruments that allow it to deliver on existing and new ambitions and challenges. In the 2014-2020 framework, the budget dedicated to external action amounts to around EUR 66 billion. It represents around 6% of the current Multiannual Financial Framework. Furthermore, the European Development Fund, currently outside the Union budget, is the main instrument for providing development assistance to African, Caribbean and Pacific countries and to overseas countries and territories. The total financial resources of the 11th European Development Fund amount to around EUR 31 billion for the period 2014-2020. In future: An increase of the current volume of financing for external instruments beyond EUR 100 billion over the period would allow the EU to meet the existing and new ambitions, which range from international cooperation, migration management, investment, governance, human rights and rule of law, to promoting the Sustainable Development Goals, humanitarian assistance, crisis response and conflict prevention. Particular attention will need to be given to supporting the EU's strategy for the Western Balkans as well as the EU's stabilisation efforts in its neighbourhood and in Africa. A significant simplification and streamlining of external instruments could further enhance the effectiveness and efficiency of the external relations budget. This could include the integration of the European Development Fund in the Multiannual Financial Framework, provided that this is reflected in the overall expenditure ceiling and that existing flexibilities are preserved. The budget for external relations should also be seen against the backdrop of the EU's and Member States’ collective commitment to devote 0.7% of Gross National Income to Official Development Assistance by 2030. This would entail an additional effort in the next Multiannual Financial Framework in the order of EUR 40 billion over seven ***years***, without the participation of the UK. This assumes that the EU would maintain its current share of 20% of Official Development Assistance. 14 4. Modernising the EU Budget The priorities and policy options set out above illustrate the choices to be made for the future EU budget. These choices will determine the size and ambition of the first Multiannual Financial Framework of the Union at 27. They will define the level of ambition for Europe and to what extent the Union is able to live up to the promise of the Bratislava Agenda. The next Financial Framework needs to be sufficiently large in size and sufficiently flexible in nature. It needs to be large enough to manage new priorities and deal with the withdrawal of the United Kingdom. The shortfall resulting from the United Kingdom's withdrawal should be covered in equal measure by 'fresh' money and savings in existing ***programmes***. It will need to combine proportionate savings and redeployments within the EU budget with a willingness to provide additional resources to deliver on new priorities. It is also clear that the impact of the European budget depends not only on its size but also on the design and implementation of policy ***programmes***. European added value, enhanced performance and simplification are the keys to a modern and effective EU budget. Further streamlining of rules and procedures will help to achieve this aim. Europe's spending ***programmes*** must reflect our determination to make sure that every euro is spent in the most efficient way possible and that results are quickly felt on the ground. This requires making best use of instruments such as guarantees, loans or financial instruments. The reinforced European Fund for Strategic Investments is for example playing a key role in catalysing private investments throughout Europe. By investing jointly in research, innovation and infrastructure, we have been able to create jobs and growth while tackling the global challenges of the day, from climate change, to science, transport, energy and space policy. The successful use of these instruments requires a clear strategy and a more streamlined approach. Grants and subsidies will continue to be needed for projects that do not generate revenue, like an Erasmus+ exchange or humanitarian assistance. However, guarantees and financial instruments can leverage the budget wherever there is a market interest. 15 OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK How to do more with less through financial instruments? The Commission's Reflection Paper on the Future of EU Finances underlined the importance of guarantees and financial instruments in helping to do 'more with less'. The European Fund for Strategic Investments is for example expected to mobilise more than EUR 500 billion, a major boost to the European economy. However, the current landscape of EU market-based instruments is fragmented, with almost 40 financial instruments and three budgetary guarantees and guarantee funds managed centrally, which amount to a share of around 4% of the current Multiannual Financial Framework. In the area of small and medium-sized enterprises alone, there are seven financial instruments managed centrally and several hundred in shared management. There is clear scope for rationalisation and greater efficiency. One option to improve the efficiency and impact of instruments aiming at investment support in the EU could be their integration within a single investment support instrument. This would further reinforce the European Fund for Strategic Investment and have a positive impact on investment levels, economic growth and employment across the EU. A wider use of financial instruments and budgetary guarantees could more than double the investments mobilised over the next Multiannual Financial Framework up to EUR 2 trillion. Budgetary flexibility is another key principle that should underpin the next Multiannual Financial Framework. This will be essential to adapting to new needs and unstable geopolitical and domestic conditions. Building on the existing mechanisms, special instruments will remain crucial for dealing with emerging challenges like migration or humanitarian assistance. In addition, there is a strong argument for re-thinking existing mechanisms to ensure that allocated budgets effectively support European priorities. This is not always currently the case, since a part of the budgetary commitments provided for in the Multiannual Financial Framework are later cancelled. This can happen for a number of reasons, such as delays in getting projects off the ground, formal mistakes in project implementation or errors in claiming costs. As a result, the EU budget is not being used to its full potential to support EU objectives and provide European added value. This is a missed opportunity to support our common priorities. 16 OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK How to make the most of decommitted funds? Currently, funds that have been committed to the EU budget but which are ultimately not spent in the implementation of EU ***programmes*** are cancelled. These resources reduce the annual calculations of Member States’ gross national contributions compared to the full implementation of budgetary commitments. Instead of cancelling these amounts, they could be used as a Union reserve. This reserve could be deployed to achieve common priorities and respond to common challenges. Current estimates suggest that around EUR 21 to 28 billion could become available through this mechanism over a 7-***year*** period. Such amounts could have been used, for example, in 2015 to finance the European Fund for Strategic Investments and address the investment gaps that opened up as a result of the financial crisis. This would have been done instead of cutting valuable ***programmes*** like Horizon 2020 or the Connecting Europe Facility. Similarly, the reserve could have been used in 2016 to support the establishment of the Facility for Refugees in Turkey, which required the use of all the flexibility in the EU budget as well as separate contributions by Member States. It would also have allowed more funding to be mobilised swiftly to address the migration crisis. In today's fast-changing world, unpredictable events will occur with increasing frequency. The Union Reserve would allow a more swift and decisive reaction to such developments. We will still be implementing the next Financial Framework almost ten ***years*** from now. This long-term stability is an asset but also a constraint. A Union Reserve would provide a powerful and flexible new tool to tackle unforeseen events and respond to emergencies in areas such as security and migration. Finally, as part of the public debate, it has been suggested that the disbursement of EU budget funds could be linked to the respect for the values set out in Article 2 of the EU Treaty and in particular to the state of the rule of law in Member States. Some have gone further, arguing that serious breaches of EU law should have consequences and should lead to the suspension of disbursements from the EU budget. The Union is a community of law and its values constitute the very basis of its existence. They permeate its entire legal and institutional structure and all its policies and ***programmes***. Respect for these values must therefore be ensured throughout all Union policies. This includes the EU budget, where respect for fundamental values is an essential precondition for sound financial management and effective EU funding. Respect for the rule of law is important for European citizens, as well as for business initiatives, innovation and investment. The European economy flourishes most where the legal and institutional framework adheres fully to the common values of the Union. 17 OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK Should we make EU funding more conditional? The potential of the EU budget can only be fully unleashed if the economic, regulatory and administrative environment in the Member States is supportive. This is why, under the current Multiannual Financial Framework, all Member States and beneficiaries are required to show that the regulatory framework for financial management is robust, that the relevant EU regulation is being implemented correctly, and that the necessary administrative and institutional capacity exists to make EU funding a success. In addition, policy conditionality can foster the cooperation between Member States in areas where economies of scale or externalities are significant. New provisions were also introduced under the current Multiannual Financial Framework to avoid situations where the effectiveness of EU funding is undermined by unsound economic and fiscal policies. The new Multiannual Financial Framework is an opportunity to look at whether these principles have created a solid platform for results. It is also the moment to consider how the link between EU funding and the respect for the EU's fundamental values can be strengthened. Any such mechanism would however need to be transparent, proportionate and legally watertight. While it could in principle apply to all relevant policies involving expenditure from the EU budget, any financial conditionality would need to be precise, proportionate and require a sufficient connection between the conditions imposed and the aim of the funding. This debate will also need to consider the impact of possible breaches of fundamental values or the rule of law at national level on the individual beneficiaries of EU funding, such as Erasmus students, researchers or civil society organisations, who are not responsible for such breaches6. 5. Financing the EU Budget The debate on the post-2020 Financial Framework will cover not only what the EU budget should be used for, but also how it will be financed in future. The revenue side of the budget has become complicated and the link between the goals of the EU budget and the way it is funded has become progressively weaker. 6 This would follow the logic of Article 7(3) of the Treaty on European Union, which provides that any suspension of rights of Member States 'shall take into account the possible consequences […] on the rights and obligations of natural and legal persons.' 18 Sources of financing of the EU budget A reform of the revenue side of the EU budget would help to focus the debate on objectives and on those areas where the EU can deliver real added value7. 7 See the report on “Future financing of the EU” presented in January 2017 by a high-level group set up jointly by the European Parliament, the Council and the European Commission and chaired by Mario Monti. 1.2% 1.0% 0.8% 0.6% 0.4% 0.2% 0.0% % of Gross National Income Financial contributions Customs duties Statistical Value Added Tax-based own resource Gross National Income-based own resource Other revenue 19 OPTIONS FOR THE FUTURE FINANCIAL FRAMEWORK What could new Own Resources bring to the EU budget? Emission Trading System: The European Emissions Trading System is the cornerstone of EU climate policy. A number of allowances are auctioned by Member States and purchased by companies to cover their greenhouse gas emissions. A share of the proceeds from the auctioning of allowances could be made available for the EU budget. Depending on the market prices for allowances, a share of the revenues generated by the Emission Trading System could generate estimated revenues between EUR 7 billion and EUR 105 billion over seven ***years***. VAT-based Own Resource: Value Added Tax is a consumption tax assessed on the value added to all goods and services sold in the EU. Today, the Own Resource based on that tax relies on very complex statistical calculations. A reformed Own Resource could be levied from a simplified Value Added Tax base. Revenues from the current VAT-based Own Resource are currently around EUR 105-140 billion over seven ***years*** and could be adjusted by calibrating the call-rate in function of required levels. Common Consolidated Corporate Tax Base: Large companies greatly benefit from the Single Market. The Common Consolidated Corporate Tax Base is a single set of common rules for the calculation of companies’ taxable profits in the Union. A contribution based on a harmonised corporate tax base, possibly including a digital component, would reinforce the link between the benefits of the Single Market and the financing of the Union. Each Member State would retain the possibility to tax its share of the profits at its own national tax rate. Depending on the model chosen and the call-rate applied, a tax linked to the common consolidated corporate tax base could bring between EUR 21 and EUR 140 billion over seven ***years***, not including expected revenue from the decrease of tax evasion. Seigniorage is the term used to describe the revenue which central banks and governments accrue from issuing money. Since monetary income of the European Central Bank for the issuance of the euro is directly linked to the Economic and Monetary Union, it could be considered as a possible new Own Resource. An amount corresponding to a share of the net profits arising from national central banks' shares in euro area monetary income paid out to national treasuries, could be made available for the EU budget as a form of national contribution. A similar logic was applied in respect of the income generated by the European Central Bank and the national central banks from accumulated Greek Government bonds when in 2012 Eurogroup Ministers agreed on a ***transfer*** of the equivalent of the income generated by the Eurosystem holding (European Central Bank and national central banks) of Greek government bonds to Greece. Depending on the percentage applied, estimated revenues from seigniorage could range between EUR 10.5 billion (10%) and EUR 56 billion (50%) over seven ***years***. New Own Resources could be used to forge an even more direct link to Union policies8. This could notably be the case to support sustainability objectives, the Single Market and the Economic and Monetary Union. For example, a share of the revenues from the Emission Trading System could help support EU sustainability goals. The Value Added Tax-based Own Resource should be simplified and should take account of the ongoing reform towards a single European Value Added Tax area. An Own Resource based on a share of revenue from the relaunched common consolidated corporate tax base would strengthen the link between the benefits of the Single Market and the financing of the EU budget. A share of the income earned by the European Central Bank for the issuance of banknotes is another example of a possible new source of revenue for the EU budget. Further Own Resources, including those mentioned in the Monti report, are being looked at in more detail. 8 Changes to the Own Resources Decision needed to reform the system would require unanimity in the Council, after consultation of the European Parliament, and ratification by all Member States in accordance with their Constitutional requirements. Such changes have been made before as part of the package accompanying each new Multiannual Financial Framework. Changes in the Own Resources ceiling are in any event be likely to be required to cover financial liability linked to loans or financial facilities guaranteed from the EU budget, the new stabilisation function and the possible integration of the European Development Fund in the Multiannual Financial Framework. 20 The withdrawal of the United Kingdom will present an opportunity to radically simplify the revenue side of the budget. The rebate previously granted to the United Kingdom, and the rebates received by other Member States contributing to the financing of the United Kingdom rebate, made the revenue side of the budget more complex and less transparent. There is now a strong case for eliminating all such corrections as part of a fair and balanced budget package. 6. The importance of the right timing A swift political agreement on a new, modern EU budget will be essential to demonstrate that the Union is ready to deliver on the positive political agenda outlined in Bratislava and Rome. This would show that, following the withdrawal of the United Kingdom in 2019, the Europe of 27 is unified, has a clear sense of purpose and direction, and is ready to deliver. And it would give the best possible chance for new ***programmes*** to hit the ground running on schedule on 1 January 2021, turning political objectives into quick results on the ground. An early agreement is not only politically desirable. It is also a practical imperative. All our partners and beneficiaries of EU funding as well as national and regional authorities need legal and financial certainty. They need time to prepare the implementation of the new ***programmes***. The late adoption of the current Financial Framework led to significant delays in the launch of the new ***programmes*** and consequently to the achievement of our funding priorities. The opportunity cost of such delays is high. A seamless transition to the new Multiannual Financial Framework will be vital to maintain the momentum of the economic recovery, and to allow the Union to continue to act swiftly and decisively in the many areas where speed of response is key to success. We must therefore make sure that the experience of the current framework is not repeated. Agreement on the next Multiannual Financial Framework in 2019 would not only send a signal of a strong and united Europe of 27 that is able to deliver convincingly, it would also ensure predictability and continuity of funding to the benefit of all. 21 WHY DO DELAYS MATTER? The launch of the 2014-2020 European Structural and Investment Fund ***programmes*** was significantly delayed. Legislation for the sectoral ***programmes*** was only finalised in December 2013 following an agreement on the Multiannual Financial Framework in the first half of that ***year***. This has delayed the adoption of the detailed rules needed to make the ***programmes*** work on the ground, as well as the subsequent negotiation of the Partnership Agreements with the Member States. As a consequence, investments were delayed, as was the support for much needed projects and reforms. This came in addition to an important reduction of commitment appropriations at the beginning of the current period. Evolution of commitment ceilings between 2000 and 2020 (current prices) Delays have real consequences for people. The legal acts for the Asylum, Migration and Security Funds were only adopted in 2014. This meant that to the designation of authorities and adoption of ***programmes*** only came in 2015. As a result of the delay, Member States were not able to launch projects in time. This impacted on reception and accommodation capacities in Member States and the management of borders. The delays made it very difficult for the Greek administration to use EU funding to prepare for the crisis in 2015. Shelters were not ready. Conditions to receive refugees were poor at a time people in need of protection were pouring into the islands between June and September 2015. At the same time, other Member States, including Sweden and Austria, did not have EU funding at their disposal to help accommodate people coming through the Balkan route. The EU had to use emergency assistance to support these Member States in these challenging times. 0,85% 0,90% 0,95% 1,00% 1,05% 1,10% 1,15% 1,20% 1,25% 1,30% Commitmentceilings % of EU GNI 1.20% of GNI (European System of Accounts 2010) '14-'20 average 1.03% '07-'13 average 1.12% '00-'06 average 1.09% 1.23% ofGNIincl. FISIM 1.27% of GNP = 1.24% of GNI excl. Financial Intermediation Services Indirectly Measured (FISIM) 2015 revision 1.30% 1.25% 1.20% 1.15% 1.10% 1.05% 1.00% 0.95% 0.90% 0.85% Commitment ceilings 22 A number of international actions under the Erasmus+ ***programme*** could not be achieved in 2014 due to the late adoption of the last Financial Framework. This meant that around 25-30,000 exchanges between students and teachers from our Member States and our partner countries planned for 2014 could not take place that ***year***. If such delays were to occur for the whole ***programme***, as many as 1,000,000 young people would not be able to benefit from an Erasmus+ exchange in 2021. Delays in implementing the next Research Framework ***Programme*** would imply the loss of around 5,000 research jobs per month (around 3-4% of overall EU research jobs) and an additional 7000 jobs in the wider economy. More than 200 research publications would be lost for the same period, including around 100 high-impact articles. Delays in selecting projects in the early stage of implementation of the cohesion ***programmes*** would mean more than 100,000 projects would not be able to start on time. The areas impacted include business support, energy efficiency, health care, education and social inclusion. A number of large-scale infrastructure projects would also be strongly impacted by delays. Space ***programmes*** like Galileo or Copernicus have long investment cycles. They therefore need predictability when it comes to procurements. An ongoing procurement process for a number of Galileo satellites will be concluded in 2019 and can only be fully implemented once the new legal and budgetary requirements are fully in place. Other examples of the negative effects of delays in agreeing a new financial framework include Rail Baltica. The project will build a crucial railway link into the Baltic States and should be completed by 2025/2027. The project must be able to launch the major procurements it needs for construction in 2021. This is crucial for the completion of a project that will help connect five million people in the Baltic States to the rest of Europe. The high-speed rail link will cater at the same time for freight flows all the way from Finland to Germany, the Benelux and the Adriatic. The Brenner base tunnel is planned to be completed by 2027, with the rail engineering works due to start under the next MFF. It is a crucial project to shift half of the 2.2 million trucks of the Brenner motorway to rail. This will cut down on pollution in the precious valleys between Munich-Innsbruck and Verona. The Fehmarn Belt between Denmark and Germany, the Evora-Merida railway link that will finally connect Lisbon and Madrid, the Lyon-Torino base tunnel that will connect the high-speed railway networks of France and Italy are also all due to be completed by the end of the next Multiannual Financial Framework. Such projects cannot afford to see delays in planning or procurement simply because of the late adoption of the next Multiannual Financial Framework. CONCLUSION The post-2020 Multiannual Financial Framework will be a litmus test for the European Union at 27. When Leaders meet to take decisions on the future of Europe in Sibiu, Romania on 9 May 2019, the Union of 27 must be a Union of action. Decisive progress on the Financial Framework by then would show that the Union can bridge the gap between political priorities and the delivery of tangible results for all Europeans. A timely agreement on a new, modern Financial Framework will only be possible with the strong guidance of EU Leaders and close engagement from the outset with the European Parliament. The European Council meetings in October 2018 and December 2018 will be crucial milestones in this process. The Commission is ready to play its role to the full. We have been listening to EU institutions, Member States, national Parliaments and representatives of all the many stakeholders who have a stake in the future budget. We will continue to listen in the months to come. All the options and figures cited in this Communication are illustrative and intended to stimulate an open debate. They do not represent the Commission's definite position. 23 Final decisions on the Multiannual Financial Framework will be for European Leaders to take, with the consent of the European Parliament. Our proposals will expand on the ideas presented in this Communication and will provide a solid basis for a timely agreement by all Member States with the consent of the European Parliament. They will take as their starting point the priorities that the Leaders have agreed together. The proposals will demonstrate clearly what these priorities mean in financial terms. Maintaining this link is essential for the credibility of the future EU budget. If the Union decides to do less, a smaller budget will suffice. But wherever the Union decides to do more, the financial consequences must follow. Europeans expect a strong Union able to face the challenges of the future and a budget that can deliver for them. Leaders must play their part in meeting these expectations. The Commission invites Leaders to: − support a new and modern Multiannual Financial Framework, which serves a Europe that protects, empowers and defends; − stand fully and firmly behind the priorities agreed on 16 September 2016 in Bratislava and on 25 March 2017 in the Rome Declaration, − acknowledge that in order to translate these priorities into financial terms, a budget of sufficient size is necessary which is backed by an intelligent combination of proportionate savings, redeployments and fresh resources; − support a reform of the revenue side of the EU budget as part of a balanced overall package for the next Multiannual Financial Framework, eliminating corrections and establishing a closer link with concrete policy objectives of the Union; − express their commitment to work closely with the European Parliament and the European Commission on the concrete proposal for the Multiannual Financial Framework with an understanding that the Commission presents its proposal by early May 2018 at the latest. − commit to making decisive progress on the Multiannual Financial Framework by

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**Body**

Steppe reported a loss of RUB 64 million, primarily as a result of the increased amortisation costs due to the transition to the new IFRS standards.

In March 2018, the first line of Steppe's new dairy farm was opened. At present the farm has 907 cows, with plans to grow to 1,800 cows as a result of the facility's own breeding ***programme***. Investments in the new farm represented approximately half of Steppe's capital expenditure during the reporting period, RUB 90 million of a total RUB 185 million in capex. The other half of capex was accounted for by the purchase of new ***agricultural*** equipment.

Medsi

Excluding impact

of new IFRS standards

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(RUB millions) 1Q 2018 1Q 2017 Change 1Q 2018 Change

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Revenues 3,511 2,534 38.5% 3,523 39.0%

OIBDA 464 726 (36.2%) 348 (52.1%)

Operating (loss)/income (16) 408 - (52) -

(Loss)/profit attributable

to Sistema (103) 288 - (65) -

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Revenue at Medsi increased by 38.5% to RUB 3.5 billion in the first quarter of 2018 on the back of 113% revenue growth from the Clinical-Diagnostic Centre at Krasnaya Presnya as well as higher revenue from the in-patient segment. Medsi grew operational volumes under the mandatory health insurance ***programme*** (MHI), which accounted for 13.0% of revenue in the period compared to 5.6% a ***year*** previously. Medsi also increased the share of revenue from individuals by 2.5 percentage points (from 32.3% in the first quarter of 2017). Medlife and Medem clinics, which Medsi acquired in 2017 and which together account for 6.8% of total revenue, contributed 9 percentage points to revenue growth.

The decrease in OIBDA and OIBDA margin was due to an increase of 3.6 p.p. (to 9.9%) in the expenses on materials as a result of expanded operational volumes at in-patient facilities. This was partially offset by a reduction in the share of operating costs. The OIBDA margin in 1Q 2017 also benefited from a positive one-time effect from disposals of assets; excluding this, the OIBDA margin for 1Q 2017 would have stood at 8.9%.

Medsi's net loss for the first quarter of 2018 was due to increased amortisation costs as a result of new clinic openings at Leninsky Avenue, 3rd Khoroshevsky Passage and Leninskaya Village, as well as higher interest costs on loans and borrowings. The net income line for the ***year***-ago period benefited from the one-time effect of asset disposal; excluding this, the net loss for 1Q 2017 would have been RUB 0.2 billion.

The introduction of the IFRS 15 standard had a non-material impact on revenue, while IFRS 16 had a positive effect on OIBDA of +33% and an effect on net profit of RUB -38 million.

Capacity utilisation decreased as a result of the opening of new clinics, as well as expanded capacity for out-patient visits and the closing of the clinic on Derbenevskaya Embankment.

During the first quarter of 2018 Medsi continued to invest in expanding and renewing its inventories of medical equipment, as well as in creating a new high-tech multi-disciplinary hospital on Michurinsky Avenue.

Significant events after the end of the reporting period

In April 2018, Medsi and MTS partnered to launch SmartMed, a telemedicine platform developed to host digital medical services.

MTS Bank9

(RUB millions) 1Q 2018 1Q 2017 Change

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Revenues 5,229 4,319 21.1%

OIBDA 523 280 87.0%

Operating income 386 124 211.2%

Profit attributable

to Sistema 289 69 321.5%

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In the first quarter of 2018, revenue at MTS Bank grew by 21.1% ***year***-on-***year*** to RUB 5.2 billion, driven primarily by a 26.2% increase in fee and commission income as a result of growth of transaction products, the roll-out of digital services and higher sales of non-credit products such as insurance. Interest income also boosted revenue, increasing by 9.1% ***year***-on-***year*** thanks to a larger share of higher-margin credit card and general purpose consumer loans in the Bank's retail loan book.

MTS Bank's OIBDA grew by 87.0% ***year***-on-***year*** to RUB 523 million, and net income increased more than three-fold to RUB 289 million.

The Bank continues to develop projects in line with its strategy of building a digital bank in partnership with MTS. A pilot project has been launched to sell the Bank's products with remote servicing via digital channels, primarily targeting MTS's subscribers.

The Cost of Risk (COR) on the Bank's retail loans was a comfortable less than 3% during the reporting period.

In January 2018, MTS Bank won a five-***year*** contract as the exclusive provider of ***payment*** services for the City of Moscow's online portal, mos.ru, which has a client base of more than two million active users.

Real Estate (Leader Invest, Business-Nedvizhimost)

Excluding impact

of new IFRS standards

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(RUB millions) 1Q 2018 1Q 2017 Change 1Q 2018 Change

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Revenues 2,347 3,084 (23.9%) 1,490 (51.7%)

OIBDA 356 801 (55.5%) 43 (94.6%)

Operating income 240 694 (65.4%) (70) -

(Loss)/profit attributable

to Sistema (264) 334 - (314) -

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Leader Invest's sales volumes in Moscow amounted to approximately 11,000 square metres in the first quarter of 2018, while cash collections from sales amounted to RUB 2.2 billion.

Leader Invest's revenue in the quarter was RUB 1.5 billion, driven primarily by sales at Moscow comfort-class projects on Yan Rainis Street, Zelenodolskaya Street, Nagatinskaya Street and Fabricius Street. The ***year***-on-***year*** decrease was a result of the high base effect, due to revenue recognised in the first quarter of 2017 from large projects delivered at the end of 2016. Unlike the previous ***year***, the majority of space delivered in the fourth quarter of 2017 was ***transferred*** to customers in the same period (95% of apartments at the Daev and Serpukhovskoy Val projects were ***transferred*** in the fourth quarter of 2017).

As of 31 March 2018, Leader Invest's sales portfolio amounted to approximately 136,000 square metres of real estate.

In the reporting quarter, revenue for Sistema's rental assets (which include Business-Nedvizhimost and its subsidiary Mosdachtrest) grew by 23.9% ***year***-on-***year*** to RUB 0.9 billion. OIBDA increased 3.9 times ***year***-on-***year*** to RUB 0.2 billion, and profit was RUB 0.04 billion, versus a net loss of RUB 0.16 billion in the first quarter of 2017. Revenue growth was primarily driven by sales of assets including a former telephone exchange on Alexey Dikiy Street in Moscow.

Significant events after the end of the reporting period

In April 2018, Standard & Poor's confirmed both Leader Invest's credit rating at B, and changed the outlook to Positive from Negative.

RTI

Excluding impact

of new IFRS standards

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(RUB millions) 1Q 2018 1Q 2017 Change 1Q 2018 Change

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Revenues 6,628 8,044 (17.6%) 6, 628 (17.6%)

OIBDA 145 220 (34.1%) 74 (66.4%)

Operating loss (515) (422) - (540) -

Loss attributable

to Sistema (1,349) (1,432) - (1,353) -

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RTI's revenue declined in the first quarter of 2018 due to work being shifted across a number of contracts in the Microelectronics segment as well as in the Manufacturing segment which was partially offset by revenue growth in the Radar segment.

In the reporting quarter, RTI booked an inventory provision of RUB 0.2 billion, which led to a 0.5 percentage point decrease in the OIBDA margin.

RTI Group's net debt decreased by 4.7%, chiefly as a result of reduced borrowing in connection with the Defence Ministry's gradual transition away from credit financing for defence procurements. RTI also has on its accounts additional funds earmarked for state defence orders amounting to RUB 12.1 billion that are not included in the net debt calculation.

In February 2018, Yaroslavl Radio Factory began preparations for the initial production of aerospace equipment for Thales Alenia Space France, one of the leading global manufacturers of multiple types of satellites, payloads and equipment for spacecraft.

**Load-Date:** June 5, 2018

**End of Document**



[***Farming's ageing and negativity problem***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SWR-TW91-DYXB-V199-00000-00&context=1516831)

EurActiv.com

July 27, 2018 Friday

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**Length:** 1067 words

**Byline:** Pavla Hosnedlová

**Highlight:** ***Agriculture*** still has to face up to the fact that farmers are ageing and young farmers are not interested. The cause rests in the limited access to land, migration from the countryside to urban areas and the negative media image imposed on ***agriculture***. EURACTIV Czech Republic reports.

**Body**

Generational renewal is indeed difficult but very important if the ***agricultural*** sector is to be maintained.

Experts agree that support provided to family farms helps to keep descendants of farmers on the farms. For making ***agriculture*** more attractive it is also important to develop new technologies, support ***agricultural*** education and to focus on positive media presentation of ***agriculture***.

"Society should be proud of its farmers because they take care of food security, of nature, water, land as well as air. Last but not least they maintain the countryside viable," stressed the importance of ***agriculture*** Jiri Felcarek from the Agrarian Chamber of the Czech Republic.

**Statistics are not boring, especially those on *agriculture***

In the EU ***agriculture*** sector, 22.2 million people work on 10.3 million farms. While the average age of farmers was 49.2 ***years*** in 2004, it was 51.4 ***years*** in 2014. Nevertheless, it is not just a European trend. The average age of famers in the US is 58.3 ***years***.

Young famers are simply missing. According to [*data of the European Commission*](https://ec.europa.eu/agriculture/sites/agriculture/files/rural-area-economics/briefs/pdf/015_en.pdf) released in October 2017, only 5.6% of young farmers live in the EU. However, there are differences among the 28 member states.

In Romania, where the number of farms and farmers is very high compared to other European countries, farmers at age 65 or older account for half of farm population. Portugal experiences similarly. But on farms in Germany, Austria and Poland only 10% of farmers are older than 65 ***years***.

Another country with many young farmers is Luxembourg and also Denmark where young people make up almost half of the ***agricultural*** workforce. On the opposite side, there is Portugal with only 14% of young farmers.

**Land and business plan for young farmers**

A lack of young farmers can limit EU competitiveness and food production in the future.

The reason attributed to unattractive ***agriculture*** lies in hard working conditions, low income, long working hours and restricted access to land and investments, a European Parliament study found.

These problems are set to be addressed in the post-2020 CAP - at least Commissioner for ***Agriculture*** and Rural Development Phil Hogan hopes so.

Another one of the countries facing the ageing issue is the Czech Republic, where young people do not have access to the farm land.

"The government should open a competition to young farmers for lease of land. After ten ***years*** they should be able to buy it," recommended vice-president of the The Young Agrarians´ Society of the Czech Republic (YAS CR) Milan Dousa and member of the YAS CR presidium Jan Stefek.

There is also the issue of lack of proper business plan or, sometimes, complete absence of any business planning.

"Young farmers should write down their business plan in advance reflecting what they will do, what land they will work on and live on, for whom they will work and for what price they will produce or deliver. It is also important not to undercut competitive pressure and choose appropriately what technology they intend to buy for farming," representatives from the YAS CR explained.

Moreover, in some cases young farmers prefer to rent than purchase their own land. For instance, in Slovakia 95% of farms are rented. In Ireland, on the contrary, only 20% of land is rented. In the Czech Republic, the number of land owners is increasing.

**Media should present *agriculture* in a positive image**

The YAS CR considers a change of view on ***agriculture*** as the only answer and solution leading to ensuring generation renewal.

"The key in ensuring generation change is a creation of the idealistic look imagining free life of farmers who are beneficial for the world. It could even attract new people from non-***agricultural*** sector," said Dousa and Stefek.

The public should be aware of the ***agricultural*** funds but also about its other aspects. According to YAS CR ***agricultural*** fairs and media should present the sector positively - as "functional, sustainable and committed ***agriculture***".

Felcarek from the Agrarian Chamber of the Czech Republic similarly thinks that ***agriculture*** should be presented to the public "as a modern and attractive sector equipped the most advanced technologies that has something to offer."

The way of presentation can be varied, for instance through events on farms. Nevertheless, the first step should come at primary and secondary schools as well as at universities.

**Other solutions**

Both the YAS CR and the Association of Private Farming of the Czech Republic (the APF CR) further mention a support for family farms as another solution encouraging the transition between old and young generation.

The number of family businesses decrease including the proportion of young famers living on family farms. On the contrary the number of farm newcomers increase.

"Just since the young generation grows up on family farms, the ***agricultural*** work and rural life is native for them. They enjoy it because they don´t consider it like a job but like an overall lifestyle," described Sárka Gorgonová, the APF head of media department.

The APF also participated in the project "Farm Success" that was co-financed by the ***programme*** Erasmus+. From 2016 to 2018, it has dealt with the question of how to ensure a transition between farm generations. Together with the APF there were partners from Great Britain, France, Germany, Italy, Slovenia and Spain.

"Each country selected six farms that shared their experiences with a generational exchange. Such stories were subsequently processed to case studies," Gorgonová specified the project.

"According to us the project met expectations. It was very interesting to compare specific examples of individual farms and processes of ***transferring*** farmer´s generations that are in many ways similar."

**Financing for young farmers**

Famers who are 40 ***years*** old or less and start a farm business can ask for the EU grant. Within the CAP there are two types of grants for them - from the European ***Agricultural*** Fund for Rural Development and from the European ***Agricultural*** Guarantee Fund primarily financing direct ***payments*** to farmers. They can also get an additional finance from the other subsidy ***programmes***.

The recent proposal of the Common ***Agricultural*** policy for the period after 2020 presumes a continuous support devoted to young farmers. The proposal requires the member states to give 2% of direct ***payments*** for young farmers. Doing so should improve living standards of farmers and rural communities.

**Load-Date:** July 27, 2018

**End of Document**



[***FEDERAL REGISTER: Rural Development Cooperative Agreement Program Pages 41046 - 41056 [FR DOC # 2018-17765]***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5T4K-PM91-F0YC-N4TP-00000-00&context=1516831)

Impact News Service

August 17, 2018 Friday

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**Length:** 8717 words

**Body**

Washington: Office of the Federal Register has issued the following notice:

DEPARTMENT OF ***AGRICULTURE*** Rural Business-Cooperative Service Rural Housing Service Rural Utilities Service Rural Development Cooperative Agreement ***Program*** AGENCY: Rural Development USDA. ACTION: Notice. ----------------------------------------------------------------------- SUMMARY: The Assistant to the Secretary for Rural Development (Agency) is seeking applications to support regional economic development planning efforts in rural communities under the Rural Economic Development Innovation (REDI) initiative. This funding opportunity will be administered by the Rural Development Innovation Center, in partnership with the Rural Business-Cooperative Service. The Agency is announcing up to $750,000 in competitive cooperative agreement funds in fiscal ***year*** (FY) 2018. Rural Development Agency may select one, multiple, or no award recipients.

The Agency reserves the right to withhold the awarding of any funds if no application receives a score of at least 60 points. This Notice lists the information needed to submit an application for these funds. This Notice announces that the Agency is accepting FY 2018 applications to support REDI. DATES: The deadline for receipt of a complete application is midnight Eastern Standard Time on Wednesday, September 5, via [*www.grants.gov*](http://www.grants.gov) The Agency will not consider any application received after the deadline. After an applicant submits an application via grants.gov, all applicants must email [*RD.Innovation@osec.usda.gov*](mailto:RD.Innovation@osec.usda.gov) to confirm application and receipt of the application package. Applicants who have been selected for funding will receive a letter of official notification and will be awarded a cooperative agreement authorized under 7 U.S.C 2204b(b)(4). Pending funding availability, all awards will be made no later than September 30, 2018. [[Page 41047]] Applicants should plan their projects based on a start date of September 30, 2018 and must be completed within 24 months. ADDRESSES: The deadline for receipt of an application is midnight Eastern Standard Time on Wednesday, September 5, 2018. Applications may be submitted electronically through the Grants.gov system or through email to [*RD.Innovation@osec.usda.gov*](mailto:RD.Innovation@osec.usda.gov) Note that there are registration requirements for submitting applications using the Grants.gov system. We recommend that you review the instructions for registering as soon as possible, but at least two weeks before you plan to submit your application. The requirements can be viewed at:   [*http://grants.gov/applicants/organization\_registration.jsp*](http://grants.gov/applicants/organization_registration.jsp) Your application will be rejected by Grants.gov if you miss the deadline and the Agency will not consider any application received after the deadline. FOR FURTHER INFORMATION CONTACT: Question about this announcement can be directed to Christine Sorensen, Regional Coordinator, via 202-568- 9832 or [*Christine.Sorensen@wdc.usda.gov*](mailto:Christine.Sorensen@wdc.usda.gov) SUPPLEMENTARY INFORMATION: Preface The Agency encourages applications that will support recommendations made in the Rural Prosperity Task Force report to help improve life in rural America (   [*www.usda.gov/ruralprosperity*](http://www.usda.gov/ruralprosperity)). Applicants are encouraged to consider projects that provide measurable results in helping rural communities build robust and sustainable economies through strategic investments in infrastructure, partnerships, and innovation. Key strategies include:  Achieving e-Connectivity for Rural America.      Developing the Rural Economy.      Harnessing Technological Innovation.      Supporting a Rural Workforce.      Improving Quality of Life.

Paperwork Reduction Act

    It is anticipated that the anticipated number of respondents affected by this information collection is less than 10 entities and therefore, this Notice contains no reporting or recordkeeping provisions requiring Office of Management and Budget (OMB) approval under the Paperwork Reduction Act of 1995 (44 U.S.C Chapter 35).

Overview

    Federal Agency Name: U.S Department of ***Agriculture***, Rural Development.     Funding Opportunity Title: Rural Development Cooperative Agreement ***Program***.     Announcement Type: Notice of Funding Availability (NOFA).     Catalog of Federal Domestic Assistance (CFDA) Number: 10.890     Application Due Date: All required application documents must be submitted by midnight Eastern Standard Time on Wednesday, September 5 electronically via [*www.grants.gov*](http://www.grants.gov) Applicants submitting proposals must also confirm receipt and email [*RD.Innovation@osec.usda.gov*](mailto:RD.Innovation@osec.usda.gov) to confirm application and receipt of the application package. Applicants who have been selected for funding will receive a letter of official notification. Pending funding availability, all awards will be made no later than September 30, 2018. Applicants should plan their projects based on a start date of September 30, 2018 and must be completed within 24 months.     For More Information: Questions about this announcement can be directed to Christine Sorensen, Regional Coordinator, via 202-568-9832 or [*Christine.Sorensen@wdc.usda.gov*](mailto:Christine.Sorensen@wdc.usda.gov)

A. ***Program*** Description

    USDA Rural Development (RD) is authorized to administer cooperative agreement awards in accordance with 7 U.S.C 2204b(b)(4). Rural Economic Development Innovation (REDI) aims to strengthen the capacity of rural communities (50,000 people or less in the United States plus Tribes and territories) in implementing strategic community and economic development plans as referenced in Section 379H of the Consolidated Farm and Rural Development Act (7 U.S.C 2008v). The goal of this funding announcement is to solicit applications to provide cooperative agreement funding to eligible applicants to enable them to provide technical assistance and training and actionable planning of implementation of strategic community and economic development plans. Supporting regional economic development plans help rural communities overcome multi-jurisdictional challenges and better leverage Federal, state, local or private funding.     For purposes of this proposal, a quality regional economic plan will include but not be limited to the following:      Evidence-based understanding of community assets, challenges and opportunities.      Goals are focused, logical, targeted and timely with tasks identified and with a responsible party assigned.      The plan was created through broad community participation, public input and buy-in.      The format must be persuasive in a non-technical manner.      The plan makes clear how each of its strategies is intended to help produce, either directly or indirectly, improvements in the local and regional economy.      Regional economic development plans developed through REDI assistance should identify possible projects to be funded through RD ***programs*** and/or other Federal, state, local or private sector resources.     This funding opportunity expands rural communities' ability to access planning resources to convene, identify needs, create actionable economic development plans, and implement project priorities to improve quality of life in rural communities. Quality of life is a measure of human well-being that can be identified though economic and social indicators. Modern utilities, affordable housing, efficient transportation and reliable employment are economic indicators that must be integrated with social indicators like access to medical services, public safety, education and community resilience to empower rural communities to thrive. Economic development plans developed through this funding opportunity should focus on one or more of these economic and/or social indicators.     Applicants are encouraged to consider regional planning projects that provide measurable results in helping rural communities built robust and sustainable economies through strategic investments in infrastructure, partnerships, and innovation. Such projects should also support rural communities' ability to qualify for priority funding under Section 379H of the Consolidated Farm and Rural Development Act [7 U.S.C 2008v].     This approach to comprehensive rural community development is unique in its attempt to improve rural communities in a way that is (1) rooted in emphasizing partnerships and collaboration among multiple public agencies and community partners and (2) focused on combining state resources to make wide-ranging quality-of-life impacts as opposed to separate, piecemeal, incremental improvements.

[[Page 41048]]

B. Federal Award Information

    1. Estimated Funding: Interested applicants shall only propose applications with scope of work/budget that does not exceed $750,000 in Federal funding.     2. Start Date and Performance Period: Projects may be up to 2 ***years*** in duration. Applicants should plan their projects based on a project start date of September 30, 2018 and a project end date of no later than September 30, 2020.     3. Type of Federal Award: Cooperative Agreement. Rural Development will be substantially involved in the work performed under each approved cooperative agreement. Substantial involvement may include but is not limited to collaboration, participation, oversight, and control of the following:     i. Authority to suspend work if specification or work statements are not met;     ii. Review and approval of one stage of work before another may begin;     iii. Review and approval of substantive provisions of proposed sub- grants or contracts;     iv. Prior review and approval of key personnel; and     v. Agency collaboration and coordination with respect to deliverables and execution of the work plan. At a minimum, applicants should anticipate Agency participation in the selection of communities to receive regional planning assistance; the convening of community members, partners, and stakeholders; the delivery of training on RD ***programs*** and/or economic development principles; and the review/ approval of regional economic development plans for purposes of priority funding under Section 379H of the Consolidated Farm and Rural Development Act (7 U.S.C 2008v).     4. Number of Awards: The Agency anticipates that it may select one, multiple, or no award recipients from this notice of funding availability. The Agency reserves the right to withhold the awarding of any funds if no application receives a minimum score of at least 60 points.     5. Eligibility of renewal or Supplemental Project Applications: Applications for renewal or supplementation of any existing Federal awards are not eligible for this new Federal award. An application for renewal means a proposal submitted to continue an existing agreement by adding components to an existing agreement in order to meet the objectives of this solicitation.

C. Eligibility Information

    Applicants must meet all of the following eligibility requirements by the application deadline. Applications which fail to meet any of these requirements by the application deadline will be deemed ineligible and will not be evaluated further and will not receive a Federal award.     1. Applicant Eligibility: Federally-recognized Tribes, institutions of higher education, nonprofit organizations, or private organizations with a demonstrated national structure and/or capacity to deliver and support multiple rural planning activities across the nation are eligible applicants. Entities are not eligible if they have been debarred or suspended or otherwise excluded from or ineligible for participation in Federal assistance ***programs*** under Executive Order 12549, ``Debarment and Suspension.'' In addition, an applicant will be considered ineligible for a cooperative agreement due to an outstanding judgment obtained by the U.S in a Federal Court (other than U.S Tax Court), is delinquent on the ***payment*** of Federal income taxes, or is delinquent on Federal debt.     2. Eligible Project Purposes: The Project purpose must be to strengthen the capacity of rural communities (50,000 people or less in the United States plus Tribes and territories) in developing and implementing regional plans for economic development as referenced in Section 379H of the Consolidated Farm and Rural Development Act. Eligible project purposes must include the two facets of technical assistance:     i. Planning Technical Assistance: The proposed project should provide planning technical assistance to rural communities by assisting in the development of regional economic development plans. Proposals should include descriptions on how technical assistance will result in actionable steps to support implementation of these plans. The proposed project should also provide technical assistance to expand rural communities' ability to access funding and planning resources to convene community members.     ii. Implementation Technical Assistance: The proposed project should provide technical assistance toward implementation of the project priorities emerging from the regional economic development plans. The technical assistance should include strategies for enhancing communities' efforts at leveraging Federal, state, local, and/or private funding to build resilient communities and improve quality of life. The applicant will demonstrate how their proposal will utilize partnerships outside of RD. The applicant will identify such partnerships and will demonstrate how they will provide access to such partnerships to support implementation of projects identified through development of regional economic development plans. The proposed project should also describe how it will support implementation of multi-jurisdictional and/or multi-sector regional economic development plans, as described in Section 379H of the Consolidated Farm and Rural Development Act.     3. Cost Sharing or Matching Requirements: There is a dollar or in- kind matching requirement that is at least equal to the amount of the cooperative agreement award. If this matching fund requirement is not met, the application will be deemed ineligible. Matching requirements are cash, confirmed funding commitments and/or third party in-kind contributions as defined in 2 CFR 200.96 that are at least equal to the cooperative agreement amount and committed for a period of not less than the cooperative agreement performance period. Applicants must recruit one or more private and/or public partner(s) to match one-for- one (in cash and/or in-kind contributions) the applicant's proposed funding request. Cost sharing/matching must be committed at the time of application submission. Applications must include written verification of commitments of cost sharing or matching support (including both cash and in-kind contributions) from third parties. Cost sharing or matching funds must meet the criteria stated at 2 CFR 200.306 and be valued in accordance with 2 CFR 200.306(d).     Additional details about cost sharing or matching funds/ contributions is located at 2 CFR 200.306 Applicant matching funds must be included in the budget narrative. For matching funds offered by project partners, a separate commitment letter is required for each cash and/or in-kind match contribution. Commitment letters must be signed by the authorized organizational representative of the contributing organization and the applicant organization, which must include: (i) The name, address, and telephone number of the contributor; (ii) the name of the applicant organization; (iii) the title of the project for which the contribution is made, (iv) the dollar amount of the contribution; and (v) a statement that the contributor commits to furnish the contribution during the cooperative agreement period.

[[Page 41049]]

    Applications without signed written commitments are deemed incomplete and will be ineligible. The value of applicant contributions to the project is established according to Federal cost principles. Applicants should refer to 2 CFR 200.306 for additional guidance on matching funds, in-kind contributions, and allowable costs.     4. Substantial Involvement: Proposed project must include a component that allows for active participation by the Agency in the majority of tasks. Examples of substantial involvement include but are not limited to the following: Joint-selection of communities to receive regional planning assistance; joint-convening of community members, partners, and stakeholders; joint-delivery of training on RD ***programs*** and/or economic development principles; and joint-review/approval of regional economic development plans for purposes of priority funding under Section 6025 Strategic Economic and Community Development. It is the intent of this project to engage Agency and state RD staff in the development of regional economic development plans and it is the responsibility of the applicant to identify tasks where RD staff can provide substantial involvement in the project. If you do not identify those tasks, your application is not eligible for funding.     5. Use of Funds: Use of project funds (including Federal and matching) must be consistent with the project purpose to strengthen the capacity of rural communities in developing and implementing regional plans for economic development. A non-exclusive list of eligible fund uses include: Costs incurred for the services of personnel actually engaged in the project, including share of employee benefits, travel and per diem expenses, costs of expendable supplies, and travel and per diem expenses associated with travel to USDA Headquarters in Washington, DC to coordinate and collaborate on project tasks. Use of funds must be allowable in adherence with 2 CFR part 200.     If you include funds in your budget that are unallowable, RD will consider the application for funding only if the unallowable costs total 10 percent or less of the total project budget, including Federal and matching funds. However, if the application is successful, those unallowable costs must be removed from the budget before RD will make an award. If RD cannot determine the percentage of unallowable costs or the amount of those costs exceeds 10 percent of the total project budget, the application will not be considered for funding.     6. Rural Area: The project must directly benefit a rural area. All ultimate beneficiaries and/or subrecipients must be located in rural areas, and any activities or tasks must occur in rural areas. The term `rural area' means the Rural Business Service's Rural Area definition as out lined in Section 343(a)(13)(A)(i) of the Consolidated Farm and Rural Development Act which states: Any area other than: (1) A city or town that has a population of greater than 50,000 inhabitants; and (2) any urbanized area contiguous and adjacent to such a city or town.     7. Number of Applications: You cannot submit more than one application for this Notice.

D. Application and Submission Information

    1. Address to Request Application Page. All necessary forms can be found within the Grants.gov ``Application Package.''     2. Content and Form of Application Submission. There is no pre- application process for this announcement. All checklist, application, and standard forms necessary for submission are included in the Grants.gov application package. Applications that are incomplete or fail to comply with the required content and formatting requirements will not be considered for funding.     i. Content and Format: Each page must be on numbered, letter-sized (8\1/2\ x 11) paper utilizing a white background that has 1'' margins; and the text of the application must be typed, single spaced, black, and in a font no smaller than 12 point.     ii. Executive Summary (1-page maximum): On a single page, provide the applicant entity name, duration of project in months, amount of Federal funding requested, amount of non-Federal cost-share/match funding committed, and project title. Identify geographic locations, and describe in non-technical language the issue or problem rural communities have in accessing economic development planning resources, the objectives to address this issue, the innovative approach to be employed (including the role of participating partners), how impact will be quantified, and the predicted benefits or deliverables of the project.     iii. Standard Application Form: Standard Form 424, ``Application for Federal Assistance'' is included as part of the application package posted on Grants.gov Instructions for completing the form are also included.     iv. Applicant Qualifications (1-2 pages): Summary of the qualifications of the applicant organization is required. Interested applicant must have the organizational capacity, experience, and knowledge of rural planning needs and must meet the following minimum requirements:     a. Demonstrate national structure and/or capacity to support multiple rural planning activities across the nation;     b. Demonstrate knowledge and prior experience in regional planning, particularly related to rural issues;     c. Demonstrate capacity to assist rural communities to develop regional plans such as access to data for needs assessment and planners and other technical capacity on staff; and     d. Demonstrate knowledge and prior experience of leveraging other community-driven plans or projects such as Comprehensive Economic Development Strategies (CEDS) or other Federally-recognized regional economic development plans.     v. Key Personnel Qualifications (1-2 pages): Summary of the qualifications of each key person, including the project director, is required. Resumes or CVs will not be accepted. The summary should include relevant education, ***years*** of relevant experience, a description of skills relevant to the person's work on the proposed project, and the person's key accomplishments. If you expect to contract out a portion of the proposed work, but have not hired the contractor, you must include a summary of the qualifications you will require from the contractor.     vi. Project Proposal (15-page maximum): The project proposal must include a proposed Work Plan, along with the following information in order:     a. Project Background.     b. Project Objectives.     c. Project Approach/Methods.     d. Theory of Change.     e. Geographic Locations or Project Areas.     f. Project Management (Applicants are required to include a Work Plan Chart that lists each major Task by Key Personnel involved, Time Period of the task, Substantial Involvement of Rural Development staff, Deliverables, and Budget associated with each task).     g. Performance Metrics.     h. Graphics, References, Citations (Do not count against the 15- page maximum).     A Work Plan Chart template is available for applicants as part of this funding opportunity on grants.gov     vii. Budget Information (10-page maximum): The budget portion of the application consists of two parts as described below:

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    a. Standard Form (SF) 424A, ``Budget Information'': Non- Construction ***Programs***. The SF-424A is included as part of the application package posted on Grants.gov     b. Detailed Budget Narrative: Provide a detailed narrative in support of the budget for the project, broken down by task. Discuss how the budget specifically supports the proposed activities. Justify the project cost effectiveness and include justification for personnel and consultant salaries with a description of duties. Statement(s) of work for any subcontractors and consultants must be included as part of the application. The budget narrative should include both the Federal funds requested and the applicant's matching funds. The format of the budget narrative can be in a chart, spreadsheet, table, etc. It should be readable on letter-size, printable pages. The information needs to be presented in such a way that the reviewers can readily understand what expenses are incurred to support the project.     viii. Certifications: All proposals must include the following signed certification forms, which are available at Grants.gov:     a. AD-3030, ``Representations Regarding Felony Conviction and Tax Delinquent Status for Corporate Applicants.'' The AD-3030 must be submitted if entity is a corporate non-profit or for-profit corporation as indicated in the applicants SAM registration.     b. AD-3030, ``Representations Regarding Felony Conviction and Tax Delinquent Status for Corporate Applicants.'' The AD-3030 must be submitted if entity is a corporate non-profit or for-profit corporation as indicated in the applicants SAM registration.     c. SF-424B, ``Assurances for Non-Construction ***Programs***.'' The SF- 242B must be completed by all applicants.     d. SF-424B, ``Assurances for Non-Construction ***Programs***.'' The SF- 242B must be completed by all applicants.     ix. Verification of Matching Funds. You must provide verification of all matching funds that will be contributed to the project. You must include a letter signed by the donating organization's authorized representative on the organization's letterhead that identifies the amount of matching funds, the time period during which matching funds will be available, and the source of the funds (e.g , cash on hand, etc.). See Section Eligibility Information (C 3) for more information.     x. Risk Review: The Agency may request additional documentation from selected applicants in order to evaluate the financial, management, and performance risk posed by awardees as required by 2 CFR 200.205 Based on this risk review, the Agency may apply special conditions that correspond to the degree of risk assessed.     xi. National Environmental Policy Act: This Notice has been reviewed in accordance with 7 CFR part 1970, ``Environmental Policies and Procedures.'' We have determined that an Environmental Impact Statement is not required because the issuance of regulations and instructions, as well as amendments to them, describing administrative and financial procedures for processing, approving, and implementing the Agency's financial ***programs*** is categorically excluded in the National Environmental Policy Act (NEPA) regulation found at 7 CFR 1970.53(f). We have determined that this Notice does not constitute a major Federal action significantly affecting the quality of the human environment.     xii. Civil Rights Compliance Requirements: All awards made under this Notice are subject to Title VI of the Civil Rights Act of 1964 as required by 7 CFR part 15, subpart A and Section 504 of the Rehabilitation Act of 1973.     3. Unique entity identifier and System for Award Management (SAM). DUNS and SAM Numbers: Each applicant (unless the applicant is an individual excepted from those requirements under 2 CFR 25.110(b) or (c), or has an exception approved by the Federal awarding agency under 2 CFR 25.110(d)) is required to: (i) Be registered in SAM before submitting its application; (ii) provide a valid unique entity identifier (Data Universal Numbering System (DUNS) number) in its application; and (iii) continue to maintain an active SAM registration with current information at all times during which it has an active Federal award or an application or plan under consideration by a Federal awarding agency. The Agency may not make a Federal award to an applicant until the applicant has complied with all applicable unique entity identifier and SAM requirements and, if an applicant has not fully complied with the requirements by the time Agency is ready to make a Federal award, Agency may determine that the applicant is not qualified to receive a Federal award and use that determination as a basis for making a Federal award to another applicant. Applicants must obtain a DUNS and register in SAM prior to registering with Grants.gov Applicants are strongly encouraged to apply early for their DUNS number and SAM registration.     i. Data Universal Numbering System (DUNS) Number: A DUNS number is a unique, nine-digit sequence recognized as the universal standard for identifying and keeping track of over 70 million businesses worldwide. Applicants must obtain a DUNS number. Information on how to obtain a DUNS number can be found at [*http://fedgov.dnb.com/webform*](http://fedgov.dnb.com/webform) or by calling 1-866-705-5711. Please note that the registration may take up to 14 business days to complete.     ii. System for Award Management (SAM) Registration: SAM is the official Federal system that consolidated the capabilities of Central Contractor Registry, Federal Agency Registration, Online Representations and Certifications Application, and Excluded Parties List System. To register, go to:   [*https://www.sam.gov/portal/public/SAM/*](https://www.sam.gov/portal/public/SAM/). Please allow a minimum of 5 days to complete the SAM registration.     4. Submission Dates and Times. Midnight Eastern Standard Time on September 5, 2018. You must submit your application using Grants.gov by the deadline date and time. Note that there are registration requirements for submitting applications using the Grants.gov system. We recommend that you review the instructions for registering as soon as possible, but at least two weeks before you plan to submit your application. The requirements can be viewed at:   [*http://grants.gov/applicants/organization\_registration.jsp*](http://grants.gov/applicants/organization_registration.jsp) Your application will be rejected by Grants.gov if you miss the deadline. We will not accept it in a different format, and we will not consider it for funding.     i. Acknowledgement of receipt: Grants.gov provides receipt of application submissions. The Agency acknowledges receipt of proposals received by the submission deadline via email. An applicant who does not receive such an email acknowledgement within 5 business days of the submission deadline, but believes the proposal was submitted within the submission deadline, must contact the Agency at 202-568-9832 or [*Christine.Sorensen@wdc.usda.gov*](mailto:Christine.Sorensen@wdc.usda.gov) within 10 business days of the submission deadline. Failure to do so may result in the proposal not being considered.     ii. Withdrawal: Proposals may be withdrawn by written notice at any time before award execution. Written notice of withdrawal must be signed by the applicant or an authorized representative.     All required application documents must be submitted by midnight Eastern Standard Time on Wednesday,

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September 5 via [*www.grants.gov*](http://www.grants.gov) AND by emailing [*RD.Innovation@osec.usda.gov*](mailto:RD.Innovation@osec.usda.gov)     Submitting an application through   [*www.grants.gov*](http://www.grants.gov) requires completing a variety of tasks and steps. There are also several preliminary registration steps before the applicant can submit the application. To register in the Grants.gov system, go to   [*www.grants.gov*](http://www.grants.gov), click on ``Applicants'', then click on ``Get Registered.'' If you have completed a prior Grants.gov application, you may already have completed the registration process.     Please allow sufficient time to register in Grants.gov, and for possible system delays. Below are instructions for accessing the forms necessary to complete an application in Grants.gov:     i. Go to   [*www.grants.gov*](http://www.grants.gov) Information about submitting an application using Grants.gov is located on the Grants.gov website, along with supplementary materials.     ii. Select the ``Applicant'' tab.     iii. Select the ``Apply for Grants'' heading.     iv. Click on ``Get Application Package.'' Follow all steps.     v. Provide the ``Funding Opportunity Number'' or return to the ``Search Grants'' section.     vi. All necessary forms are included within the Grants.gov ``Application Package.''     Applications not received through Grants.gov by the submission due date and time are not accepted for consideration. The emailed application must be assembled into one pdf file document in the order specified in section IV, part A. All applications must contain all of the elements of a complete package and meet the requirements described in this announcement. Grants.gov provides instructions for submitting the required application items through the portal. Application receipt date and time will be determined by the respective system-generated documentation of receipt date and time (Grants.gov provides date and time stamps for all proposals submitted through the portal).     The Agency is not responsible for any technical malfunctions or website problems related to Grants.gov or emailed submissions. If you encounter issues with Grants.gov, please contact the Grants.gov help desk at (800) 518-4726 or grants.gov'>[*support@grants.gov*](mailto:support@grants.gov) The applicant assumes the risk of any delays in application submission through Grants.gov     5. Intergovernmental Review. Intergovernmental Review: Executive Order (E.O ) 12372, Intergovernmental Review of Federal ***Programs***, applies to this ***program***. This E.O requires that Federal agencies provide opportunities for consultation on proposed assistance with State and local governments. Many States have established a Single Point of Contact (SPOC) to facilitate this consultation. A list of States that maintain an SPOC may be obtained at:   [*http://www.whitehouse.gov/omb/grants\_spoc*](http://www.whitehouse.gov/omb/grants_spoc). If your State has an SPOC, you must submit your application directly for review. Any comments obtained through the SPOC must be provided to us for consideration as part of your application. If your State has not established an SPOC, we will submit your application to the appropriate agency or agencies at our discretion. Applications from Federally-recognized Indian Tribes are not subject to Intergovernmental Review.     6. Funding Restrictions.     i. Pre-award Costs. Pre-award costs are not authorized.     ii. Use of Funds. Award funds may be used to pay up to 50 percent of the project costs.     iii. Period of Performance. The maximum Period of Performance is 2 ***years***. Applicants should anticipate a Period of Performance beginning September 30, 2018 and ending no later September 30, 2020.     iv. Indirect Cost Rate. The indirect cost rate is limited to 10 percent of direct charges for all nonprofit institutions, including institutions of higher education. All other organizations must use the rate identified in their Negotiated Indirect Cost Rate Approval (NICRA). If you do not have a NICRA, you may elect to charge only direct costs to the award. If you have never had a NICRA, you may also choose to use a de minimis rate of 10 percent of modified total direct costs in accordance with 2 CFR 200.414(f). Your indirect cost rate must be included on Form SF-424A.     v. ***Program*** Income. If you expect to earn ***Program*** Income during the Period of Performance, you must identify the amount and how you expect to use it (e.g Matching Funds) in your application. If your application is funded, unexpected ***Program*** Income or ***Program*** Income earned in excess of the amount you identify in your application will be deducted from the Federal share of the project in accordance with 2 CFR 200.307(e)(1).     vi. Prohibited Costs. In addition to costs identified as unallowable by 2 CFR part 200, the following costs are prohibited for this ***program***. Neither award funds nor matching funds can be used to pay for the following types of expenses.     a. Duplicating services currently provided;     b. Funding a revolving loan fund;     c. Construction (in any form);     d. Salaries for positions involved in construction, renovations, rehabilitation, and any oversight of these types of activities;     e. Intermediary preparation of strategic plans for recipients;     f. Funding prostitution, gambling, or any illegal activities;     g. Grants to individuals;     h. Funding a grant where there may be a conflict of interest, or an appearance of a conflict of interest, involving any action by the Agency;     i. Providing assistance to only one individual, organization, or business;     j. Paying obligations incurred before the beginning date without prior Agency approval or after the ending date of the cooperative agreement;     k. Purchasing real estate;     l. Improvement or renovation of the recipient's office space or for the repair or maintenance of privately owned vehicles;     m. Any purpose prohibited in 2 CFR part 200 or 400;     n. Using cooperative agreement assistance or matching funds for Individual Development Accounts;     o. Purchasing vehicles.

V. Application Review Information

    Applications will first be reviewed to determine if they meet the eligibility requirements and comply with the funding restrictions in this Notice. If we determine that your application is ineligible, we will discontinue processing it, which means that we will not evaluate it further or provide any scoring information. We will notify you in writing regarding the reason(s) for ineligibility, and we will provide a description of your options if you believe that our determination is incorrect. Note that in the event that our determination is reversed, either due to the discovery of an Agency error or through a formal appeal, funding is restricted to available fiscal ***year*** 2018 funds.     If your application is determined to be eligible, we will further evaluate it based on the following criteria. All applications will be competitively ranked and the minimum score requirements for a cooperative agreement award under this Notice is 60 points.     1. Evaluation Criteria: We will only use the information that you provide in your application to evaluate your proposed project. We will not review references to websites or publications, so we encourage you to fully address each criterion.

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    i. Soundness of Approach (0-20 points). The applicant can receive up to 20 points for soundness of approach. The maximum 20 points for this criterion will be based on the following:     a. The objectives must be clearly stated in the proposal and the applicant must define how this proposal will be implemented. The applicant must demonstrate how the proposal will strengthen the capacity of rural communities in developing and implementing regional plans for economic development. The applicant must demonstrate how the proposed technical assistance includes both the planning and implementation components referenced in Section C. The applicant must also demonstrate how the proposed technical assistance will expand rural communities' ability to access funding and planning resources to convene community members. The applicant must also demonstrate how the proposal will support implementation of regional economic development plans and should include descriptions on how proposed technical assistance will result in actionable steps to support implementation of these plans. (10 points)     b. The applicant clearly outlines their ability to provide the proposed technical assistance based on clearly stated and well- documented prior accomplishments. (5 points)     c. The proposal clearly outlines how it will implement activities to support alignment with one or more of the five key strategies (achieving e-connectivity, developing the rural economy, harnessing technological innovation, supporting a rural workforce, and improving quality of life in Rural America) the ***Agriculture*** and Rural Prosperity Task Force Report. (5 points)     ii. Partnerships (0-25 points). The applicant can receive up to 25 points for quality of the applicant's existing partnerships and proposed new partnerships for this effort. The applicant must recruit one or more private and/or public partners to meet match requirements and maximize leveraging of regional economic development plans developed through this project. The maximum 25 points for this criterion will be based on the following:     a. The applicant demonstrates how their proposal will focus on the quantity and quality of partnerships, including the ability to leverage new partners that have previously had limited engagement with RD projects or priorities to leverage resources, enhance technical assistance, and/or increase reach to underserved areas. The proposal must demonstrate that partners with shared missions and goals will be engaged to amplify reach in rural areas. (10 points)     b. The applicant demonstrates how their proposal will support the quantity and quality of match commitments to support this project, and percentage of match in cash form versus in-kind contributions. (5 points)     c. The applicant will demonstrate how their proposal will support the ability of applicant to leverage other community-driven plans or projects such as Comprehensive Economic Development Strategies (CEDS) or other Federally-recognized regional economic development plans. (5 points)     d. The applicant will demonstrate how their proposal will utilize partnerships outside of RD. The applicant will identify such partnerships and will demonstrate how they will provide access to such partnerships to support implementation of projects identified through development of regional economic development plans. (10 points)     iii. Innovation (0-10 points). The applicant can receive up to 10 points for innovative methods and practices to support development of regional economic development plans. The maximum 10 points for this criterion will be based on the following:     a. The applicant's proposal should demonstrate the ability of the applicant to propose methods and practices to utilize unique and innovative planning methods that are currently not being implemented at scale. (5 points)     b. The applicant's proposal should demonstrate the ability of the applicant to demonstrate that the proposed innovative methods and practices have been field-tested and ready to scale. (5 points) We are looking for unique and innovative ideas that are not currently being implemented at scale, so projects that propose innovative solutions that haven't been readily deployed before will receive higher points.     iv. Organizational Capacity & Qualifications (0-15 points). The applicant can receive up to 15 points based on organizational capacity and qualifications. The maximum 15 points for this criterion will be based on the following:     a. The applicant's proposal should demonstrate that the applicant has knowledge and prior experience in regional planning, particularly related to rural issues. The applicant should specify ***years*** of experience, types of communities served, and outcomes achieved. (10 points)     b. The applicant's proposal should demonstrate that the applicant has identified appropriate key personnel, both in terms of number of personnel and qualifications of personnel, to carry out the approach identified. Capacity of personnel to access data for needs assessments and access to planners and other technical experts will be evaluated. (5 points)     v. Work Plan (0-15 points). The applicant can receive up to 15 points based on the quality of the proposed work plan and approach. The maximum 15 points for this criterion will be based on the following:     a. Applicants should use the approved work plan template to include the following information: Description of objective, background approach, timeframe for key tasks along with substantial involvement, budget and deliverables that are necessary to implement project to support regional economic development planning in rural communities. Reasonableness and appropriateness of key tasks will be evaluated based on proposed project approach. (5 points)     b. The applicant's proposal should include a description of the types and general locations of rural communities to be served through this project, including the ability to support multiple rural planning activities across the nation and the reasonableness of effectively serving these communities based on key personnel, established timeframes, and budget. (5 points)     c. The applicant's proposal should include a description and appropriateness of the tasks to incorporate active participation from RD staff. (5 points)     vi. Performance Outcomes (0-15 points). The applicant can receive up to 15 points based on the quality of the proposed performance measures to evaluate progress and impacts of proposed project. The maximum 15 points for this criterion will be based on the following:     a. The applicant's proposal should include a description for how the results of the technical assistance will be measured, including the benchmarks to be used to measure effectiveness. Benchmarks should be specific and quantifiable. (10 points)     b. The applicant's proposal should include a description of benchmarks and outcomes achieved during previously deployed planning efforts. (5 points)     2. Review and Selection Process: All eligible applications will be evaluated based on the process described below.     i. Review Process. All eligible applications will be evaluated by an Application Review Panel using the criteria described in Section E.1 of this Notice. Panel members will be

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appointed by the Agency and they will be qualified to evaluate the applications, based on the type of work proposed by the applicant.     ii. Selection Process. Applications will be ranked in descending order, according to the scores awarded by the Panel. Applications will be funded in rank order, until all available funds have been expended. Applications at or near the funding line may be funded in part, if the Agency believes an appropriate benefit can result from partial funding and if the applicant agrees to the amount of partial funding. In the event the Agency considers partial funding to be appropriate, we will contact the applicant and negotiate the final work plan and budget prior to approving an award.     iii. Anticipated Announcement and Award Dates. All awards must be obligated by September 30, 2018.

VI. Award Administration Information

    1. Federal Award Notices:     i. Successful applicants. Successful applicants will be notified in writing by the Agency with a Letter of Conditions (LOC). The LOC is a notice of selection and does not indicate that an award has been approved, nor is it an authorization to begin performance on the award. While there may be special conditions that apply on a case-by-case basis, the following conditions are standard for all successful applicants.     a. Complete Form RD 1942-46, ``Letter of Intent to Meet Conditions.''     b. Complete Form RD 1940-1, ``Request for Obligation of Funds.''     c. Complete FMMI Vendor Code Request Form.     d. Provide a copy of your organization's Negotiated Indirect Cost Rate Agreement.     e. Certify that all work completed for the award will benefit a rural area.     f. Certify that you will comply with the Federal Funding Accountability and Transparency Act of 2006 and report information about subawards and executive compensation.     g. Certify that the U.S has not obtained an outstanding judgement against your organization in a Federal Court (other than in the United States Tax Court).     h. Execute Form SF-424B, ``Assurances--Non-Construction ***Programs***.''     i. Execute Form SF-LLL, ``Disclosure Form to Report Lobbying,'' if applicable or certify that your organization does not lobby.     j. Execute Form AD-1047, ``Certification Regarding Debarment, Suspension, and Other Responsibility Matters-Primary Covered Transactions.''     k. Obtain a certification on Form AD-1048, ``Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion- Lower Tier Covered Transactions,'' from anyone you do business with as a result of this award.     l. Execute Form AD-1049, ``Certification Regarding a Drug-Free Workplace Requirements (Grants).''     m. Execute Form AD-3031, ``Assurance Regarding Felony Conviction or Tax Delinquent Status for Corporate Applicants.''     n. Execute Form RD 400-4, ``Assurance Agreement.''     Once the conditions described in the LOC have been met, the award will be approved through the execution of Form RD 4280-2 in conjunction with the RDCA ***Program*** Attachment. If an applicant is unable to meet the conditions of the award within 90 ***calendar*** days, the award will be withdrawn.     ii. Unsuccessful applicants. Unsuccessful applicants will be notified in writing no later than October 31, 2018.     2. Administrative and National Policy Requirements. The terms of the award are available at: [*http://forms.sc.egov.usda.gov/efcommon/eFileServices/eForms/RD4280-2.PDF*](http://forms.sc.egov.usda.gov/efcommon/eFileServices/eForms/RD4280-2.PDF)     3. Reporting Requirements. The following reporting requirements apply to awards made through this ***program***.     i. Performance Reports: Form SF-PPR, ``Performance Progress Report,'' must be submitted quarterly based on the following time periods: January 1-March 31, April 1-June 30, July 1-September 30, and October 1-December 31. Quarterly reports are due within 30 ***calendar*** days of the end of the reporting period. A final report is due within 90 ***calendar*** days of the completion of the project or the end of the period of performance, whichever comes first. Both quarterly and final performance reports must be submitted electronically to 202-568-9832 or [*Christine.Sorensen@wdc.usda.gov*](mailto:Christine.Sorensen@wdc.usda.gov)     ii. Financial Report: Form SF-425, ``Federal Financial Report'' must be submitted quarterly based on the following time periods: January 1-March 31, April 1-June 30, July 1-September 30, October 1- December 31. Quarterly reports are due within 30 ***calendar*** days of the end of the reporting period. A final report is due within 90 ***calendar*** days of the completion of the project or the end of the period of performance, whichever is comes first. Both quarterly and final reports must be submitted electronically to [*Christine.Sorensen@wdc.usda.gov*](mailto:Christine.Sorensen@wdc.usda.gov)     iii. Report Suitable for Public Distribution: A report suitable for public distribution that describes the accomplishments of the project is due within 90 ***calendar*** days of the completion of the project. There is no format prescribed for this report, but it is expected that it will be 1-2 pages in length and describe the project in such a way that a member of the public not familiar with the project would gain an understanding of the impact of the project.

VII. Federal Awarding Agency Contact

    If you have questions, you may contact Christine Sorensen at 202- 568-9832 or [*Christine.Sorensen@wdc.usda.gov*](mailto:Christine.Sorensen@wdc.usda.gov)

VIII. Notice to Applicants

    The Federal Government is not obligated to make any Federal award as a result of this announcement. Only authorized Federal officials can bind the Federal Government to the expenditure of funds.

IX. Nondiscrimination Statement

    In accordance with Federal civil rights law and U.S Department of ***Agriculture*** (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA ***programs*** are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance ***program***. Political beliefs, or reprisal or retaliation for prior civil rights activity, in any ***program*** or activity conducted or funded by USDA (not all bases apply to all ***programs***). Remedies and complaint filing deadlines vary by ***program*** or incident.     Persons with disabilities who require alternative means of communication for ***program*** information (e.g , Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARTET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, ***program*** information may be made available in languages other than English.     To file a ***program*** discrimination complaint, complete the USDA ***Program*** Discrimination Complaint Form, AD-3027, found online at: [*http://www.ascr.usda.gov/complaint\_filing\_cust.html*](http://www.ascr.usda.gov/complaint_filing_cust.html), and at any USDA office or write a letter addressed to USDA and provide in the letter all of the

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information requested in the form. To request a copy of a complaint form, call, (866) 632-9992. Submit your completed form or letter to USDA by:     1. Mail: U.S Department of ***Agriculture***, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue SW, Washington, DC 20250-9410;     2. Fax: (202) 690-7442; or     3. Email at: [***program****.intake@usda.gov*](mailto:program.intake@usda.gov)     USDA is an equal opportunity provider, employer, and lender.

    Dated: August 10, 2018. Anne Hazlett, Assistant to the Secretary, USDA Rural Development. BILLING CODE 3410-15-P

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[***Council of the European Union: Draft amending budget No 5 to the general budget for 2018: Cancellation of the reserve related to the support to Turkey from the Instrument for Pre-Accession (IPA II), reinforcement of the European Neirbourhood Instrument (ENI) and of the Humanitarian Aid for other urgent actions and modification of the establishment plan of the Innovation and Networks Executive Agency (INEA) in the context of the WiFi4EU initiativ ST 11843 2018 INIT18-09-2018***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TGM-0T81-JDG9-Y4GS-00000-00&context=1516831)

Impact News Service

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**Body**

Brussels: Council of the European Union has issued the following document:

Brussels: Council of the European Union has issued the following document:

11843/18 ML/ab 1 ECOMP.2.A EN Council of the European Union Brussels, 18 September 2018 (OR. en) 11843/18 BUDGET 25 EXPLANATORY MEMORANDUM Subject: Draft amending budget No 5 to the general budget for 2018: Cancellation of the reserve related to the support to Turkey from the Instrument for Pre-Accession (IPA II), reinforcement of the European Neirbourhood Instrument (ENI) and of the Humanitarian Aid for other urgent actions and modification of the establishment plan of the Innovation and Networks Executive Agency (INEA) in the context of the WiFi4EU initiative − Council position of 18 September 2018 I. INTRODUCTION On 10 July 2018, the Commission submitted to the Council draft amending budget (DAB) No 5 to the general budget for 2018 regarding the cancellation of the reserve related to the support to Turkey from the Instrument for Pre-Accession (IPA II), reinforcement of the European Neirbourhood Instrument (ENI) and of the Humanitarian Aid for other urgent actions and modification of the establishment plan of the Innovation and Networks Executive Agency (INEA) in the context of the WiFi4EU initiative. 11843/18 ML/ab 2 ECOMP.2.A EN The objectives of this proposal are to: - cancel the reserves of EUR 70 million in commitment appropriations (c/a) and of EUR 35 million in ***payment*** appropriations (p/a) related to Item 22 02 03 01 (Instrument for Pre-accession Assistance - Turkey Support for political reforms and related progressive alignment with the Union acquis); - reinforce Item 22 04 01 03 (Mediterranean countries - Confidence building, security and the prevention and settlement of conflicts) with EUR 70 million in c/a and Article 23 02 01 (Delivery of rapid, effective and needs-based humanitarian aid and food assistance) with EUR 35 million in p/a; - modify INEA's establishment plan adding one AD 7 temporary post.

II. CONCLUSION On 18 September 2018, the Council adopted its position on DAB No 5 to the general budget for 2018 as set out in the ANNEX. 11843/18 ML/ab 3 ANNEX ECOMP.2.A EN ANNEX TECHNICAL ANNEX 11843/18 ML/ab 4 ANNEX ECOMP.2.A EN VOLUME 3 SECTION III - COMMISSION 11843/18 ML/ab 5 ANNEX ECOMP.2.A EN EXPENDITURE — EXPENDITURE Figures Title Heading Budget 2018 Council position on DAB No 5/2018 New amount Commitments ***Payments*** Commitments ***Payments*** Commitments ***Payments*** 01 Economic and financial affairs 2 208 268 036 2 153 674 136 2 208 268 036 2 153 674 136 130 185 000 2 338 453 036 25 000 000 2 178 674 136 130 185 000 2 338 453 036 25 000 000 2 178 674 136 02 Internal market, industry, entrepreneurship and SMEs 2 356 185 710 2 062 361 812 2 356 185 710 2 062 361 812 03 Competition 109 841 980 109 841 980 109 841 980 109 841 980 04 Employment, social affairs and inclusion 14 504 772 962 12 207 667 532 14 504 772 962 12 207 667 532 11 102 000 14 515 874 962 8 327 000 12 215 994 532 11 102 000 14 515 874 962 8 327 000 12 215 994 532 05 ***Agriculture*** and rural development 58 159 838 271 55 462 985 694 58 159 838 271 55 462 985 694 1 800 000 58 161 638 271 1 350 000 55 464 335 694 1 800 000 58 161 638 271 1 350 000 55 464 335 694 06 Mobility and transport 4 007 575 953 2 267 065 045 4 007 575 953 2 267 065 045 07 Environment 498 283 862 350 533 612 498 283 862 350 533 612 1 000 000 499 283 862 750 000 351 283 612 1 000 000 499 283 862 750 000 351 283 612 08 Research and innovation 6 890 257 765 6 472 483 396 6 890 257 765 6 472 483 396 09 Communications networks, content and technology 2 132 573 932 2 259 062 678 2 132 573 932 2 259 062 678 10 Direct research 403 727 789 397 336 829 403 727 789 397 336 829 11 Maritime affairs and fisheries 1 084 735 790 659 590 725 1 084 735 790 659 590 725 46 565 000 1 131 300 790 43 302 703 702 893 428 46 565 000 1 131 300 790 43 302 703 702 893 428 12 Financial stability, financial services and capital markets union 94 563 454 94 367 704 94 563 454 94 367 704 13 Regional and urban policy 39 943 720 682 34 264 145 763 39 943 720 682 34 264 145 763 14 Taxation and customs union 175 802 112 168 303 344 175 802 112 168 303 344 15 Education and culture 3 806 105 904 3 502 751 391 3 806 105 904 3 502 751 391 42 785 652 3 848 891 556 33 226 000 3 535 977 391 42 785 652 3 848 891 556 33 226 000 3 535 977 391 16 Communication 213 021 691 211 969 691 213 021 691 211 969 691 17 Health and food safety 599 104 264 562 925 962 599 104 264 562 925 962 18 Migration and home affairs 2 637 400 839 2 257 961 158 2 637 400 839 2 257 961 158 19 Foreign policy instruments 816 917 462 705 331 155 816 917 462 705 331 155 23 750 000 840 667 462 8 673 000 714 004 155 23 750 000 840 667 462 8 673 000 714 004 155 20 Trade 115 924 575 114 524 575 115 924 575 114 524 575 11843/18 ML/ab 6 ANNEX ECOMP.2.A EN Title Heading Budget 2018 Council position on DAB No 5/2018 New amount Commitments ***Payments*** Commitments ***Payments*** Commitments ***Payments*** 21 International cooperation and development 3 486 428 453 3 248 829 555 3 486 428 453 3 248 829 555 6 250 000 3 492 678 453 6 250 000 3 492 678 453 22 Neighbourhood and enlargement negotiations 4 391 105 748 3 680 713 958 70 000 000 4 461 105 748 3 680 713 958 70 000 000 4 461 105 748 35 000 000 3 715 713 958 -70 000 000 -35 000 000 23 Humanitarian aid and civil protection 1 189 000 497 1 195 508 750 35 000 000 1 189 000 497 1 230 508 750 2 000 000 1 191 000 497 1 500 000 1 197 008 750 2 000 000 1 191 000 497 1 500 000 1 232 008 750 24 Fight against fraud 82 294 500 79 884 041 82 294 500 79 884 041 25 Commission’s policy coordination and legal advice 244 565 633 244 015 633 244 565 633 244 015 633 26 Commission’s administration 1 126 245 771 1 128 233 771 1 126 245 771 1 128 233 771 5 915 694 1 132 161 465 5 915 694 1 134 149 465 5 915 694 1 132 161 465 5 915 694 1 134 149 465 27 Budget 78 630 924 78 630 924 78 630 924 78 630 924 28 Audit 19 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Commitments ***Payments*** Commitments ***Payments*** Commitments ***Payments*** 22 01 Administrative expenditure of the ‘Neighbourhood and enlargement negotiations’ policy area 167 697 810 167 697 810 167 697 810 167 697 810 22 02 Enlargement process and strategy 4 1 787 877 832 1 176 132 420 1 787 877 832 1 176 132 420 70 000 000 1 857 877 832 35 000 000 1 211 132 420 -70 000 000 -35 000 000 22 04 European Neighbourhood Instrument (ENI) 2 435 530 106 2 336 883 728 70 000 000 2 505 530 106 2 336 883 728 Title 22 — Total 4 391 105 748 3 680 713 958 70 000 000 4 461 105 748 3 680 713 958 Total including reserves 70 000 000 4 461 105 748 35 000 000 3 715 713 958 -70 000 000 -35 000 000 CHAPTER 22 02 — ENLARGEMENT PROCESS AND STRATEGY Figures Title Chapter Article Item Heading FF Budget 2018 Council position on DAB No 5/2018 New amount Commitments ***Payments*** Commitments ***Payments*** Commitments ***Payments*** 22 02 Enlargement process and strategy 22 02 01 Support to Albania, Bosnia and Herzegovina, Kosovo1, Montenegro, Serbia and the former Yugoslav Republic of Macedonia 22 02 01 01 Support for political reforms and related progressive alignment with the Union acquis 4 199 267 000 221 500 000 199 267 000 221 500 000 22 02 01 02 Support for economic, social and territorial development and related progressive alignment with the Union acquis 4 307 100 000 166 000 000 307 100 000 166 000 000 Article 22 02 01 — Subtotal 506 367 000 387 500 000 506 367 000 387 500 000 22 02 02 Support to Iceland 22 02 02 01 Support for political reforms and related progressive alignment with the Union acquis 4 p.m p.m p.m p.m 22 02 02 02 Support for economic, social and territorial development and related progressive alignment with the Union acquis 4 p.m p.m p.m p.m Article 22 02 02 — Subtotal p.m p.m p.m p.m 22 02 03 Support to Turkey 22 02 03 01 Support for political reforms and related progressive alignment with the Union acquis 4 97 400 000 13 500 000 97 400 000 13 500 000 70 000 000 167 400 000 35 000 000 48 500 000 -70 000 000 -35 000 000 1 This designation is without prejudice to positions on status, and is in line with the United Nations Security Council Resolution 1244(1999) and the International Court of Justice opinion on Kosovo’s declaration of independence. 11843/18 ML/ab 8 ANNEX ECOMP.2.A EN Title Chapter Article Item Heading FF Budget 2018 Council position on DAB No 5/2018 New amount Commitments ***Payments*** Commitments ***Payments*** Commitments ***Payments*** 22 02 03 02 Support for economic, social and territorial development and related progressive alignment with the Union acquis 4 736 384 000 262 500 000 736 384 000 262 500 000 Article 22 02 03 — Subtotal 833 784 000 276 000 000 833 784 000 276 000 000 70 000 000 903 784 000 35 000 000 311 000 000 -70 000 000 -35 000 000 22 02 04 Regional integration and territorial cooperation and support to groups of countries (horizontal ***programmes***) 22 02 04 01 Multi-country ***programmes***, regional integration and territorial cooperation 4 411 426 000 283 000 000 411 426 000 283 000 000 22 02 04 02 Erasmus+ — Contribution from the Instrument for Pre-accession Assistance (IPA) 4 30 271 000 34 352 588 30 271 000 34 352 588 22 02 04 03 Contribution to the Energy Community for South-East Europe 4 4 529 832 4 529 832 4 529 832 4 529 832 Article 22 02 04 — Subtotal 446 226 832 321 882 420 446 226 832 321 882 420 22 02 51 Completion of former pre-accession assistance (prior to 2014) 4 p.m 190 000 000 p.m 190 000 000 22 02 77 Pilot projects and preparatory actions 22 02 77 01 Pilot project — Preserving and restoring cultural heritage in conflict areas 4 p.m p.m p.m p.m 22 02 77 02 Preparatory action — Preserving and restoring cultural heritage in conflict areas 4 p.m p.m p.m p.m 22 02 77 03 Preparatory action — Enhancing regional cooperation on the issue of missing persons following the conflicts in the former Yugoslavia 4 1 500 000 750 000 1 500 000 750 000 Article 22 02 77 — Subtotal 1 500 000 750 000 1 500 000 750 000 Chapter 22 02 — Total 1 787 877 832 1 176 132 420 1 787 877 832 1 176 132 420 Total including reserves 70 000 000 1 857 877 832 35 000 000 1 211 132 420 -70 000 000 -35 000 000 Article 22 02 03 — Support to Turkey Item 22 02 03 01 — Support for political reforms and related progressive alignment with the Union acquis Figures Budget 2018 Council position on DAB No 5/2018 New amount Commitments ***Payments*** Commitments ***Payments*** Commitments ***Payments*** 22 02 03 01 97 400 000 13 500 000 97 400 000 13 500 000 70 000 000 35 000 000 -70 000 000 -35 000 000 Total 167 400 000 48 500 000 -70 000 000 -35 000 000 97 400 000 13 500 000 11843/18 ML/ab 9 ANNEX ECOMP.2.A EN Remarks Under the Instrument for Pre-accession Assistance (IPA II), this appropriation will address the following specific objectives in Turkey: - support for political reforms, - strengthening of the ability of the beneficiaries listed in Annex I to Regulation (EU) No 231/2014 at all levels to fulfil the obligations stemming from Union membership in the area of political reforms by supporting progressive alignment with and adoption, implementation and enforcement of the Union acquis. Any income from financial contributions from Member States and third countries, including in both cases their public agencies, entities or natural persons, to certain external aid projects or ***programmes*** financed by the Union and managed by the Commission on their behalf may give rise to the provision of additional appropriations. Such contributions under Article 6 3 3 of the statement of revenue constitute assigned revenue under point (b) of Article 21(2) of the Financial Regulation. The amounts entered on the line for administrative support expenditure will be determined, without prejudice to Article 187(7) of the Financial Regulation, by the contribution agreement for each operational ***programme*** with an average not exceeding 4 % of the contributions for the corresponding ***programme*** for each chapter. Legal basis Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II) (OJ L 77, 15.3.2014, p. 11), and in particular points (a) and (c) of Article 2(1) thereof. CHAPTER 22 04 — EUROPEAN NEIGHBOURHOOD INSTRUMENT (ENI) Figures Title Chapter Article Item Heading FF Budget 2018 Council position on DAB No 5/2018 New amount Commitments ***Payments*** Commitments ***Payments*** Commitments ***Payments*** 22 04 European Neighbourhood Instrument (ENI) 22 04 01 Supporting cooperation with Mediterranean countries 22 04 01 01 Mediterranean countries — Human rights, good governance and mobility 4 119 435 744 65 000 000 119 435 744 65 000 000 22 04 01 02 Mediterranean countries — Poverty reduction and sustainable development 4 596 250 682 460 000 000 596 250 682 460 000 000 22 04 01 03 Mediterranean countries — Confidence building, security and the prevention and settlement of conflicts 4 296 072 675 133 500 000 70 000 000 366 072 675 133 500 000 22 04 01 04 Support to the peace process and financial assistance to Palestine and to the United Nations Relief and Works Agency for Palestine Refugees (UNRWA) 4 299 379 163 261 500 000 299 379 163 261 500 000 Article 22 04 01 — Subtotal 1 311 138 264 920 000 000 70 000 000 1 381 138 264 920 000 000 22 04 02 Supporting cooperation with Eastern Partnership countries 22 04 02 01 Eastern Partnership — Human rights, good governance and mobility 4 229 520 067 110 000 000 229 520 067 110 000 000 22 04 02 02 Eastern Partnership — Poverty reduction and sustainable development 4 361 556 726 322 500 000 361 556 726 322 500 000 22 04 02 03 Eastern Partnership — Confidence building, security and the prevention and settlement of conflicts 4 11 603 569 2 500 000 11 603 569 2 500 000 Article 22 04 02 — Subtotal 602 680 362 435 000 000 602 680 362 435 000 000 11843/18 ML/ab 10 ANNEX ECOMP.2.A EN Title Chapter Article Item Heading FF Budget 2018 Council position on DAB No 5/2018 New amount Commitments ***Payments*** Commitments ***Payments*** Commitments ***Payments*** 22 04 03 Ensuring efficient cross-border cooperation (CBC) and support to other multi-country cooperation 22 04 03 01 Cross-border cooperation (CBC) — Contribution from Heading 4 4 89 211 797 60 000 000 89 211 797 60 000 000 22 04 03 02 Cross-border cooperation (CBC) — Contribution from Heading 1b (Regional Policy) 1.2 121 608 308 103 795 278 121 608 308 103 795 278 22 04 03 03 Support to other multi-country cooperation in the neighbourhood — Umbrella ***programme*** 4 204 300 000 125 000 000 204 300 000 125 000 000 22 04 03 04 Other multi-country cooperation in the neighbourhood — Supporting measures 4 26 208 375 6 500 000 26 208 375 6 500 000 Article 22 04 03 — Subtotal 441 328 480 295 295 278 441 328 480 295 295 278 22 04 20 Erasmus+ — Contribution from the European Neighbourhood Instrument (ENI) 4 79 733 000 99 263 450 79 733 000 99 263 450 22 04 51 Completion of actions in the area of European Neighbourhood Policy and relations with Russia (prior to 2014) 4 p.m 580 000 000 p.m 580 000 000 22 04 52 Cross-border cooperation (CBC) — Contribution from Heading 1b (Regional policy) 1.2 p.m 7 000 000 p.m 7 000 000 22 04 77 Pilot projects and preparatory actions 22 04 77 03 Preparatory action — New Euro-Mediterranean strategy for youth employment promotion 4 p.m p.m p.m p.m 22 04 77 04 Pilot project — ENP funding — Preparing staff for EU-ENP-related jobs 4 p.m p.m p.m p.m 22 04 77 05 Preparatory action — Asset recovery to Arab Spring countries 4 p.m p.m p.m p.m 22 04 77 06 Pilot project — Developing knowledge-based European journalism relating to Europe’s neighbours, through educational activities delivered by the Natolin Campus of the College of Europe. 4 p.m p.m p.m p.m 22 04 77 07 Preparatory action — Support for Union neighbours to implement asset recovery 4 650 000 325 000 650 000 325 000 Article 22 04 77 — Subtotal 650 000 325 000 650 000 325 000 Chapter 22 04 — Total 2 435 530 106 2 336 883 728 70 000 000 2 505 530 106 2 336 883 728 11843/18 ML/ab 11 ANNEX ECOMP.2.A EN Article 22 04 01 — Supporting cooperation with Mediterranean countries Item 22 04 01 03 — Mediterranean countries — Confidence building, security and the prevention and settlement of conflicts Figures Budget 2018 Council position on DAB No 5/2018 New amount Commitments ***Payments*** Commitments ***Payments*** Commitments ***Payments*** 296 072 675 133 500 000 70 000 000 366 072 675 133 500 000 Remarks This appropriation is intended in particular to cover bilateral and multi-country cooperation actions promoting results in, inter alia, the following areas: - confidence and peace building including amongst children, - security and the prevention and settlement of conflicts, - support to refugees and displaced population including children. An adequate level of appropriations should be reserved for the support of civil society organisations. Any income from financial contributions from Member States and third countries, including in both cases their public agencies, entities or natural persons, to certain external aid projects or ***programmes*** financed by the Union and managed by the Commission on their behalf may give rise to the provision of additional appropriations. Such contributions under Article 6 3 3 of the statement of revenue constitute assigned revenue under point (b) of Article 21(2) of the Financial Regulation. The amounts entered on the line for administrative support expenditure will be determined, without prejudice to Article 187(7) of the Financial Regulation, by the contribution agreement for each operational ***programme*** with an average not exceeding 4 % of the contributions for the corresponding ***programme*** for each chapter. Legal basis Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument (OJ L 77, 15.3.2014, p. 27). TITLE 23 — HUMANITARIAN AID AND CIVIL PROTECTION Figures Title Chapter Heading FF Budget 2018 Council position on DAB No 5/2018 New amount Commitments ***Payments*** Commitments ***Payments*** Commitments ***Payments*** 23 01 Administrative expenditure of the ‘Humanitarian aid and civil protection’ policy area 44 369 855 44 369 855 44 369 855 44 369 855 23 02 Humanitarian aid, food assistance and disaster preparedness 4 1 076 528 642 1 085 871 178 35 000 000 1 076 528 642 1 120 871 178 23 03 The Union Civil Protection Mechanism 48 867 000 49 486 754 48 867 000 49 486 754 2 000 000 50 867 000 1 500 000 50 986 754 2 000 000 50 867 000 1 500 000 50 986 754 23 04 EU Aid Volunteers initiative 4 19 235 000 15 780 963 19 235 000 15 780 963 Title 23 — Total 1 189 000 497 1 195 508 750 35 000 000 1 189 000 497 1 230 508 750 Total including reserves 2 000 000 1 191 000 497 1 500 000 1 197 008 750 2 000 000 1 191 000 497 1 500 000 1 232 008 750 11843/18 ML/ab 12 ANNEX ECOMP.2.A EN CHAPTER 23 02 — HUMANITARIAN AID, FOOD ASSISTANCE AND DISASTER PREPAREDNESS Figures Title Chapter Article Item Heading FF Budget 2018 Council position on DAB No 5/2018 New amount Commitments ***Payments*** Commitments ***Payments*** Commitments ***Payments*** 23 02 Humanitarian aid, food assistance and disaster preparedness 23 02 01 Delivery of rapid, effective and needs-based humanitarian aid and food assistance 4 1 026 028 642 1 040 825 501 35 000 000 1 026 028 642 1 075 825 501 23 02 02 Disaster prevention, disaster risk reduction and preparedness 4 50 000 000 44 795 677 50 000 000 44 795 677 23 02 77 Pilot projects and preparatory actions 23 02 77 01 Pilot project — Ensuring effective delivery of aid to victims of sexual and gender-based violence in humanitarian settings 4 500 000 250 000 500 000 250 000 Article 23 02 77 — Subtotal 500 000 250 000 500 000 250 000 Chapter 23 02 — Total 1 076 528 642 1 085 871 178 35 000 000 1 076 528 642 1 120 871 178 Article 23 02 01 — Delivery of rapid, effective and needs-based humanitarian aid and food assistance Figures Budget 2018 Council position on DAB No 5/2018 New amount Commitments ***Payments*** Commitments ***Payments*** Commitments ***Payments*** 1 026 028 642 1 040 825 501 35 000 000 1 026 028 642 1 075 825 501 Remarks This appropriation is intended to cover the financing of humanitarian and food assistance operations of a humanitarian nature to help people in countries outside the Union who are the victims of conflicts or disasters, both natural and man-made (wars, outbreaks of fighting, etc.), or comparable emergencies, for as long as is necessary to meet the humanitarian needs that such situations give rise to. It will be carried out in accordance with the rules on humanitarian aid under Regulation (EC) No 1257/96. The aid and assistance is granted to victims without discrimination or adverse distinction on the grounds of race, ethnic origin, religion, disability, sex, age, nationality or political affiliation. That aid and assistance is provided in accordance with international humanitarian law and should not be subject to restrictions imposed by other partner donors, as long as it is necessary to meet the humanitarian needs to which such situations give rise. This appropriation is also intended to cover the purchase and delivery of any product or equipment needed for the implementation of humanitarian aid operations, including the building of homes or shelters for affected groups of people, short-term rehabilitation and reconstruction work, particularly of infrastructure and facilities, the costs associated with external, expatriate or local staff, storage, international or national shipment, logistic support and distribution of relief and any other action aimed at facilitating freedom of access to the recipients of the aid. This appropriation may be used to finance the purchase and delivery of food, seeds, livestock or any product or equipment needed for the implementation of the humanitarian aid and food assistance operations. This appropriation may also cover any other costs directly linked to the implementation of humanitarian aid operations and the cost of the measures that are essential for implementing food assistance operations of a humanitarian nature within the requisite timescale and in a way which meets the needs of the recipients, satisfies the requirement to achieve the greatest possible degree of cost-effectiveness and provides greater transparency. 11843/18 ML/ab 13 ANNEX ECOMP.2.A EN It covers, inter alia: - measures to provide an enabling environment and access to quality education in humanitarian emergencies, including the basic rehabilitation and reconstruction of school buildings and facilities, psycho-social support, training of teachers and any product or equipment needed for the implementation of humanitarian aid operations related to access to education, - feasibility studies on humanitarian operations, evaluations of humanitarian aid projects and plans, visibility operations and information campaigns linked to humanitarian operations, - the monitoring of humanitarian aid projects and plans and the promotion and development of initiatives intended to increase coordination and cooperation so as to make aid more effective and improve the monitoring of projects and plans, - the supervision and coordination of the implementation of aid operations forming part of the humanitarian aid and food assistance concerned activities, in particular the terms for the supply, delivery, distribution and use of the products involved, including the use of counterpart funds, - measures to strengthen Union coordination with the Member States, other donor countries, international organisations and institutions (in particular those forming part of the United Nations), non-governmental organisations and organisations representing the latter, - the financing of technical assistance contracts to facilitate the exchange of technical know-how and expertise between Union humanitarian organisations and agencies or between such bodies and those of third countries, - studies and training linked to the achievement of the objectives of the humanitarian aid and food assistance policy, - action grants and running cost grants in favour of humanitarian networks, - humanitarian mine-clearance operations including public awareness campaigns for local communities on anti-personnel mines, - expenditure incurred by the network on humanitarian assistance (NOHA), pursuant to Article 4 of Regulation (EC) No 1257/96. This is a 1-***year*** multidisciplinary postgraduate diploma in the humanitarian field designed to promote greater professionalism amongst humanitarian workers and involving several participating universities, - the transport and distribution of aid or assistance, including any related operations such as insurance, loading, unloading, coordination, etc., - back-up measures that are essential for the ***programming***, coordination and optimum implementation of the aid or assistance, the cost of which is not covered by other appropriations, e.g exceptional transport and storage operations, processing or preparation of foodstuffs on the spot, disinfection, consultants’ services, technical assistance and equipment directly involved in providing the aid or assistance (tools, utensils, fuel, etc.), - pilot schemes concerning new forms of transport, packaging or storage, studies of food assistance operations, visibility operations linked to the humanitarian operations, and information campaigns to increase public awareness, - the storage of food (including administrative costs, futures operations, with or without options, training of technicians, purchase of packaging and mobile storage units, cost of maintaining and repairing stores, etc.), - the technical assistance necessary for the preparation and implementation of humanitarian aid projects, in particular expenditure incurred covering the cost of contracts of individual experts in the field and the infrastructure and logistics costs, covered by imprest accounts and expenditure authorisations, of the Directorate-General for European Civil Protection and Humanitarian Aid Operations (ECHO) units deployed throughout the world. 11843/18 ML/ab 14 ANNEX ECOMP.2.A EN In order to ensure full financial transparency under Articles 58 to 61 of the Financial Regulation, the Commission, when concluding or modifying agreements on the management and implementation of projects by international organisations, will make every effort to commit to sending all their internal and external audits regarding the use of Union funds to the European Court of Auditors and to the Internal Auditor of the Commission. Any income from financial contributions from Member States and third countries, including in both cases their public agencies, entities or natural persons, to certain external aid projects or ***programmes*** financed by the Union and managed by the Commission on their behalf may give rise to the provision of additional appropriations. Such contributions under Article 6 3 3 of the statement of revenue constitute assigned revenue under point (b) of Article 21(2) of the Financial Regulation. The amounts entered on the line for administrative support expenditure will be determined, without prejudice to Article 187(7) of the Financial Regulation, by the contribution agreement for each operational ***programme*** with an average not exceeding 4 % of the contributions for the corresponding ***programme*** for each chapter. Legal basis Council Regulation (EC) No 1257/96 of 20 June 1996 concerning humanitarian aid (OJ L 163, 2.7.1996, p. 1). TITLE 40 — RESERVES Figures Title Chapter Heading FF Budget 2018 Council position on DAB No 5/2018 New amount Commitments ***Payments*** Commitments ***Payments*** Commitments ***Payments*** 40 01 Reserves for administrative expenditure 5 11 138 694 11 138 694 11 138 694 11 138 694 40 02 Reserves for financial interventions 9 847 616 652 496 880 703 -70 000 000 -35 000 000 777 616 652 461 880 703 40 03 Negative reserve 8 p.m p.m p.m p.m Title 40 — Total 858 755 346 508 019 397 -70 000 000 -35 000 000 788 755 346 473 019 397 CHAPTER 40 02 — RESERVES FOR FINANCIAL INTERVENTIONS Figures Title Chapter Article Item Heading FF Budget 2018 Council position on DAB No 5/2018 New amount Commitments ***Payments*** Commitments ***Payments*** Commitments ***Payments*** 40 02 Reserves for financial interventions 40 02 40 Non-differentiated appropriations 25 000 000 25 000 000 25 000 000 25 000 000 40 02 41 Differentiated appropriations 305 714 652 127 280 703 -70 000 000 -35 000 000 235 714 652 92 280 703 40 02 42 Emergency aid reserve 9 344 600 000 344 600 000 344 600 000 344 600 000 40 02 43 Reserve for the European Globalisation Adjustment Fund 9 172 302 000 p.m 172 302 000 p.m 40 02 44 Reserve for the European Union Solidarity Fund 9 p.m p.m p.m p.m Chapter 40 02 — Total 847 616 652 496 880 703 -70 000 000 -35 000 000 777 616 652 461 880 703 11843/18 ML/ab 15 ANNEX ECOMP.2.A EN Article 40 02 41 — Differentiated appropriations Figures Budget 2018 Council position on DAB No 5/2018 New amount Commitments ***Payments*** Commitments ***Payments*** Commitments ***Payments*** 305 714 652 127 280 703 -70 000 000 -35 000 000 235 714 652 92 280 703 Remarks The appropriations in the Title ‘Reserves’ are intended for two circumstances only: (a) where no basic act exists for the action concerned when the budget is established; and (b) where there are serious grounds for doubting the adequacy of the appropriations or the possibility of implementing, under conditions consistent with sound financial management, the appropriations entered in the lines concerned. The appropriations entered in this article may be used only after ***transfer*** in accordance with the procedure laid down in Article 27 of the Financial Regulation. The breakdown is as follows (commitments, ***payments***): 1. Article 01 04 05 Provisioning of the EFSI guarantee fund 105 185 000 2. Article 04 02 65 European Solidarity Corps — Contribution from the European Social Fund 11 102 000 8 327 000 3. Item 05 04 60 04 European Solidarity Corps – Contribution from the European ***Agricultural*** Fund for Rural Development (EAFRD) 1 800 000 1 350 000 4. Article 07 02 07 European Solidarity Corps — Contribution from the LIFE sub-***programme*** for Environment 1 000 000 750 000 5. Article 11 03 01 Establishing a governance framework for fishing activities carried out by Union fishing vessels in third country waters 46 565 000 43 302 703 6. Article 15 05 01 European Solidarity Corps 38 235 652 28 676 000 7. Article 19 02 01 Response to crisis and emerging crisis 20 400 000 8 000 000 8. Article 19 02 02 Support to conflict prevention, peace-building and crisis preparedness 2 677 000 9. Article 21 05 01 Global and trans-regional threats and emerging threats 6 250 000 10. Item 23 03 01 03 European Solidarity Corps — Contribution from Union Civil Protection Mechanism (UCPM) 2 000 000 1 500 000 11. Article 34 02 05 European Solidarity Corps — Contribution from the LIFE sub-***programme*** for Climate Action 500 000 375 000 Total 235 714 652 92 280 703 Legal basis Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1). S — STAFF S 03 — Bodies set up by the European Union and having legal personality S 03 04 — Executive agencies 11843/18 ML/ab 16 ANNEX ECOMP.2.A EN S 03 04 04 — Innovation and Networks Executive Agency (INEA) Function group and grade Budget 2018 Council position on DAB No 5/2018 Revised Budget 2018 Permanent posts Temporary posts Permanent posts Temporary posts Permanent posts Temporary posts AD 16 AD 15 AD 141 7 7 AD 13 9 9 AD 12 5 5 AD 11 5 5 AD 10 5 5 AD 9 7 7 AD 8 10 10 AD 7 9 1 10 AD 6 2 2 AD 5 2 2 AD Subtotal 61 1 62 AST 11 AST 10 AST 9 AST 8 AST 7 1 1 AST 6 1 1 AST 5 2 2 AST 4 4 4 AST 3 2 2 AST 2 AST 1 AST Subtotal 10 10 AST/SC 6 AST/SC 5 AST/SC 4 AST/SC 3 AST/SC 2 AST/SC 1 AST/SC Subtotal Total 71 1 72 1 The establishment plan accepts the following ad personam appointment: one AD 14 official may become AD 15.

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[***FEDERAL REGISTER: Rural Development Cooperative Agreement Program Pages 41046 - 41056 [FR DOC # 2018-17765]***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5T4K-PM91-F0YC-N4VN-00000-00&context=1516831)

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**Body**

Washington: Office of the Federal Register has issued the following notice:

DEPARTMENT OF ***AGRICULTURE*** Rural Business-Cooperative Service Rural Housing Service Rural Utilities Service Rural Development Cooperative Agreement ***Program*** AGENCY: Rural Development USDA. ACTION: Notice. ----------------------------------------------------------------------- SUMMARY: The Assistant to the Secretary for Rural Development (Agency) is seeking applications to support regional economic development planning efforts in rural communities under the Rural Economic Development Innovation (REDI) initiative. This funding opportunity will be administered by the Rural Development Innovation Center, in partnership with the Rural Business-Cooperative Service. The Agency is announcing up to $750,000 in competitive cooperative agreement funds in fiscal ***year*** (FY) 2018. Rural Development Agency may select one, multiple, or no award recipients.

The Agency reserves the right to withhold the awarding of any funds if no application receives a score of at least 60 points. This Notice lists the information needed to submit an application for these funds. This Notice announces that the Agency is accepting FY 2018 applications to support REDI. DATES: The deadline for receipt of a complete application is midnight Eastern Standard Time on Wednesday, September 5, via [*www.grants.gov*](http://www.grants.gov) The Agency will not consider any application received after the deadline. After an applicant submits an application via grants.gov, all applicants must email [*RD.Innovation@osec.usda.gov*](mailto:RD.Innovation@osec.usda.gov) to confirm application and receipt of the application package. Applicants who have been selected for funding will receive a letter of official notification and will be awarded a cooperative agreement authorized under 7 U.S.C 2204b(b)(4). Pending funding availability, all awards will be made no later than September 30, 2018. [[Page 41047]] Applicants should plan their projects based on a start date of September 30, 2018 and must be completed within 24 months. ADDRESSES: The deadline for receipt of an application is midnight Eastern Standard Time on Wednesday, September 5, 2018. Applications may be submitted electronically through the Grants.gov system or through email to [*RD.Innovation@osec.usda.gov*](mailto:RD.Innovation@osec.usda.gov) Note that there are registration requirements for submitting applications using the Grants.gov system. We recommend that you review the instructions for registering as soon as possible, but at least two weeks before you plan to submit your application. The requirements can be viewed at:   [*http://grants.gov/applicants/organization\_registration.jsp*](http://grants.gov/applicants/organization_registration.jsp) Your application will be rejected by Grants.gov if you miss the deadline and the Agency will not consider any application received after the deadline. FOR FURTHER INFORMATION CONTACT: Question about this announcement can be directed to Christine Sorensen, Regional Coordinator, via 202-568- 9832 or [*Christine.Sorensen@wdc.usda.gov*](mailto:Christine.Sorensen@wdc.usda.gov) SUPPLEMENTARY INFORMATION: Preface The Agency encourages applications that will support recommendations made in the Rural Prosperity Task Force report to help improve life in rural America (   [*www.usda.gov/ruralprosperity*](http://www.usda.gov/ruralprosperity)). Applicants are encouraged to consider projects that provide measurable results in helping rural communities build robust and sustainable economies through strategic investments in infrastructure, partnerships, and innovation. Key strategies include:  Achieving e-Connectivity for Rural America.      Developing the Rural Economy.      Harnessing Technological Innovation.      Supporting a Rural Workforce.      Improving Quality of Life.

Paperwork Reduction Act

    It is anticipated that the anticipated number of respondents affected by this information collection is less than 10 entities and therefore, this Notice contains no reporting or recordkeeping provisions requiring Office of Management and Budget (OMB) approval under the Paperwork Reduction Act of 1995 (44 U.S.C Chapter 35).

Overview

    Federal Agency Name: U.S Department of ***Agriculture***, Rural Development.     Funding Opportunity Title: Rural Development Cooperative Agreement ***Program***.     Announcement Type: Notice of Funding Availability (NOFA).     Catalog of Federal Domestic Assistance (CFDA) Number: 10.890     Application Due Date: All required application documents must be submitted by midnight Eastern Standard Time on Wednesday, September 5 electronically via [*www.grants.gov*](http://www.grants.gov) Applicants submitting proposals must also confirm receipt and email [*RD.Innovation@osec.usda.gov*](mailto:RD.Innovation@osec.usda.gov) to confirm application and receipt of the application package. Applicants who have been selected for funding will receive a letter of official notification. Pending funding availability, all awards will be made no later than September 30, 2018. Applicants should plan their projects based on a start date of September 30, 2018 and must be completed within 24 months.     For More Information: Questions about this announcement can be directed to Christine Sorensen, Regional Coordinator, via 202-568-9832 or [*Christine.Sorensen@wdc.usda.gov*](mailto:Christine.Sorensen@wdc.usda.gov)

A. ***Program*** Description

    USDA Rural Development (RD) is authorized to administer cooperative agreement awards in accordance with 7 U.S.C 2204b(b)(4). Rural Economic Development Innovation (REDI) aims to strengthen the capacity of rural communities (50,000 people or less in the United States plus Tribes and territories) in implementing strategic community and economic development plans as referenced in Section 379H of the Consolidated Farm and Rural Development Act (7 U.S.C 2008v). The goal of this funding announcement is to solicit applications to provide cooperative agreement funding to eligible applicants to enable them to provide technical assistance and training and actionable planning of implementation of strategic community and economic development plans. Supporting regional economic development plans help rural communities overcome multi-jurisdictional challenges and better leverage Federal, state, local or private funding.     For purposes of this proposal, a quality regional economic plan will include but not be limited to the following:      Evidence-based understanding of community assets, challenges and opportunities.      Goals are focused, logical, targeted and timely with tasks identified and with a responsible party assigned.      The plan was created through broad community participation, public input and buy-in.      The format must be persuasive in a non-technical manner.      The plan makes clear how each of its strategies is intended to help produce, either directly or indirectly, improvements in the local and regional economy.      Regional economic development plans developed through REDI assistance should identify possible projects to be funded through RD ***programs*** and/or other Federal, state, local or private sector resources.     This funding opportunity expands rural communities' ability to access planning resources to convene, identify needs, create actionable economic development plans, and implement project priorities to improve quality of life in rural communities. Quality of life is a measure of human well-being that can be identified though economic and social indicators. Modern utilities, affordable housing, efficient transportation and reliable employment are economic indicators that must be integrated with social indicators like access to medical services, public safety, education and community resilience to empower rural communities to thrive. Economic development plans developed through this funding opportunity should focus on one or more of these economic and/or social indicators.     Applicants are encouraged to consider regional planning projects that provide measurable results in helping rural communities built robust and sustainable economies through strategic investments in infrastructure, partnerships, and innovation. Such projects should also support rural communities' ability to qualify for priority funding under Section 379H of the Consolidated Farm and Rural Development Act [7 U.S.C 2008v].     This approach to comprehensive rural community development is unique in its attempt to improve rural communities in a way that is (1) rooted in emphasizing partnerships and collaboration among multiple public agencies and community partners and (2) focused on combining state resources to make wide-ranging quality-of-life impacts as opposed to separate, piecemeal, incremental improvements.

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B. Federal Award Information

    1. Estimated Funding: Interested applicants shall only propose applications with scope of work/budget that does not exceed $750,000 in Federal funding.     2. Start Date and Performance Period: Projects may be up to 2 ***years*** in duration. Applicants should plan their projects based on a project start date of September 30, 2018 and a project end date of no later than September 30, 2020.     3. Type of Federal Award: Cooperative Agreement. Rural Development will be substantially involved in the work performed under each approved cooperative agreement. Substantial involvement may include but is not limited to collaboration, participation, oversight, and control of the following:     i. Authority to suspend work if specification or work statements are not met;     ii. Review and approval of one stage of work before another may begin;     iii. Review and approval of substantive provisions of proposed sub- grants or contracts;     iv. Prior review and approval of key personnel; and     v. Agency collaboration and coordination with respect to deliverables and execution of the work plan. At a minimum, applicants should anticipate Agency participation in the selection of communities to receive regional planning assistance; the convening of community members, partners, and stakeholders; the delivery of training on RD ***programs*** and/or economic development principles; and the review/ approval of regional economic development plans for purposes of priority funding under Section 379H of the Consolidated Farm and Rural Development Act (7 U.S.C 2008v).     4. Number of Awards: The Agency anticipates that it may select one, multiple, or no award recipients from this notice of funding availability. The Agency reserves the right to withhold the awarding of any funds if no application receives a minimum score of at least 60 points.     5. Eligibility of renewal or Supplemental Project Applications: Applications for renewal or supplementation of any existing Federal awards are not eligible for this new Federal award. An application for renewal means a proposal submitted to continue an existing agreement by adding components to an existing agreement in order to meet the objectives of this solicitation.

C. Eligibility Information

    Applicants must meet all of the following eligibility requirements by the application deadline. Applications which fail to meet any of these requirements by the application deadline will be deemed ineligible and will not be evaluated further and will not receive a Federal award.     1. Applicant Eligibility: Federally-recognized Tribes, institutions of higher education, nonprofit organizations, or private organizations with a demonstrated national structure and/or capacity to deliver and support multiple rural planning activities across the nation are eligible applicants. Entities are not eligible if they have been debarred or suspended or otherwise excluded from or ineligible for participation in Federal assistance ***programs*** under Executive Order 12549, ``Debarment and Suspension.'' In addition, an applicant will be considered ineligible for a cooperative agreement due to an outstanding judgment obtained by the U.S in a Federal Court (other than U.S Tax Court), is delinquent on the ***payment*** of Federal income taxes, or is delinquent on Federal debt.     2. Eligible Project Purposes: The Project purpose must be to strengthen the capacity of rural communities (50,000 people or less in the United States plus Tribes and territories) in developing and implementing regional plans for economic development as referenced in Section 379H of the Consolidated Farm and Rural Development Act. Eligible project purposes must include the two facets of technical assistance:     i. Planning Technical Assistance: The proposed project should provide planning technical assistance to rural communities by assisting in the development of regional economic development plans. Proposals should include descriptions on how technical assistance will result in actionable steps to support implementation of these plans. The proposed project should also provide technical assistance to expand rural communities' ability to access funding and planning resources to convene community members.     ii. Implementation Technical Assistance: The proposed project should provide technical assistance toward implementation of the project priorities emerging from the regional economic development plans. The technical assistance should include strategies for enhancing communities' efforts at leveraging Federal, state, local, and/or private funding to build resilient communities and improve quality of life. The applicant will demonstrate how their proposal will utilize partnerships outside of RD. The applicant will identify such partnerships and will demonstrate how they will provide access to such partnerships to support implementation of projects identified through development of regional economic development plans. The proposed project should also describe how it will support implementation of multi-jurisdictional and/or multi-sector regional economic development plans, as described in Section 379H of the Consolidated Farm and Rural Development Act.     3. Cost Sharing or Matching Requirements: There is a dollar or in- kind matching requirement that is at least equal to the amount of the cooperative agreement award. If this matching fund requirement is not met, the application will be deemed ineligible. Matching requirements are cash, confirmed funding commitments and/or third party in-kind contributions as defined in 2 CFR 200.96 that are at least equal to the cooperative agreement amount and committed for a period of not less than the cooperative agreement performance period. Applicants must recruit one or more private and/or public partner(s) to match one-for- one (in cash and/or in-kind contributions) the applicant's proposed funding request. Cost sharing/matching must be committed at the time of application submission. Applications must include written verification of commitments of cost sharing or matching support (including both cash and in-kind contributions) from third parties. Cost sharing or matching funds must meet the criteria stated at 2 CFR 200.306 and be valued in accordance with 2 CFR 200.306(d).     Additional details about cost sharing or matching funds/ contributions is located at 2 CFR 200.306 Applicant matching funds must be included in the budget narrative. For matching funds offered by project partners, a separate commitment letter is required for each cash and/or in-kind match contribution. Commitment letters must be signed by the authorized organizational representative of the contributing organization and the applicant organization, which must include: (i) The name, address, and telephone number of the contributor; (ii) the name of the applicant organization; (iii) the title of the project for which the contribution is made, (iv) the dollar amount of the contribution; and (v) a statement that the contributor commits to furnish the contribution during the cooperative agreement period.

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    Applications without signed written commitments are deemed incomplete and will be ineligible. The value of applicant contributions to the project is established according to Federal cost principles. Applicants should refer to 2 CFR 200.306 for additional guidance on matching funds, in-kind contributions, and allowable costs.     4. Substantial Involvement: Proposed project must include a component that allows for active participation by the Agency in the majority of tasks. Examples of substantial involvement include but are not limited to the following: Joint-selection of communities to receive regional planning assistance; joint-convening of community members, partners, and stakeholders; joint-delivery of training on RD ***programs*** and/or economic development principles; and joint-review/approval of regional economic development plans for purposes of priority funding under Section 6025 Strategic Economic and Community Development. It is the intent of this project to engage Agency and state RD staff in the development of regional economic development plans and it is the responsibility of the applicant to identify tasks where RD staff can provide substantial involvement in the project. If you do not identify those tasks, your application is not eligible for funding.     5. Use of Funds: Use of project funds (including Federal and matching) must be consistent with the project purpose to strengthen the capacity of rural communities in developing and implementing regional plans for economic development. A non-exclusive list of eligible fund uses include: Costs incurred for the services of personnel actually engaged in the project, including share of employee benefits, travel and per diem expenses, costs of expendable supplies, and travel and per diem expenses associated with travel to USDA Headquarters in Washington, DC to coordinate and collaborate on project tasks. Use of funds must be allowable in adherence with 2 CFR part 200.     If you include funds in your budget that are unallowable, RD will consider the application for funding only if the unallowable costs total 10 percent or less of the total project budget, including Federal and matching funds. However, if the application is successful, those unallowable costs must be removed from the budget before RD will make an award. If RD cannot determine the percentage of unallowable costs or the amount of those costs exceeds 10 percent of the total project budget, the application will not be considered for funding.     6. Rural Area: The project must directly benefit a rural area. All ultimate beneficiaries and/or subrecipients must be located in rural areas, and any activities or tasks must occur in rural areas. The term `rural area' means the Rural Business Service's Rural Area definition as out lined in Section 343(a)(13)(A)(i) of the Consolidated Farm and Rural Development Act which states: Any area other than: (1) A city or town that has a population of greater than 50,000 inhabitants; and (2) any urbanized area contiguous and adjacent to such a city or town.     7. Number of Applications: You cannot submit more than one application for this Notice.

D. Application and Submission Information

    1. Address to Request Application Page. All necessary forms can be found within the Grants.gov ``Application Package.''     2. Content and Form of Application Submission. There is no pre- application process for this announcement. All checklist, application, and standard forms necessary for submission are included in the Grants.gov application package. Applications that are incomplete or fail to comply with the required content and formatting requirements will not be considered for funding.     i. Content and Format: Each page must be on numbered, letter-sized (8\1/2\ x 11) paper utilizing a white background that has 1'' margins; and the text of the application must be typed, single spaced, black, and in a font no smaller than 12 point.     ii. Executive Summary (1-page maximum): On a single page, provide the applicant entity name, duration of project in months, amount of Federal funding requested, amount of non-Federal cost-share/match funding committed, and project title. Identify geographic locations, and describe in non-technical language the issue or problem rural communities have in accessing economic development planning resources, the objectives to address this issue, the innovative approach to be employed (including the role of participating partners), how impact will be quantified, and the predicted benefits or deliverables of the project.     iii. Standard Application Form: Standard Form 424, ``Application for Federal Assistance'' is included as part of the application package posted on Grants.gov Instructions for completing the form are also included.     iv. Applicant Qualifications (1-2 pages): Summary of the qualifications of the applicant organization is required. Interested applicant must have the organizational capacity, experience, and knowledge of rural planning needs and must meet the following minimum requirements:     a. Demonstrate national structure and/or capacity to support multiple rural planning activities across the nation;     b. Demonstrate knowledge and prior experience in regional planning, particularly related to rural issues;     c. Demonstrate capacity to assist rural communities to develop regional plans such as access to data for needs assessment and planners and other technical capacity on staff; and     d. Demonstrate knowledge and prior experience of leveraging other community-driven plans or projects such as Comprehensive Economic Development Strategies (CEDS) or other Federally-recognized regional economic development plans.     v. Key Personnel Qualifications (1-2 pages): Summary of the qualifications of each key person, including the project director, is required. Resumes or CVs will not be accepted. The summary should include relevant education, ***years*** of relevant experience, a description of skills relevant to the person's work on the proposed project, and the person's key accomplishments. If you expect to contract out a portion of the proposed work, but have not hired the contractor, you must include a summary of the qualifications you will require from the contractor.     vi. Project Proposal (15-page maximum): The project proposal must include a proposed Work Plan, along with the following information in order:     a. Project Background.     b. Project Objectives.     c. Project Approach/Methods.     d. Theory of Change.     e. Geographic Locations or Project Areas.     f. Project Management (Applicants are required to include a Work Plan Chart that lists each major Task by Key Personnel involved, Time Period of the task, Substantial Involvement of Rural Development staff, Deliverables, and Budget associated with each task).     g. Performance Metrics.     h. Graphics, References, Citations (Do not count against the 15- page maximum).     A Work Plan Chart template is available for applicants as part of this funding opportunity on grants.gov     vii. Budget Information (10-page maximum): The budget portion of the application consists of two parts as described below:

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    a. Standard Form (SF) 424A, ``Budget Information'': Non- Construction ***Programs***. The SF-424A is included as part of the application package posted on Grants.gov     b. Detailed Budget Narrative: Provide a detailed narrative in support of the budget for the project, broken down by task. Discuss how the budget specifically supports the proposed activities. Justify the project cost effectiveness and include justification for personnel and consultant salaries with a description of duties. Statement(s) of work for any subcontractors and consultants must be included as part of the application. The budget narrative should include both the Federal funds requested and the applicant's matching funds. The format of the budget narrative can be in a chart, spreadsheet, table, etc. It should be readable on letter-size, printable pages. The information needs to be presented in such a way that the reviewers can readily understand what expenses are incurred to support the project.     viii. Certifications: All proposals must include the following signed certification forms, which are available at Grants.gov:     a. AD-3030, ``Representations Regarding Felony Conviction and Tax Delinquent Status for Corporate Applicants.'' The AD-3030 must be submitted if entity is a corporate non-profit or for-profit corporation as indicated in the applicants SAM registration.     b. AD-3030, ``Representations Regarding Felony Conviction and Tax Delinquent Status for Corporate Applicants.'' The AD-3030 must be submitted if entity is a corporate non-profit or for-profit corporation as indicated in the applicants SAM registration.     c. SF-424B, ``Assurances for Non-Construction ***Programs***.'' The SF- 242B must be completed by all applicants.     d. SF-424B, ``Assurances for Non-Construction ***Programs***.'' The SF- 242B must be completed by all applicants.     ix. Verification of Matching Funds. You must provide verification of all matching funds that will be contributed to the project. You must include a letter signed by the donating organization's authorized representative on the organization's letterhead that identifies the amount of matching funds, the time period during which matching funds will be available, and the source of the funds (e.g , cash on hand, etc.). See Section Eligibility Information (C 3) for more information.     x. Risk Review: The Agency may request additional documentation from selected applicants in order to evaluate the financial, management, and performance risk posed by awardees as required by 2 CFR 200.205 Based on this risk review, the Agency may apply special conditions that correspond to the degree of risk assessed.     xi. National Environmental Policy Act: This Notice has been reviewed in accordance with 7 CFR part 1970, ``Environmental Policies and Procedures.'' We have determined that an Environmental Impact Statement is not required because the issuance of regulations and instructions, as well as amendments to them, describing administrative and financial procedures for processing, approving, and implementing the Agency's financial ***programs*** is categorically excluded in the National Environmental Policy Act (NEPA) regulation found at 7 CFR 1970.53(f). We have determined that this Notice does not constitute a major Federal action significantly affecting the quality of the human environment.     xii. Civil Rights Compliance Requirements: All awards made under this Notice are subject to Title VI of the Civil Rights Act of 1964 as required by 7 CFR part 15, subpart A and Section 504 of the Rehabilitation Act of 1973.     3. Unique entity identifier and System for Award Management (SAM). DUNS and SAM Numbers: Each applicant (unless the applicant is an individual excepted from those requirements under 2 CFR 25.110(b) or (c), or has an exception approved by the Federal awarding agency under 2 CFR 25.110(d)) is required to: (i) Be registered in SAM before submitting its application; (ii) provide a valid unique entity identifier (Data Universal Numbering System (DUNS) number) in its application; and (iii) continue to maintain an active SAM registration with current information at all times during which it has an active Federal award or an application or plan under consideration by a Federal awarding agency. The Agency may not make a Federal award to an applicant until the applicant has complied with all applicable unique entity identifier and SAM requirements and, if an applicant has not fully complied with the requirements by the time Agency is ready to make a Federal award, Agency may determine that the applicant is not qualified to receive a Federal award and use that determination as a basis for making a Federal award to another applicant. Applicants must obtain a DUNS and register in SAM prior to registering with Grants.gov Applicants are strongly encouraged to apply early for their DUNS number and SAM registration.     i. Data Universal Numbering System (DUNS) Number: A DUNS number is a unique, nine-digit sequence recognized as the universal standard for identifying and keeping track of over 70 million businesses worldwide. Applicants must obtain a DUNS number. Information on how to obtain a DUNS number can be found at [*http://fedgov.dnb.com/webform*](http://fedgov.dnb.com/webform) or by calling 1-866-705-5711. Please note that the registration may take up to 14 business days to complete.     ii. System for Award Management (SAM) Registration: SAM is the official Federal system that consolidated the capabilities of Central Contractor Registry, Federal Agency Registration, Online Representations and Certifications Application, and Excluded Parties List System. To register, go to:   [*https://www.sam.gov/portal/public/SAM/*](https://www.sam.gov/portal/public/SAM/). Please allow a minimum of 5 days to complete the SAM registration.     4. Submission Dates and Times. Midnight Eastern Standard Time on September 5, 2018. You must submit your application using Grants.gov by the deadline date and time. Note that there are registration requirements for submitting applications using the Grants.gov system. We recommend that you review the instructions for registering as soon as possible, but at least two weeks before you plan to submit your application. The requirements can be viewed at:   [*http://grants.gov/applicants/organization\_registration.jsp*](http://grants.gov/applicants/organization_registration.jsp) Your application will be rejected by Grants.gov if you miss the deadline. We will not accept it in a different format, and we will not consider it for funding.     i. Acknowledgement of receipt: Grants.gov provides receipt of application submissions. The Agency acknowledges receipt of proposals received by the submission deadline via email. An applicant who does not receive such an email acknowledgement within 5 business days of the submission deadline, but believes the proposal was submitted within the submission deadline, must contact the Agency at 202-568-9832 or [*Christine.Sorensen@wdc.usda.gov*](mailto:Christine.Sorensen@wdc.usda.gov) within 10 business days of the submission deadline. Failure to do so may result in the proposal not being considered.     ii. Withdrawal: Proposals may be withdrawn by written notice at any time before award execution. Written notice of withdrawal must be signed by the applicant or an authorized representative.     All required application documents must be submitted by midnight Eastern Standard Time on Wednesday,

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September 5 via [*www.grants.gov*](http://www.grants.gov) AND by emailing [*RD.Innovation@osec.usda.gov*](mailto:RD.Innovation@osec.usda.gov)     Submitting an application through   [*www.grants.gov*](http://www.grants.gov) requires completing a variety of tasks and steps. There are also several preliminary registration steps before the applicant can submit the application. To register in the Grants.gov system, go to   [*www.grants.gov*](http://www.grants.gov), click on ``Applicants'', then click on ``Get Registered.'' If you have completed a prior Grants.gov application, you may already have completed the registration process.     Please allow sufficient time to register in Grants.gov, and for possible system delays. Below are instructions for accessing the forms necessary to complete an application in Grants.gov:     i. Go to   [*www.grants.gov*](http://www.grants.gov) Information about submitting an application using Grants.gov is located on the Grants.gov website, along with supplementary materials.     ii. Select the ``Applicant'' tab.     iii. Select the ``Apply for Grants'' heading.     iv. Click on ``Get Application Package.'' Follow all steps.     v. Provide the ``Funding Opportunity Number'' or return to the ``Search Grants'' section.     vi. All necessary forms are included within the Grants.gov ``Application Package.''     Applications not received through Grants.gov by the submission due date and time are not accepted for consideration. The emailed application must be assembled into one pdf file document in the order specified in section IV, part A. All applications must contain all of the elements of a complete package and meet the requirements described in this announcement. Grants.gov provides instructions for submitting the required application items through the portal. Application receipt date and time will be determined by the respective system-generated documentation of receipt date and time (Grants.gov provides date and time stamps for all proposals submitted through the portal).     The Agency is not responsible for any technical malfunctions or website problems related to Grants.gov or emailed submissions. If you encounter issues with Grants.gov, please contact the Grants.gov help desk at (800) 518-4726 or grants.gov'>[*support@grants.gov*](mailto:support@grants.gov) The applicant assumes the risk of any delays in application submission through Grants.gov     5. Intergovernmental Review. Intergovernmental Review: Executive Order (E.O ) 12372, Intergovernmental Review of Federal ***Programs***, applies to this ***program***. This E.O requires that Federal agencies provide opportunities for consultation on proposed assistance with State and local governments. Many States have established a Single Point of Contact (SPOC) to facilitate this consultation. A list of States that maintain an SPOC may be obtained at:   [*http://www.whitehouse.gov/omb/grants\_spoc*](http://www.whitehouse.gov/omb/grants_spoc). If your State has an SPOC, you must submit your application directly for review. Any comments obtained through the SPOC must be provided to us for consideration as part of your application. If your State has not established an SPOC, we will submit your application to the appropriate agency or agencies at our discretion. Applications from Federally-recognized Indian Tribes are not subject to Intergovernmental Review.     6. Funding Restrictions.     i. Pre-award Costs. Pre-award costs are not authorized.     ii. Use of Funds. Award funds may be used to pay up to 50 percent of the project costs.     iii. Period of Performance. The maximum Period of Performance is 2 ***years***. Applicants should anticipate a Period of Performance beginning September 30, 2018 and ending no later September 30, 2020.     iv. Indirect Cost Rate. The indirect cost rate is limited to 10 percent of direct charges for all nonprofit institutions, including institutions of higher education. All other organizations must use the rate identified in their Negotiated Indirect Cost Rate Approval (NICRA). If you do not have a NICRA, you may elect to charge only direct costs to the award. If you have never had a NICRA, you may also choose to use a de minimis rate of 10 percent of modified total direct costs in accordance with 2 CFR 200.414(f). Your indirect cost rate must be included on Form SF-424A.     v. ***Program*** Income. If you expect to earn ***Program*** Income during the Period of Performance, you must identify the amount and how you expect to use it (e.g Matching Funds) in your application. If your application is funded, unexpected ***Program*** Income or ***Program*** Income earned in excess of the amount you identify in your application will be deducted from the Federal share of the project in accordance with 2 CFR 200.307(e)(1).     vi. Prohibited Costs. In addition to costs identified as unallowable by 2 CFR part 200, the following costs are prohibited for this ***program***. Neither award funds nor matching funds can be used to pay for the following types of expenses.     a. Duplicating services currently provided;     b. Funding a revolving loan fund;     c. Construction (in any form);     d. Salaries for positions involved in construction, renovations, rehabilitation, and any oversight of these types of activities;     e. Intermediary preparation of strategic plans for recipients;     f. Funding prostitution, gambling, or any illegal activities;     g. Grants to individuals;     h. Funding a grant where there may be a conflict of interest, or an appearance of a conflict of interest, involving any action by the Agency;     i. Providing assistance to only one individual, organization, or business;     j. Paying obligations incurred before the beginning date without prior Agency approval or after the ending date of the cooperative agreement;     k. Purchasing real estate;     l. Improvement or renovation of the recipient's office space or for the repair or maintenance of privately owned vehicles;     m. Any purpose prohibited in 2 CFR part 200 or 400;     n. Using cooperative agreement assistance or matching funds for Individual Development Accounts;     o. Purchasing vehicles.

V. Application Review Information

    Applications will first be reviewed to determine if they meet the eligibility requirements and comply with the funding restrictions in this Notice. If we determine that your application is ineligible, we will discontinue processing it, which means that we will not evaluate it further or provide any scoring information. We will notify you in writing regarding the reason(s) for ineligibility, and we will provide a description of your options if you believe that our determination is incorrect. Note that in the event that our determination is reversed, either due to the discovery of an Agency error or through a formal appeal, funding is restricted to available fiscal ***year*** 2018 funds.     If your application is determined to be eligible, we will further evaluate it based on the following criteria. All applications will be competitively ranked and the minimum score requirements for a cooperative agreement award under this Notice is 60 points.     1. Evaluation Criteria: We will only use the information that you provide in your application to evaluate your proposed project. We will not review references to websites or publications, so we encourage you to fully address each criterion.

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    i. Soundness of Approach (0-20 points). The applicant can receive up to 20 points for soundness of approach. The maximum 20 points for this criterion will be based on the following:     a. The objectives must be clearly stated in the proposal and the applicant must define how this proposal will be implemented. The applicant must demonstrate how the proposal will strengthen the capacity of rural communities in developing and implementing regional plans for economic development. The applicant must demonstrate how the proposed technical assistance includes both the planning and implementation components referenced in Section C. The applicant must also demonstrate how the proposed technical assistance will expand rural communities' ability to access funding and planning resources to convene community members. The applicant must also demonstrate how the proposal will support implementation of regional economic development plans and should include descriptions on how proposed technical assistance will result in actionable steps to support implementation of these plans. (10 points)     b. The applicant clearly outlines their ability to provide the proposed technical assistance based on clearly stated and well- documented prior accomplishments. (5 points)     c. The proposal clearly outlines how it will implement activities to support alignment with one or more of the five key strategies (achieving e-connectivity, developing the rural economy, harnessing technological innovation, supporting a rural workforce, and improving quality of life in Rural America) the ***Agriculture*** and Rural Prosperity Task Force Report. (5 points)     ii. Partnerships (0-25 points). The applicant can receive up to 25 points for quality of the applicant's existing partnerships and proposed new partnerships for this effort. The applicant must recruit one or more private and/or public partners to meet match requirements and maximize leveraging of regional economic development plans developed through this project. The maximum 25 points for this criterion will be based on the following:     a. The applicant demonstrates how their proposal will focus on the quantity and quality of partnerships, including the ability to leverage new partners that have previously had limited engagement with RD projects or priorities to leverage resources, enhance technical assistance, and/or increase reach to underserved areas. The proposal must demonstrate that partners with shared missions and goals will be engaged to amplify reach in rural areas. (10 points)     b. The applicant demonstrates how their proposal will support the quantity and quality of match commitments to support this project, and percentage of match in cash form versus in-kind contributions. (5 points)     c. The applicant will demonstrate how their proposal will support the ability of applicant to leverage other community-driven plans or projects such as Comprehensive Economic Development Strategies (CEDS) or other Federally-recognized regional economic development plans. (5 points)     d. The applicant will demonstrate how their proposal will utilize partnerships outside of RD. The applicant will identify such partnerships and will demonstrate how they will provide access to such partnerships to support implementation of projects identified through development of regional economic development plans. (10 points)     iii. Innovation (0-10 points). The applicant can receive up to 10 points for innovative methods and practices to support development of regional economic development plans. The maximum 10 points for this criterion will be based on the following:     a. The applicant's proposal should demonstrate the ability of the applicant to propose methods and practices to utilize unique and innovative planning methods that are currently not being implemented at scale. (5 points)     b. The applicant's proposal should demonstrate the ability of the applicant to demonstrate that the proposed innovative methods and practices have been field-tested and ready to scale. (5 points) We are looking for unique and innovative ideas that are not currently being implemented at scale, so projects that propose innovative solutions that haven't been readily deployed before will receive higher points.     iv. Organizational Capacity & Qualifications (0-15 points). The applicant can receive up to 15 points based on organizational capacity and qualifications. The maximum 15 points for this criterion will be based on the following:     a. The applicant's proposal should demonstrate that the applicant has knowledge and prior experience in regional planning, particularly related to rural issues. The applicant should specify ***years*** of experience, types of communities served, and outcomes achieved. (10 points)     b. The applicant's proposal should demonstrate that the applicant has identified appropriate key personnel, both in terms of number of personnel and qualifications of personnel, to carry out the approach identified. Capacity of personnel to access data for needs assessments and access to planners and other technical experts will be evaluated. (5 points)     v. Work Plan (0-15 points). The applicant can receive up to 15 points based on the quality of the proposed work plan and approach. The maximum 15 points for this criterion will be based on the following:     a. Applicants should use the approved work plan template to include the following information: Description of objective, background approach, timeframe for key tasks along with substantial involvement, budget and deliverables that are necessary to implement project to support regional economic development planning in rural communities. Reasonableness and appropriateness of key tasks will be evaluated based on proposed project approach. (5 points)     b. The applicant's proposal should include a description of the types and general locations of rural communities to be served through this project, including the ability to support multiple rural planning activities across the nation and the reasonableness of effectively serving these communities based on key personnel, established timeframes, and budget. (5 points)     c. The applicant's proposal should include a description and appropriateness of the tasks to incorporate active participation from RD staff. (5 points)     vi. Performance Outcomes (0-15 points). The applicant can receive up to 15 points based on the quality of the proposed performance measures to evaluate progress and impacts of proposed project. The maximum 15 points for this criterion will be based on the following:     a. The applicant's proposal should include a description for how the results of the technical assistance will be measured, including the benchmarks to be used to measure effectiveness. Benchmarks should be specific and quantifiable. (10 points)     b. The applicant's proposal should include a description of benchmarks and outcomes achieved during previously deployed planning efforts. (5 points)     2. Review and Selection Process: All eligible applications will be evaluated based on the process described below.     i. Review Process. All eligible applications will be evaluated by an Application Review Panel using the criteria described in Section E.1 of this Notice. Panel members will be

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appointed by the Agency and they will be qualified to evaluate the applications, based on the type of work proposed by the applicant.     ii. Selection Process. Applications will be ranked in descending order, according to the scores awarded by the Panel. Applications will be funded in rank order, until all available funds have been expended. Applications at or near the funding line may be funded in part, if the Agency believes an appropriate benefit can result from partial funding and if the applicant agrees to the amount of partial funding. In the event the Agency considers partial funding to be appropriate, we will contact the applicant and negotiate the final work plan and budget prior to approving an award.     iii. Anticipated Announcement and Award Dates. All awards must be obligated by September 30, 2018.

VI. Award Administration Information

    1. Federal Award Notices:     i. Successful applicants. Successful applicants will be notified in writing by the Agency with a Letter of Conditions (LOC). The LOC is a notice of selection and does not indicate that an award has been approved, nor is it an authorization to begin performance on the award. While there may be special conditions that apply on a case-by-case basis, the following conditions are standard for all successful applicants.     a. Complete Form RD 1942-46, ``Letter of Intent to Meet Conditions.''     b. Complete Form RD 1940-1, ``Request for Obligation of Funds.''     c. Complete FMMI Vendor Code Request Form.     d. Provide a copy of your organization's Negotiated Indirect Cost Rate Agreement.     e. Certify that all work completed for the award will benefit a rural area.     f. Certify that you will comply with the Federal Funding Accountability and Transparency Act of 2006 and report information about subawards and executive compensation.     g. Certify that the U.S has not obtained an outstanding judgement against your organization in a Federal Court (other than in the United States Tax Court).     h. Execute Form SF-424B, ``Assurances--Non-Construction ***Programs***.''     i. Execute Form SF-LLL, ``Disclosure Form to Report Lobbying,'' if applicable or certify that your organization does not lobby.     j. Execute Form AD-1047, ``Certification Regarding Debarment, Suspension, and Other Responsibility Matters-Primary Covered Transactions.''     k. Obtain a certification on Form AD-1048, ``Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion- Lower Tier Covered Transactions,'' from anyone you do business with as a result of this award.     l. Execute Form AD-1049, ``Certification Regarding a Drug-Free Workplace Requirements (Grants).''     m. Execute Form AD-3031, ``Assurance Regarding Felony Conviction or Tax Delinquent Status for Corporate Applicants.''     n. Execute Form RD 400-4, ``Assurance Agreement.''     Once the conditions described in the LOC have been met, the award will be approved through the execution of Form RD 4280-2 in conjunction with the RDCA ***Program*** Attachment. If an applicant is unable to meet the conditions of the award within 90 ***calendar*** days, the award will be withdrawn.     ii. Unsuccessful applicants. Unsuccessful applicants will be notified in writing no later than October 31, 2018.     2. Administrative and National Policy Requirements. The terms of the award are available at: [*http://forms.sc.egov.usda.gov/efcommon/eFileServices/eForms/RD4280-2.PDF*](http://forms.sc.egov.usda.gov/efcommon/eFileServices/eForms/RD4280-2.PDF)     3. Reporting Requirements. The following reporting requirements apply to awards made through this ***program***.     i. Performance Reports: Form SF-PPR, ``Performance Progress Report,'' must be submitted quarterly based on the following time periods: January 1-March 31, April 1-June 30, July 1-September 30, and October 1-December 31. Quarterly reports are due within 30 ***calendar*** days of the end of the reporting period. A final report is due within 90 ***calendar*** days of the completion of the project or the end of the period of performance, whichever comes first. Both quarterly and final performance reports must be submitted electronically to 202-568-9832 or [*Christine.Sorensen@wdc.usda.gov*](mailto:Christine.Sorensen@wdc.usda.gov)     ii. Financial Report: Form SF-425, ``Federal Financial Report'' must be submitted quarterly based on the following time periods: January 1-March 31, April 1-June 30, July 1-September 30, October 1- December 31. Quarterly reports are due within 30 ***calendar*** days of the end of the reporting period. A final report is due within 90 ***calendar*** days of the completion of the project or the end of the period of performance, whichever is comes first. Both quarterly and final reports must be submitted electronically to [*Christine.Sorensen@wdc.usda.gov*](mailto:Christine.Sorensen@wdc.usda.gov)     iii. Report Suitable for Public Distribution: A report suitable for public distribution that describes the accomplishments of the project is due within 90 ***calendar*** days of the completion of the project. There is no format prescribed for this report, but it is expected that it will be 1-2 pages in length and describe the project in such a way that a member of the public not familiar with the project would gain an understanding of the impact of the project.

VII. Federal Awarding Agency Contact

    If you have questions, you may contact Christine Sorensen at 202- 568-9832 or [*Christine.Sorensen@wdc.usda.gov*](mailto:Christine.Sorensen@wdc.usda.gov)

VIII. Notice to Applicants

    The Federal Government is not obligated to make any Federal award as a result of this announcement. Only authorized Federal officials can bind the Federal Government to the expenditure of funds.

IX. Nondiscrimination Statement

    In accordance with Federal civil rights law and U.S Department of ***Agriculture*** (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA ***programs*** are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance ***program***. Political beliefs, or reprisal or retaliation for prior civil rights activity, in any ***program*** or activity conducted or funded by USDA (not all bases apply to all ***programs***). Remedies and complaint filing deadlines vary by ***program*** or incident.     Persons with disabilities who require alternative means of communication for ***program*** information (e.g , Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARTET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, ***program*** information may be made available in languages other than English.     To file a ***program*** discrimination complaint, complete the USDA ***Program*** Discrimination Complaint Form, AD-3027, found online at: [*http://www.ascr.usda.gov/complaint\_filing\_cust.html*](http://www.ascr.usda.gov/complaint_filing_cust.html), and at any USDA office or write a letter addressed to USDA and provide in the letter all of the

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information requested in the form. To request a copy of a complaint form, call, (866) 632-9992. Submit your completed form or letter to USDA by:     1. Mail: U.S Department of ***Agriculture***, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue SW, Washington, DC 20250-9410;     2. Fax: (202) 690-7442; or     3. Email at: [***program****.intake@usda.gov*](mailto:program.intake@usda.gov)     USDA is an equal opportunity provider, employer, and lender.

    Dated: August 10, 2018. Anne Hazlett, Assistant to the Secretary, USDA Rural Development. BILLING CODE 3410-15-P

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[***FEDERAL REGISTER: Rural Development Cooperative Agreement Program Pages 41046 - 41056 [FR DOC # 2018-17765]***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5T4K-PM91-F0YC-N4TN-00000-00&context=1516831)

Impact News Service

August 17, 2018 Friday

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**Length:** 8717 words

**Body**

Washington: Office of the Federal Register has issued the following notice:

DEPARTMENT OF ***AGRICULTURE*** Rural Business-Cooperative Service Rural Housing Service Rural Utilities Service Rural Development Cooperative Agreement ***Program*** AGENCY: Rural Development USDA. ACTION: Notice. ----------------------------------------------------------------------- SUMMARY: The Assistant to the Secretary for Rural Development (Agency) is seeking applications to support regional economic development planning efforts in rural communities under the Rural Economic Development Innovation (REDI) initiative. This funding opportunity will be administered by the Rural Development Innovation Center, in partnership with the Rural Business-Cooperative Service. The Agency is announcing up to $750,000 in competitive cooperative agreement funds in fiscal ***year*** (FY) 2018. Rural Development Agency may select one, multiple, or no award recipients.

The Agency reserves the right to withhold the awarding of any funds if no application receives a score of at least 60 points. This Notice lists the information needed to submit an application for these funds. This Notice announces that the Agency is accepting FY 2018 applications to support REDI. DATES: The deadline for receipt of a complete application is midnight Eastern Standard Time on Wednesday, September 5, via [*www.grants.gov*](http://www.grants.gov) The Agency will not consider any application received after the deadline. After an applicant submits an application via grants.gov, all applicants must email [*RD.Innovation@osec.usda.gov*](mailto:RD.Innovation@osec.usda.gov) to confirm application and receipt of the application package. Applicants who have been selected for funding will receive a letter of official notification and will be awarded a cooperative agreement authorized under 7 U.S.C 2204b(b)(4). Pending funding availability, all awards will be made no later than September 30, 2018. [[Page 41047]] Applicants should plan their projects based on a start date of September 30, 2018 and must be completed within 24 months. ADDRESSES: The deadline for receipt of an application is midnight Eastern Standard Time on Wednesday, September 5, 2018. Applications may be submitted electronically through the Grants.gov system or through email to [*RD.Innovation@osec.usda.gov*](mailto:RD.Innovation@osec.usda.gov) Note that there are registration requirements for submitting applications using the Grants.gov system. We recommend that you review the instructions for registering as soon as possible, but at least two weeks before you plan to submit your application. The requirements can be viewed at:   [*http://grants.gov/applicants/organization\_registration.jsp*](http://grants.gov/applicants/organization_registration.jsp) Your application will be rejected by Grants.gov if you miss the deadline and the Agency will not consider any application received after the deadline. FOR FURTHER INFORMATION CONTACT: Question about this announcement can be directed to Christine Sorensen, Regional Coordinator, via 202-568- 9832 or [*Christine.Sorensen@wdc.usda.gov*](mailto:Christine.Sorensen@wdc.usda.gov) SUPPLEMENTARY INFORMATION: Preface The Agency encourages applications that will support recommendations made in the Rural Prosperity Task Force report to help improve life in rural America (   [*www.usda.gov/ruralprosperity*](http://www.usda.gov/ruralprosperity)). Applicants are encouraged to consider projects that provide measurable results in helping rural communities build robust and sustainable economies through strategic investments in infrastructure, partnerships, and innovation. Key strategies include:  Achieving e-Connectivity for Rural America.      Developing the Rural Economy.      Harnessing Technological Innovation.      Supporting a Rural Workforce.      Improving Quality of Life.

Paperwork Reduction Act

    It is anticipated that the anticipated number of respondents affected by this information collection is less than 10 entities and therefore, this Notice contains no reporting or recordkeeping provisions requiring Office of Management and Budget (OMB) approval under the Paperwork Reduction Act of 1995 (44 U.S.C Chapter 35).

Overview

    Federal Agency Name: U.S Department of ***Agriculture***, Rural Development.     Funding Opportunity Title: Rural Development Cooperative Agreement ***Program***.     Announcement Type: Notice of Funding Availability (NOFA).     Catalog of Federal Domestic Assistance (CFDA) Number: 10.890     Application Due Date: All required application documents must be submitted by midnight Eastern Standard Time on Wednesday, September 5 electronically via [*www.grants.gov*](http://www.grants.gov) Applicants submitting proposals must also confirm receipt and email [*RD.Innovation@osec.usda.gov*](mailto:RD.Innovation@osec.usda.gov) to confirm application and receipt of the application package. Applicants who have been selected for funding will receive a letter of official notification. Pending funding availability, all awards will be made no later than September 30, 2018. Applicants should plan their projects based on a start date of September 30, 2018 and must be completed within 24 months.     For More Information: Questions about this announcement can be directed to Christine Sorensen, Regional Coordinator, via 202-568-9832 or [*Christine.Sorensen@wdc.usda.gov*](mailto:Christine.Sorensen@wdc.usda.gov)

A. ***Program*** Description

    USDA Rural Development (RD) is authorized to administer cooperative agreement awards in accordance with 7 U.S.C 2204b(b)(4). Rural Economic Development Innovation (REDI) aims to strengthen the capacity of rural communities (50,000 people or less in the United States plus Tribes and territories) in implementing strategic community and economic development plans as referenced in Section 379H of the Consolidated Farm and Rural Development Act (7 U.S.C 2008v). The goal of this funding announcement is to solicit applications to provide cooperative agreement funding to eligible applicants to enable them to provide technical assistance and training and actionable planning of implementation of strategic community and economic development plans. Supporting regional economic development plans help rural communities overcome multi-jurisdictional challenges and better leverage Federal, state, local or private funding.     For purposes of this proposal, a quality regional economic plan will include but not be limited to the following:      Evidence-based understanding of community assets, challenges and opportunities.      Goals are focused, logical, targeted and timely with tasks identified and with a responsible party assigned.      The plan was created through broad community participation, public input and buy-in.      The format must be persuasive in a non-technical manner.      The plan makes clear how each of its strategies is intended to help produce, either directly or indirectly, improvements in the local and regional economy.      Regional economic development plans developed through REDI assistance should identify possible projects to be funded through RD ***programs*** and/or other Federal, state, local or private sector resources.     This funding opportunity expands rural communities' ability to access planning resources to convene, identify needs, create actionable economic development plans, and implement project priorities to improve quality of life in rural communities. Quality of life is a measure of human well-being that can be identified though economic and social indicators. Modern utilities, affordable housing, efficient transportation and reliable employment are economic indicators that must be integrated with social indicators like access to medical services, public safety, education and community resilience to empower rural communities to thrive. Economic development plans developed through this funding opportunity should focus on one or more of these economic and/or social indicators.     Applicants are encouraged to consider regional planning projects that provide measurable results in helping rural communities built robust and sustainable economies through strategic investments in infrastructure, partnerships, and innovation. Such projects should also support rural communities' ability to qualify for priority funding under Section 379H of the Consolidated Farm and Rural Development Act [7 U.S.C 2008v].     This approach to comprehensive rural community development is unique in its attempt to improve rural communities in a way that is (1) rooted in emphasizing partnerships and collaboration among multiple public agencies and community partners and (2) focused on combining state resources to make wide-ranging quality-of-life impacts as opposed to separate, piecemeal, incremental improvements.

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B. Federal Award Information

    1. Estimated Funding: Interested applicants shall only propose applications with scope of work/budget that does not exceed $750,000 in Federal funding.     2. Start Date and Performance Period: Projects may be up to 2 ***years*** in duration. Applicants should plan their projects based on a project start date of September 30, 2018 and a project end date of no later than September 30, 2020.     3. Type of Federal Award: Cooperative Agreement. Rural Development will be substantially involved in the work performed under each approved cooperative agreement. Substantial involvement may include but is not limited to collaboration, participation, oversight, and control of the following:     i. Authority to suspend work if specification or work statements are not met;     ii. Review and approval of one stage of work before another may begin;     iii. Review and approval of substantive provisions of proposed sub- grants or contracts;     iv. Prior review and approval of key personnel; and     v. Agency collaboration and coordination with respect to deliverables and execution of the work plan. At a minimum, applicants should anticipate Agency participation in the selection of communities to receive regional planning assistance; the convening of community members, partners, and stakeholders; the delivery of training on RD ***programs*** and/or economic development principles; and the review/ approval of regional economic development plans for purposes of priority funding under Section 379H of the Consolidated Farm and Rural Development Act (7 U.S.C 2008v).     4. Number of Awards: The Agency anticipates that it may select one, multiple, or no award recipients from this notice of funding availability. The Agency reserves the right to withhold the awarding of any funds if no application receives a minimum score of at least 60 points.     5. Eligibility of renewal or Supplemental Project Applications: Applications for renewal or supplementation of any existing Federal awards are not eligible for this new Federal award. An application for renewal means a proposal submitted to continue an existing agreement by adding components to an existing agreement in order to meet the objectives of this solicitation.

C. Eligibility Information

    Applicants must meet all of the following eligibility requirements by the application deadline. Applications which fail to meet any of these requirements by the application deadline will be deemed ineligible and will not be evaluated further and will not receive a Federal award.     1. Applicant Eligibility: Federally-recognized Tribes, institutions of higher education, nonprofit organizations, or private organizations with a demonstrated national structure and/or capacity to deliver and support multiple rural planning activities across the nation are eligible applicants. Entities are not eligible if they have been debarred or suspended or otherwise excluded from or ineligible for participation in Federal assistance ***programs*** under Executive Order 12549, ``Debarment and Suspension.'' In addition, an applicant will be considered ineligible for a cooperative agreement due to an outstanding judgment obtained by the U.S in a Federal Court (other than U.S Tax Court), is delinquent on the ***payment*** of Federal income taxes, or is delinquent on Federal debt.     2. Eligible Project Purposes: The Project purpose must be to strengthen the capacity of rural communities (50,000 people or less in the United States plus Tribes and territories) in developing and implementing regional plans for economic development as referenced in Section 379H of the Consolidated Farm and Rural Development Act. Eligible project purposes must include the two facets of technical assistance:     i. Planning Technical Assistance: The proposed project should provide planning technical assistance to rural communities by assisting in the development of regional economic development plans. Proposals should include descriptions on how technical assistance will result in actionable steps to support implementation of these plans. The proposed project should also provide technical assistance to expand rural communities' ability to access funding and planning resources to convene community members.     ii. Implementation Technical Assistance: The proposed project should provide technical assistance toward implementation of the project priorities emerging from the regional economic development plans. The technical assistance should include strategies for enhancing communities' efforts at leveraging Federal, state, local, and/or private funding to build resilient communities and improve quality of life. The applicant will demonstrate how their proposal will utilize partnerships outside of RD. The applicant will identify such partnerships and will demonstrate how they will provide access to such partnerships to support implementation of projects identified through development of regional economic development plans. The proposed project should also describe how it will support implementation of multi-jurisdictional and/or multi-sector regional economic development plans, as described in Section 379H of the Consolidated Farm and Rural Development Act.     3. Cost Sharing or Matching Requirements: There is a dollar or in- kind matching requirement that is at least equal to the amount of the cooperative agreement award. If this matching fund requirement is not met, the application will be deemed ineligible. Matching requirements are cash, confirmed funding commitments and/or third party in-kind contributions as defined in 2 CFR 200.96 that are at least equal to the cooperative agreement amount and committed for a period of not less than the cooperative agreement performance period. Applicants must recruit one or more private and/or public partner(s) to match one-for- one (in cash and/or in-kind contributions) the applicant's proposed funding request. Cost sharing/matching must be committed at the time of application submission. Applications must include written verification of commitments of cost sharing or matching support (including both cash and in-kind contributions) from third parties. Cost sharing or matching funds must meet the criteria stated at 2 CFR 200.306 and be valued in accordance with 2 CFR 200.306(d).     Additional details about cost sharing or matching funds/ contributions is located at 2 CFR 200.306 Applicant matching funds must be included in the budget narrative. For matching funds offered by project partners, a separate commitment letter is required for each cash and/or in-kind match contribution. Commitment letters must be signed by the authorized organizational representative of the contributing organization and the applicant organization, which must include: (i) The name, address, and telephone number of the contributor; (ii) the name of the applicant organization; (iii) the title of the project for which the contribution is made, (iv) the dollar amount of the contribution; and (v) a statement that the contributor commits to furnish the contribution during the cooperative agreement period.

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    Applications without signed written commitments are deemed incomplete and will be ineligible. The value of applicant contributions to the project is established according to Federal cost principles. Applicants should refer to 2 CFR 200.306 for additional guidance on matching funds, in-kind contributions, and allowable costs.     4. Substantial Involvement: Proposed project must include a component that allows for active participation by the Agency in the majority of tasks. Examples of substantial involvement include but are not limited to the following: Joint-selection of communities to receive regional planning assistance; joint-convening of community members, partners, and stakeholders; joint-delivery of training on RD ***programs*** and/or economic development principles; and joint-review/approval of regional economic development plans for purposes of priority funding under Section 6025 Strategic Economic and Community Development. It is the intent of this project to engage Agency and state RD staff in the development of regional economic development plans and it is the responsibility of the applicant to identify tasks where RD staff can provide substantial involvement in the project. If you do not identify those tasks, your application is not eligible for funding.     5. Use of Funds: Use of project funds (including Federal and matching) must be consistent with the project purpose to strengthen the capacity of rural communities in developing and implementing regional plans for economic development. A non-exclusive list of eligible fund uses include: Costs incurred for the services of personnel actually engaged in the project, including share of employee benefits, travel and per diem expenses, costs of expendable supplies, and travel and per diem expenses associated with travel to USDA Headquarters in Washington, DC to coordinate and collaborate on project tasks. Use of funds must be allowable in adherence with 2 CFR part 200.     If you include funds in your budget that are unallowable, RD will consider the application for funding only if the unallowable costs total 10 percent or less of the total project budget, including Federal and matching funds. However, if the application is successful, those unallowable costs must be removed from the budget before RD will make an award. If RD cannot determine the percentage of unallowable costs or the amount of those costs exceeds 10 percent of the total project budget, the application will not be considered for funding.     6. Rural Area: The project must directly benefit a rural area. All ultimate beneficiaries and/or subrecipients must be located in rural areas, and any activities or tasks must occur in rural areas. The term `rural area' means the Rural Business Service's Rural Area definition as out lined in Section 343(a)(13)(A)(i) of the Consolidated Farm and Rural Development Act which states: Any area other than: (1) A city or town that has a population of greater than 50,000 inhabitants; and (2) any urbanized area contiguous and adjacent to such a city or town.     7. Number of Applications: You cannot submit more than one application for this Notice.

D. Application and Submission Information

    1. Address to Request Application Page. All necessary forms can be found within the Grants.gov ``Application Package.''     2. Content and Form of Application Submission. There is no pre- application process for this announcement. All checklist, application, and standard forms necessary for submission are included in the Grants.gov application package. Applications that are incomplete or fail to comply with the required content and formatting requirements will not be considered for funding.     i. Content and Format: Each page must be on numbered, letter-sized (8\1/2\ x 11) paper utilizing a white background that has 1'' margins; and the text of the application must be typed, single spaced, black, and in a font no smaller than 12 point.     ii. Executive Summary (1-page maximum): On a single page, provide the applicant entity name, duration of project in months, amount of Federal funding requested, amount of non-Federal cost-share/match funding committed, and project title. Identify geographic locations, and describe in non-technical language the issue or problem rural communities have in accessing economic development planning resources, the objectives to address this issue, the innovative approach to be employed (including the role of participating partners), how impact will be quantified, and the predicted benefits or deliverables of the project.     iii. Standard Application Form: Standard Form 424, ``Application for Federal Assistance'' is included as part of the application package posted on Grants.gov Instructions for completing the form are also included.     iv. Applicant Qualifications (1-2 pages): Summary of the qualifications of the applicant organization is required. Interested applicant must have the organizational capacity, experience, and knowledge of rural planning needs and must meet the following minimum requirements:     a. Demonstrate national structure and/or capacity to support multiple rural planning activities across the nation;     b. Demonstrate knowledge and prior experience in regional planning, particularly related to rural issues;     c. Demonstrate capacity to assist rural communities to develop regional plans such as access to data for needs assessment and planners and other technical capacity on staff; and     d. Demonstrate knowledge and prior experience of leveraging other community-driven plans or projects such as Comprehensive Economic Development Strategies (CEDS) or other Federally-recognized regional economic development plans.     v. Key Personnel Qualifications (1-2 pages): Summary of the qualifications of each key person, including the project director, is required. Resumes or CVs will not be accepted. The summary should include relevant education, ***years*** of relevant experience, a description of skills relevant to the person's work on the proposed project, and the person's key accomplishments. If you expect to contract out a portion of the proposed work, but have not hired the contractor, you must include a summary of the qualifications you will require from the contractor.     vi. Project Proposal (15-page maximum): The project proposal must include a proposed Work Plan, along with the following information in order:     a. Project Background.     b. Project Objectives.     c. Project Approach/Methods.     d. Theory of Change.     e. Geographic Locations or Project Areas.     f. Project Management (Applicants are required to include a Work Plan Chart that lists each major Task by Key Personnel involved, Time Period of the task, Substantial Involvement of Rural Development staff, Deliverables, and Budget associated with each task).     g. Performance Metrics.     h. Graphics, References, Citations (Do not count against the 15- page maximum).     A Work Plan Chart template is available for applicants as part of this funding opportunity on grants.gov     vii. Budget Information (10-page maximum): The budget portion of the application consists of two parts as described below:

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    a. Standard Form (SF) 424A, ``Budget Information'': Non- Construction ***Programs***. The SF-424A is included as part of the application package posted on Grants.gov     b. Detailed Budget Narrative: Provide a detailed narrative in support of the budget for the project, broken down by task. Discuss how the budget specifically supports the proposed activities. Justify the project cost effectiveness and include justification for personnel and consultant salaries with a description of duties. Statement(s) of work for any subcontractors and consultants must be included as part of the application. The budget narrative should include both the Federal funds requested and the applicant's matching funds. The format of the budget narrative can be in a chart, spreadsheet, table, etc. It should be readable on letter-size, printable pages. The information needs to be presented in such a way that the reviewers can readily understand what expenses are incurred to support the project.     viii. Certifications: All proposals must include the following signed certification forms, which are available at Grants.gov:     a. AD-3030, ``Representations Regarding Felony Conviction and Tax Delinquent Status for Corporate Applicants.'' The AD-3030 must be submitted if entity is a corporate non-profit or for-profit corporation as indicated in the applicants SAM registration.     b. AD-3030, ``Representations Regarding Felony Conviction and Tax Delinquent Status for Corporate Applicants.'' The AD-3030 must be submitted if entity is a corporate non-profit or for-profit corporation as indicated in the applicants SAM registration.     c. SF-424B, ``Assurances for Non-Construction ***Programs***.'' The SF- 242B must be completed by all applicants.     d. SF-424B, ``Assurances for Non-Construction ***Programs***.'' The SF- 242B must be completed by all applicants.     ix. Verification of Matching Funds. You must provide verification of all matching funds that will be contributed to the project. You must include a letter signed by the donating organization's authorized representative on the organization's letterhead that identifies the amount of matching funds, the time period during which matching funds will be available, and the source of the funds (e.g , cash on hand, etc.). See Section Eligibility Information (C 3) for more information.     x. Risk Review: The Agency may request additional documentation from selected applicants in order to evaluate the financial, management, and performance risk posed by awardees as required by 2 CFR 200.205 Based on this risk review, the Agency may apply special conditions that correspond to the degree of risk assessed.     xi. National Environmental Policy Act: This Notice has been reviewed in accordance with 7 CFR part 1970, ``Environmental Policies and Procedures.'' We have determined that an Environmental Impact Statement is not required because the issuance of regulations and instructions, as well as amendments to them, describing administrative and financial procedures for processing, approving, and implementing the Agency's financial ***programs*** is categorically excluded in the National Environmental Policy Act (NEPA) regulation found at 7 CFR 1970.53(f). We have determined that this Notice does not constitute a major Federal action significantly affecting the quality of the human environment.     xii. Civil Rights Compliance Requirements: All awards made under this Notice are subject to Title VI of the Civil Rights Act of 1964 as required by 7 CFR part 15, subpart A and Section 504 of the Rehabilitation Act of 1973.     3. Unique entity identifier and System for Award Management (SAM). DUNS and SAM Numbers: Each applicant (unless the applicant is an individual excepted from those requirements under 2 CFR 25.110(b) or (c), or has an exception approved by the Federal awarding agency under 2 CFR 25.110(d)) is required to: (i) Be registered in SAM before submitting its application; (ii) provide a valid unique entity identifier (Data Universal Numbering System (DUNS) number) in its application; and (iii) continue to maintain an active SAM registration with current information at all times during which it has an active Federal award or an application or plan under consideration by a Federal awarding agency. The Agency may not make a Federal award to an applicant until the applicant has complied with all applicable unique entity identifier and SAM requirements and, if an applicant has not fully complied with the requirements by the time Agency is ready to make a Federal award, Agency may determine that the applicant is not qualified to receive a Federal award and use that determination as a basis for making a Federal award to another applicant. Applicants must obtain a DUNS and register in SAM prior to registering with Grants.gov Applicants are strongly encouraged to apply early for their DUNS number and SAM registration.     i. Data Universal Numbering System (DUNS) Number: A DUNS number is a unique, nine-digit sequence recognized as the universal standard for identifying and keeping track of over 70 million businesses worldwide. Applicants must obtain a DUNS number. Information on how to obtain a DUNS number can be found at [*http://fedgov.dnb.com/webform*](http://fedgov.dnb.com/webform) or by calling 1-866-705-5711. Please note that the registration may take up to 14 business days to complete.     ii. System for Award Management (SAM) Registration: SAM is the official Federal system that consolidated the capabilities of Central Contractor Registry, Federal Agency Registration, Online Representations and Certifications Application, and Excluded Parties List System. To register, go to:   [*https://www.sam.gov/portal/public/SAM/*](https://www.sam.gov/portal/public/SAM/). Please allow a minimum of 5 days to complete the SAM registration.     4. Submission Dates and Times. Midnight Eastern Standard Time on September 5, 2018. You must submit your application using Grants.gov by the deadline date and time. Note that there are registration requirements for submitting applications using the Grants.gov system. We recommend that you review the instructions for registering as soon as possible, but at least two weeks before you plan to submit your application. The requirements can be viewed at:   [*http://grants.gov/applicants/organization\_registration.jsp*](http://grants.gov/applicants/organization_registration.jsp) Your application will be rejected by Grants.gov if you miss the deadline. We will not accept it in a different format, and we will not consider it for funding.     i. Acknowledgement of receipt: Grants.gov provides receipt of application submissions. The Agency acknowledges receipt of proposals received by the submission deadline via email. An applicant who does not receive such an email acknowledgement within 5 business days of the submission deadline, but believes the proposal was submitted within the submission deadline, must contact the Agency at 202-568-9832 or [*Christine.Sorensen@wdc.usda.gov*](mailto:Christine.Sorensen@wdc.usda.gov) within 10 business days of the submission deadline. Failure to do so may result in the proposal not being considered.     ii. Withdrawal: Proposals may be withdrawn by written notice at any time before award execution. Written notice of withdrawal must be signed by the applicant or an authorized representative.     All required application documents must be submitted by midnight Eastern Standard Time on Wednesday,

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September 5 via [*www.grants.gov*](http://www.grants.gov) AND by emailing [*RD.Innovation@osec.usda.gov*](mailto:RD.Innovation@osec.usda.gov)     Submitting an application through   [*www.grants.gov*](http://www.grants.gov) requires completing a variety of tasks and steps. There are also several preliminary registration steps before the applicant can submit the application. To register in the Grants.gov system, go to   [*www.grants.gov*](http://www.grants.gov), click on ``Applicants'', then click on ``Get Registered.'' If you have completed a prior Grants.gov application, you may already have completed the registration process.     Please allow sufficient time to register in Grants.gov, and for possible system delays. Below are instructions for accessing the forms necessary to complete an application in Grants.gov:     i. Go to   [*www.grants.gov*](http://www.grants.gov) Information about submitting an application using Grants.gov is located on the Grants.gov website, along with supplementary materials.     ii. Select the ``Applicant'' tab.     iii. Select the ``Apply for Grants'' heading.     iv. Click on ``Get Application Package.'' Follow all steps.     v. Provide the ``Funding Opportunity Number'' or return to the ``Search Grants'' section.     vi. All necessary forms are included within the Grants.gov ``Application Package.''     Applications not received through Grants.gov by the submission due date and time are not accepted for consideration. The emailed application must be assembled into one pdf file document in the order specified in section IV, part A. All applications must contain all of the elements of a complete package and meet the requirements described in this announcement. Grants.gov provides instructions for submitting the required application items through the portal. Application receipt date and time will be determined by the respective system-generated documentation of receipt date and time (Grants.gov provides date and time stamps for all proposals submitted through the portal).     The Agency is not responsible for any technical malfunctions or website problems related to Grants.gov or emailed submissions. If you encounter issues with Grants.gov, please contact the Grants.gov help desk at (800) 518-4726 or grants.gov'>[*support@grants.gov*](mailto:support@grants.gov) The applicant assumes the risk of any delays in application submission through Grants.gov     5. Intergovernmental Review. Intergovernmental Review: Executive Order (E.O ) 12372, Intergovernmental Review of Federal ***Programs***, applies to this ***program***. This E.O requires that Federal agencies provide opportunities for consultation on proposed assistance with State and local governments. Many States have established a Single Point of Contact (SPOC) to facilitate this consultation. A list of States that maintain an SPOC may be obtained at:   [*http://www.whitehouse.gov/omb/grants\_spoc*](http://www.whitehouse.gov/omb/grants_spoc). If your State has an SPOC, you must submit your application directly for review. Any comments obtained through the SPOC must be provided to us for consideration as part of your application. If your State has not established an SPOC, we will submit your application to the appropriate agency or agencies at our discretion. Applications from Federally-recognized Indian Tribes are not subject to Intergovernmental Review.     6. Funding Restrictions.     i. Pre-award Costs. Pre-award costs are not authorized.     ii. Use of Funds. Award funds may be used to pay up to 50 percent of the project costs.     iii. Period of Performance. The maximum Period of Performance is 2 ***years***. Applicants should anticipate a Period of Performance beginning September 30, 2018 and ending no later September 30, 2020.     iv. Indirect Cost Rate. The indirect cost rate is limited to 10 percent of direct charges for all nonprofit institutions, including institutions of higher education. All other organizations must use the rate identified in their Negotiated Indirect Cost Rate Approval (NICRA). If you do not have a NICRA, you may elect to charge only direct costs to the award. If you have never had a NICRA, you may also choose to use a de minimis rate of 10 percent of modified total direct costs in accordance with 2 CFR 200.414(f). Your indirect cost rate must be included on Form SF-424A.     v. ***Program*** Income. If you expect to earn ***Program*** Income during the Period of Performance, you must identify the amount and how you expect to use it (e.g Matching Funds) in your application. If your application is funded, unexpected ***Program*** Income or ***Program*** Income earned in excess of the amount you identify in your application will be deducted from the Federal share of the project in accordance with 2 CFR 200.307(e)(1).     vi. Prohibited Costs. In addition to costs identified as unallowable by 2 CFR part 200, the following costs are prohibited for this ***program***. Neither award funds nor matching funds can be used to pay for the following types of expenses.     a. Duplicating services currently provided;     b. Funding a revolving loan fund;     c. Construction (in any form);     d. Salaries for positions involved in construction, renovations, rehabilitation, and any oversight of these types of activities;     e. Intermediary preparation of strategic plans for recipients;     f. Funding prostitution, gambling, or any illegal activities;     g. Grants to individuals;     h. Funding a grant where there may be a conflict of interest, or an appearance of a conflict of interest, involving any action by the Agency;     i. Providing assistance to only one individual, organization, or business;     j. Paying obligations incurred before the beginning date without prior Agency approval or after the ending date of the cooperative agreement;     k. Purchasing real estate;     l. Improvement or renovation of the recipient's office space or for the repair or maintenance of privately owned vehicles;     m. Any purpose prohibited in 2 CFR part 200 or 400;     n. Using cooperative agreement assistance or matching funds for Individual Development Accounts;     o. Purchasing vehicles.

V. Application Review Information

    Applications will first be reviewed to determine if they meet the eligibility requirements and comply with the funding restrictions in this Notice. If we determine that your application is ineligible, we will discontinue processing it, which means that we will not evaluate it further or provide any scoring information. We will notify you in writing regarding the reason(s) for ineligibility, and we will provide a description of your options if you believe that our determination is incorrect. Note that in the event that our determination is reversed, either due to the discovery of an Agency error or through a formal appeal, funding is restricted to available fiscal ***year*** 2018 funds.     If your application is determined to be eligible, we will further evaluate it based on the following criteria. All applications will be competitively ranked and the minimum score requirements for a cooperative agreement award under this Notice is 60 points.     1. Evaluation Criteria: We will only use the information that you provide in your application to evaluate your proposed project. We will not review references to websites or publications, so we encourage you to fully address each criterion.

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    i. Soundness of Approach (0-20 points). The applicant can receive up to 20 points for soundness of approach. The maximum 20 points for this criterion will be based on the following:     a. The objectives must be clearly stated in the proposal and the applicant must define how this proposal will be implemented. The applicant must demonstrate how the proposal will strengthen the capacity of rural communities in developing and implementing regional plans for economic development. The applicant must demonstrate how the proposed technical assistance includes both the planning and implementation components referenced in Section C. The applicant must also demonstrate how the proposed technical assistance will expand rural communities' ability to access funding and planning resources to convene community members. The applicant must also demonstrate how the proposal will support implementation of regional economic development plans and should include descriptions on how proposed technical assistance will result in actionable steps to support implementation of these plans. (10 points)     b. The applicant clearly outlines their ability to provide the proposed technical assistance based on clearly stated and well- documented prior accomplishments. (5 points)     c. The proposal clearly outlines how it will implement activities to support alignment with one or more of the five key strategies (achieving e-connectivity, developing the rural economy, harnessing technological innovation, supporting a rural workforce, and improving quality of life in Rural America) the ***Agriculture*** and Rural Prosperity Task Force Report. (5 points)     ii. Partnerships (0-25 points). The applicant can receive up to 25 points for quality of the applicant's existing partnerships and proposed new partnerships for this effort. The applicant must recruit one or more private and/or public partners to meet match requirements and maximize leveraging of regional economic development plans developed through this project. The maximum 25 points for this criterion will be based on the following:     a. The applicant demonstrates how their proposal will focus on the quantity and quality of partnerships, including the ability to leverage new partners that have previously had limited engagement with RD projects or priorities to leverage resources, enhance technical assistance, and/or increase reach to underserved areas. The proposal must demonstrate that partners with shared missions and goals will be engaged to amplify reach in rural areas. (10 points)     b. The applicant demonstrates how their proposal will support the quantity and quality of match commitments to support this project, and percentage of match in cash form versus in-kind contributions. (5 points)     c. The applicant will demonstrate how their proposal will support the ability of applicant to leverage other community-driven plans or projects such as Comprehensive Economic Development Strategies (CEDS) or other Federally-recognized regional economic development plans. (5 points)     d. The applicant will demonstrate how their proposal will utilize partnerships outside of RD. The applicant will identify such partnerships and will demonstrate how they will provide access to such partnerships to support implementation of projects identified through development of regional economic development plans. (10 points)     iii. Innovation (0-10 points). The applicant can receive up to 10 points for innovative methods and practices to support development of regional economic development plans. The maximum 10 points for this criterion will be based on the following:     a. The applicant's proposal should demonstrate the ability of the applicant to propose methods and practices to utilize unique and innovative planning methods that are currently not being implemented at scale. (5 points)     b. The applicant's proposal should demonstrate the ability of the applicant to demonstrate that the proposed innovative methods and practices have been field-tested and ready to scale. (5 points) We are looking for unique and innovative ideas that are not currently being implemented at scale, so projects that propose innovative solutions that haven't been readily deployed before will receive higher points.     iv. Organizational Capacity & Qualifications (0-15 points). The applicant can receive up to 15 points based on organizational capacity and qualifications. The maximum 15 points for this criterion will be based on the following:     a. The applicant's proposal should demonstrate that the applicant has knowledge and prior experience in regional planning, particularly related to rural issues. The applicant should specify ***years*** of experience, types of communities served, and outcomes achieved. (10 points)     b. The applicant's proposal should demonstrate that the applicant has identified appropriate key personnel, both in terms of number of personnel and qualifications of personnel, to carry out the approach identified. Capacity of personnel to access data for needs assessments and access to planners and other technical experts will be evaluated. (5 points)     v. Work Plan (0-15 points). The applicant can receive up to 15 points based on the quality of the proposed work plan and approach. The maximum 15 points for this criterion will be based on the following:     a. Applicants should use the approved work plan template to include the following information: Description of objective, background approach, timeframe for key tasks along with substantial involvement, budget and deliverables that are necessary to implement project to support regional economic development planning in rural communities. Reasonableness and appropriateness of key tasks will be evaluated based on proposed project approach. (5 points)     b. The applicant's proposal should include a description of the types and general locations of rural communities to be served through this project, including the ability to support multiple rural planning activities across the nation and the reasonableness of effectively serving these communities based on key personnel, established timeframes, and budget. (5 points)     c. The applicant's proposal should include a description and appropriateness of the tasks to incorporate active participation from RD staff. (5 points)     vi. Performance Outcomes (0-15 points). The applicant can receive up to 15 points based on the quality of the proposed performance measures to evaluate progress and impacts of proposed project. The maximum 15 points for this criterion will be based on the following:     a. The applicant's proposal should include a description for how the results of the technical assistance will be measured, including the benchmarks to be used to measure effectiveness. Benchmarks should be specific and quantifiable. (10 points)     b. The applicant's proposal should include a description of benchmarks and outcomes achieved during previously deployed planning efforts. (5 points)     2. Review and Selection Process: All eligible applications will be evaluated based on the process described below.     i. Review Process. All eligible applications will be evaluated by an Application Review Panel using the criteria described in Section E.1 of this Notice. Panel members will be

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appointed by the Agency and they will be qualified to evaluate the applications, based on the type of work proposed by the applicant.     ii. Selection Process. Applications will be ranked in descending order, according to the scores awarded by the Panel. Applications will be funded in rank order, until all available funds have been expended. Applications at or near the funding line may be funded in part, if the Agency believes an appropriate benefit can result from partial funding and if the applicant agrees to the amount of partial funding. In the event the Agency considers partial funding to be appropriate, we will contact the applicant and negotiate the final work plan and budget prior to approving an award.     iii. Anticipated Announcement and Award Dates. All awards must be obligated by September 30, 2018.

VI. Award Administration Information

    1. Federal Award Notices:     i. Successful applicants. Successful applicants will be notified in writing by the Agency with a Letter of Conditions (LOC). The LOC is a notice of selection and does not indicate that an award has been approved, nor is it an authorization to begin performance on the award. While there may be special conditions that apply on a case-by-case basis, the following conditions are standard for all successful applicants.     a. Complete Form RD 1942-46, ``Letter of Intent to Meet Conditions.''     b. Complete Form RD 1940-1, ``Request for Obligation of Funds.''     c. Complete FMMI Vendor Code Request Form.     d. Provide a copy of your organization's Negotiated Indirect Cost Rate Agreement.     e. Certify that all work completed for the award will benefit a rural area.     f. Certify that you will comply with the Federal Funding Accountability and Transparency Act of 2006 and report information about subawards and executive compensation.     g. Certify that the U.S has not obtained an outstanding judgement against your organization in a Federal Court (other than in the United States Tax Court).     h. Execute Form SF-424B, ``Assurances--Non-Construction ***Programs***.''     i. Execute Form SF-LLL, ``Disclosure Form to Report Lobbying,'' if applicable or certify that your organization does not lobby.     j. Execute Form AD-1047, ``Certification Regarding Debarment, Suspension, and Other Responsibility Matters-Primary Covered Transactions.''     k. Obtain a certification on Form AD-1048, ``Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion- Lower Tier Covered Transactions,'' from anyone you do business with as a result of this award.     l. Execute Form AD-1049, ``Certification Regarding a Drug-Free Workplace Requirements (Grants).''     m. Execute Form AD-3031, ``Assurance Regarding Felony Conviction or Tax Delinquent Status for Corporate Applicants.''     n. Execute Form RD 400-4, ``Assurance Agreement.''     Once the conditions described in the LOC have been met, the award will be approved through the execution of Form RD 4280-2 in conjunction with the RDCA ***Program*** Attachment. If an applicant is unable to meet the conditions of the award within 90 ***calendar*** days, the award will be withdrawn.     ii. Unsuccessful applicants. Unsuccessful applicants will be notified in writing no later than October 31, 2018.     2. Administrative and National Policy Requirements. The terms of the award are available at: [*http://forms.sc.egov.usda.gov/efcommon/eFileServices/eForms/RD4280-2.PDF*](http://forms.sc.egov.usda.gov/efcommon/eFileServices/eForms/RD4280-2.PDF)     3. Reporting Requirements. The following reporting requirements apply to awards made through this ***program***.     i. Performance Reports: Form SF-PPR, ``Performance Progress Report,'' must be submitted quarterly based on the following time periods: January 1-March 31, April 1-June 30, July 1-September 30, and October 1-December 31. Quarterly reports are due within 30 ***calendar*** days of the end of the reporting period. A final report is due within 90 ***calendar*** days of the completion of the project or the end of the period of performance, whichever comes first. Both quarterly and final performance reports must be submitted electronically to 202-568-9832 or [*Christine.Sorensen@wdc.usda.gov*](mailto:Christine.Sorensen@wdc.usda.gov)     ii. Financial Report: Form SF-425, ``Federal Financial Report'' must be submitted quarterly based on the following time periods: January 1-March 31, April 1-June 30, July 1-September 30, October 1- December 31. Quarterly reports are due within 30 ***calendar*** days of the end of the reporting period. A final report is due within 90 ***calendar*** days of the completion of the project or the end of the period of performance, whichever is comes first. Both quarterly and final reports must be submitted electronically to [*Christine.Sorensen@wdc.usda.gov*](mailto:Christine.Sorensen@wdc.usda.gov)     iii. Report Suitable for Public Distribution: A report suitable for public distribution that describes the accomplishments of the project is due within 90 ***calendar*** days of the completion of the project. There is no format prescribed for this report, but it is expected that it will be 1-2 pages in length and describe the project in such a way that a member of the public not familiar with the project would gain an understanding of the impact of the project.

VII. Federal Awarding Agency Contact

    If you have questions, you may contact Christine Sorensen at 202- 568-9832 or [*Christine.Sorensen@wdc.usda.gov*](mailto:Christine.Sorensen@wdc.usda.gov)

VIII. Notice to Applicants

    The Federal Government is not obligated to make any Federal award as a result of this announcement. Only authorized Federal officials can bind the Federal Government to the expenditure of funds.

IX. Nondiscrimination Statement

    In accordance with Federal civil rights law and U.S Department of ***Agriculture*** (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA ***programs*** are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance ***program***. Political beliefs, or reprisal or retaliation for prior civil rights activity, in any ***program*** or activity conducted or funded by USDA (not all bases apply to all ***programs***). Remedies and complaint filing deadlines vary by ***program*** or incident.     Persons with disabilities who require alternative means of communication for ***program*** information (e.g , Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARTET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, ***program*** information may be made available in languages other than English.     To file a ***program*** discrimination complaint, complete the USDA ***Program*** Discrimination Complaint Form, AD-3027, found online at: [*http://www.ascr.usda.gov/complaint\_filing\_cust.html*](http://www.ascr.usda.gov/complaint_filing_cust.html), and at any USDA office or write a letter addressed to USDA and provide in the letter all of the

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information requested in the form. To request a copy of a complaint form, call, (866) 632-9992. Submit your completed form or letter to USDA by:     1. Mail: U.S Department of ***Agriculture***, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue SW, Washington, DC 20250-9410;     2. Fax: (202) 690-7442; or     3. Email at: [***program****.intake@usda.gov*](mailto:program.intake@usda.gov)     USDA is an equal opportunity provider, employer, and lender.

    Dated: August 10, 2018. Anne Hazlett, Assistant to the Secretary, USDA Rural Development. BILLING CODE 3410-15-P

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**Load-Date:** August 28, 2018

**End of Document**



[***THE BANKER TECH PROJECTS AWARDS 2018***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SXT-1BB1-JCBX-G4CV-00000-00&context=1516831)

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**Section:** NEWS; Pg. 26,27,28,30,32,34,36,37

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**Body**

Congratulations to all the winners in The Banker's teCh ProjeCts awards 2018. Now in its 16th ***year***, these awards recognise the most innovative, imaginative and successful projects in financial technology from around the world. This ***year***'s submissions were impressive examples of how the industry is responding to changing customer needs, as well as empowering staff to better serve customers.

The Banker added a new category - fintech partnerships - to the Tech Projects Awards in 2018, recognising the role startups are playing in encouraging innovation across the industry. And the inspiring entries submitted to the inaugural category were testament to the fact that value is being derived from deeper collaboration between incumbents and the start-up community. Take note: the days of free proofs of concept are well and truly in the past.

This ***year***, digital transformation was by far the most coveted award category, as banks continue to modernise their IT architectures to compete in a fast-moving and agile environment. This award attracted almost double the number of entries compared with the ***year*** previous, emphasising how deep digitalisation is penetrating inside the banks. Most financial institutions have come to the realisation that a truly digital business goes well beyond a snazzy front end and are now focused on transforming the whole organisation from front to back.

But digital transformation is not just about the technology - people are a critical component. This ***year***'s category winner, Société Générale, emphasised the culture shift that it had orchestrated in the bank to create a more agile and creative organisation.

Mobile is the second most popular category and many banks are incorporating artificial intelligence (AI)-driven chatbots, or virtual assistants, into their mobile app to improve customer experience and attract the millennial generation to their mobile platform. Additionally, banks are putting great effort into extending the functionality of their mobile offerings, yet always with an intuitive interface, simplicity and security top of mind. Many included their customers in the development, design and testing of new features, ensuring an offering suited to them.

Another category that saw the number of entries almost double ***year*** on ***year*** is distributed ledger technology (DLT), commonly known as blockchain. More importantly, the majority of submissions illustrated real-life applications, which has led many to designate 2018 as a breakthrough ***year*** for the technology. This is a significant shift in the maturity of projects in previous ***years***, which were mainly in experimentation phase. Interestingly, DLT is being applied to a variety of areas in financial services, from ***payments*** and trade finance to corporate actions and securities lending.

An overarching trend coming to the fore - whether in AI and robotics, application ***programming*** interfaces, delivery channels, ***payments***, social media or trading platforms - is the industry's aspiration to provide "hyper-personalised, predictive and preemptive services", as described by one of our judges, a trend that will only grow stronger as technology evolves. The judging panel is looking forward with anticipation to next ***year***'s submissions.

The Banker would like to thank the judges for their time and tremendous work in judging the vast array of impressive projects - it was not an easy job and their commitment is worthy of a round of applause.

GLOBAL, DATA WINNER: JPM ASSET MANAGEMENT Project name: Single View of Client JPMorgan Asset Management (JPMAM) has outshone its rivals this ***year***, picking up the data category award for its 'Single View of the Client' (SvC) project, as well as the overall global award.

The team finished in the top percentile in several categories, including artificial intelligence and robotics, digital transformation, risk management and trading platforms, demonstrating the institution's prowess in technology.

Its data project is a case in point. Launched in March 2018, SvC is a scalable platform that delivers all client data in one view for the asset management sales and marketing functions. The platform uses a unique approach to data modelling to provide simplicity and flexibility, accelerating solution development and insights delivery. According to JPMAM, its key strength is its ability to answer complex business question in minutes, instead of weeks or months.

The scope of the project was ambitious, as it involved pulling together data from internal as well as external sources, in different formats, with various levels of granularity, into a client-centric view. It transforms how data is delivered and consumed within the business, allowing the replacement of thousands of lines of redundant code that required significant support and budget.

The key challenges JPMAM faced prior to SvC were: a lack of a single set of business rules and metrics; the existence of many redundant and duplicated data sources for client and transactional data; and high data maintenance costs due to numerous redundant processes. In addition, the lack of a single view of the client created a major challenge to building consistent reports, analytics and reconciliation. "We wanted to provide our sales and marketing teams with an end-to-end consistent view of the client. We defined a single set of business rules and leveraged data science tools and techniques, such as machine learning and web scraping, to correct, supplement, organise and enrich the data we have across our organisation to create a scalable and repeatable customer relationship management data hygiene process," says Mike Urciuoli, chief information officer at JPMorgan Asset & Wealth Management. Today, JPMAM reports a 30% reduction in maintenance and support through consolidation and automation, an 80% improvement in data quality and reporting accuracy, as well as an 80% reduction in time spent on data validation and manual reconciliation. In addition, it has reduced manual data collection and integration by 50% and uncovered 40% more business opportunities from missing data sets.

APPLICATION ***PROGRAMMING*** INTERFACES WINNER: DBS Project name: Making Banking Invisible via APIs Partners: More than 80, including PropertyGuru, MSIG, AIG, SoCash, ActivPass, Homage and Circles.Life DBS has picked up the highest honours in the application ***programming*** interfaces (APIs) category for its transformational 'Making Banking Invisible via APIs' project, further cementing its reputation as a digital leader. The Singapore bank launched its API developer platform in November 2017, and now has more than 200 APIs available to support business and customers' needs, as well as over 80 live partners.

DBS collaborated with key ecosystem partners on this project, including established corporates such as PropertyGuru, Mitsui Sumitomo Insurance Group and AIG, and small fintechs such as SoCash, ActivPass, Homage and Circles.Life. The partners have integrated banking functionality into their web and mobile applications using DBS APIs to offer specific services to the bank's customers, such redeeming DBS rewards points, making ***payments*** using PayLah! or funds ***transfers***, and applying for home loans.

The whole project - from the discovery stage, which involved two hackathons for ecosystem partners' developers to showcase solutions, through to partner go live and launch of the API developer platform - was completed in just one ***year***. To date the bank has almost 1700 new registrations on its API portal and has compiled a list of the top 10 APIs within its developer sandbox.

DBS's strategy was centred around customer journeys and which APIs would allow consumers to get their banking jobs done without having to leave the app or website they were on - what it calls an "invisible banking" approach. Its aim is to enable its customers to access banking services from anywhere within its ecosystems in a way that is intuitive and simple.

For example, a customer can perform a home affordability assessment while searching for a property on Property Guru. In addition, through the bank's partnership with SoCash, a digital cash circulation company, DBS and POSB customers can instantly withdraw cash via a Singapore-wide network of participating retail shops without having to go to ATMs. This also saves retailers the hassle of depositing cash at a bank branch. "Using these APIs, customers can instantly redeem DBS points for online purchases, withdraw money from selected shops such as 7-Eleven, apply for home loan approvals, and make seamless online ***payments*** through our partners' apps. Each such use case not only provides convenience to our customers, but also increases their digital engagement and stickiness to our products," says a DBS spokesperson.

THE JUDGES Simon Bailey, Finarchy David Bannister, Ovum Dr Louise Beaumont, Publicis.Sapient Oliver Bussmann, Bussmann Advisory Jost Hoppermann, Forrester Research Carmina Lees, Accenture Liz Lumley, VC Innovations and FinTECHTalents Joy Macknight, The Banker Virginie O'Shea, Aite Group Catherine Sherwin, AlixPartners Chris Skinner, the [*www.Finanser.com*](http://www.Finanser.com) David Williams, EY ARTIFICIAL INTELLIGENCE AND ROBOTICS WINNER: NEDBANK Project name: Extraordinary Life Partners: WealthObjects, Enrian, Atura and DVT Winning the accolade for best artificial intelligence and robotics project, Nedbank's 'Extraordinary Life' is a robo-advice solution that instils clients with confidence about their future investment success. The bank has focused on a needs-based and customercentred experience, combined with no administrative fees and low investment.

The thinking behind the project was to create the future of investment advice and saving in South Africa, offering the emerging middle and middle-to-upper class - which has historically been underserved - a muchimproved investment user experience. The automated savings platform uses a chatbot to collect information from the customer in a convenient and conversational way, and then provide automated application ***programming*** interface (API)-driven advice. The chatbot provides access to investment expertise and a digitised purchasing experience. Launched in May 2018 following nine months of development, the platform relieves four major customer pain points when it comes to investing. First, it reduces the traditionally five-to 10-day paper processing time down to just 10 minutes. Second, it is a completely digital process, without paperwork or telephone calls.

Third, it reduces complexity for the customer by recommending the best investment and combination of products to maximise savings and tax optimisation, for example. Last, it provides transparency by providing costs and details throughout the investment journey.

"By using a familiar chat-based conversation-styled interface, APIs for advice and tax optimisation, and allowing clients to speak to a financial adviser for validation, our platform makes our clients' investing experience simple, low cost and stress [*www.free.No*](http://www.free.No) forms or paperwork means super-fast account opening - and less bother for our clients," says Iolanda Ruggiero, managing executive at Nedbank Wealth.

Nedbank brought together teams from four countries and embedded new ways of working into the bank by adopting the agile, squad methodology for its team design and structure to deliver a release to market quickly.

The platform has reduced the associated investment account opening costs by almost 90%, increasing the potential profitability of the new channel. Additionally, the project successfully piloted fully automated testing, reducing testing time and resources by 70% and enabling quicker deployment cycles for continuous enhancements and fixes.

The algorithms and robotic process automation alerts are expected to improve customer retention and maintain the course of the investment by an additional 6%, thereby improving the profitability of the platform's portfolio.

COMPLIANCE WINNER: HSBC COMMERCIAL BANKING TECHNOLOGY Project name: Online Know Your Customer Partner: Avoka Having up-to-date information is a critical weapon for all banks in the fight against fraud and preventing criminals from accessing the financial system. In the UK alone, businesses lose an estimated £14bn ($18.4bn) to fraud every ***year***. But many customers find the know your customer (KYC) process laborious and time consuming, which leads to a deep level of dissatisfaction.

To solve this issue, HSBC implemented an ongoing ***programme*** to update and validate the information the UK-based bank holds on its business customers. Having a deep understanding of each customer - what they do, where they do it, who they do it with and who benefits - is a key part of the bank's ability to detect and deter attempts to defraud that customer, launder money, breach sanctions or evade taxes.

In three months, using Avoka software and working alongside its team, HSBC developed an integrated web-based platform, called Online KYC (OKYC), which enabled pre-pop-ulated forms to be sent to customers for validation and adding in missing information. These forms are then returned to the bank for checking and, once confirmed correct, are ***transferred*** to the bank's in-house KYC tool via a straight-through processing mechanism.

"For our business customers, we wanted to provide a simple, intuitive and efficient solution to enable them to provide us with customer due diligence information," says Harsha Goodlad, global head of regulatory technology at HSBC. "Customers can access the OKYC tool through their existing business internet banking system, or via an online portal. This has enabled our customers to securely and rapidly review and update their details, dramatically reducing the effort and time needed to complete the process, which can now be accomplished in less than 30 minutes."

OKYC is fully integrated with HSBC's KYC system of record to eliminate re-keying. It streamlines and digitalises the existing KYC review process, while minimising the need for human intervention. And it applies to relationship-managed as well as portfoliomanaged customers across a significant portion of the risk spectrum, which is 70% of the bank's customer base by volume.

In addition to improving the customer experience and reducing the time it took to complete a case to 20 minutes, HSBC reports that complaint levels were low, at 0.04% of cases completed. In addition, the cost per review is less than 30% of a comparable case completed outside of the platform.

CYBER SECURITY WINNER: SUMITOMO MITSUI FINANCIAL GROUP Project name: Polarify - Biometric Authentication Platform as a Service Partners: Daon and NTT Data Sumitomo Mitsui Financial Group (SMFG) took a unique approach to solving the digital identity dilemma by creating a shared authentication infrastructure for Japan's digital ecosystem, earning it The Banker's cyber security award for 2018.

The bank, together with partners Daon, a biometrics authentication company, and NTT Data, an IT integration company, has received top marks for launching a joint venture called Polarify, a personal authentication platform business using multiple biometric elements, such as fingerprint, face and voice recognition, with palm pattern recognition to be added in the future.

Launched in May 2017, the joint venture will provide authentication not only for services provided by SMFG and NTT Data, but also for customers of other financial institutions and e-commerce companies, and internal user authentication for companies. With Polarify, biometric data is transposed into irreversible sequences and stored/managed securely on smartphones. Users will no longer need to enter identities and passwords, nor go through the hassle of having forgotten passwords reissued. Via a personal authentication application, the biometric method can be freely selected as needed to seamlessly connect users with numerous service providers.

Service providers can use the platform as a means of accessing digital channels, reducing the number of customers abandoning their services after forgetting their passwords, cutting down the cost of reissuing passwords, and preventing impersona t i o n a n d f r a u d u l e n t a c c e s s. T h e platform-style authentication service is more economical than for each service provider to roll out biometric authentication and has the potential to transform the digital ecosystem in Japan.

In July 2017, Polarify launched a biometric authentication service, built on Daon's IdentityX platform, and in February 2018 the joint venture began providing a password management service. By the end of April 2018, three service providers were offering their services through the platform and more than 10 had applied to use Polarify as their authentication platform. In addition to the existing authentication service, the service providers are planning to develop new services, including online identity verification linking with the Japanese 'My Number' card and system.

In addition to developing and enhancing existing authentication and verification services, Polarify seeks to expand use cases beyond the e-commerce space and into physical store shopping, with links to smartphone ***payments***. There are also plans in the pipeline to expand the service globally, following the roll out in Japan.

DELIVERY CHANNELS WINNER: CITIBANAMEX Project name: Account Opening Partners: Globant, IBM, Avoka, Kofax, BeSign and Morpho The Mexican banking industry is undergoing a radical transformation, as incumbent institutions face greater competition from new fintech players entering the market. As such, improving customer experience is top of mind for domestic lenders. Citibanamex, for one, is rising to the challenge and has picked up this ***year***'s delivery channels award for its 'Account Opening' project.

The project aims to provide a full omnichannel banking experience that allows clients and prospective clients to acquire financial products starting on any channel they choose and finishing where and when they prefer.

Whereas previously the sales process was branch-centric, now clients or prospects can simply take a photo of their identity and a 'selfie', followed by a short video conference. The bank identifies the customer and goes through know your customer (KYC) checks, using optical character recognition to extract the data.

Citibanamex has created a paperless process that validates in real time the completeness and accuracy of the information on the customer file. This ensures that no additional requests for information are made, nor will a product be suspended or cancelled when missing data or documents are detected.

In addition, all customers will leave the process being fully digital, having their certified mobile phone number configured to make use of all the bank's digital solutions.

The project has enabled Citibanamex to change the way it sells products by obtaining and evaluating clients' public data before offering specific products through its marketplace. As such, the bank has been able to shift from its current sales-focused process to a digital-enabled advisory flow that it expects will exponentially increase its customer satisfaction.

The Mexican lender is convinced that this improved onboarding experience will ensure that it provides what clients need and that it can change as those needs evolve. Moreover, the marketplace will be a critical tool to ensure that clients only acquire the right and best products for them. The bank expects to radically change the way customers perceive its sales process, making it not only customer friendly but also more trustworthy.

In future, the platform's application ***programming*** interface-based architecture will allow easy integration with other technologies to continue improving the customer experience. The bank is already able to carry out proof of concepts for new solutions in a matter of hours, whereas it took weeks or even months on its legacy platforms.

DIGITAL TRANSFORMATION WINNER: SOCIÉTÉ GÉNÉRALE Project name: Digital transformation Digital transformation is the most coveted category of The Banker's Tech Projects Awards. This ***year*** saw the number of submissions almost double 2017's and it garnered double that of the next most popular award. This indicates just how serious banks are taking the re-invention of banking - and of themselves.

The accolade in 2018 goes to Société Générale (SG). The judges were impressed by the sheer depth and breadth of the French bank's digital initiatives. For example, it has created a new data lake architecture, developed and exposed more than 1000 application ***programming*** interfaces (APIs) to clients, and is investing (EURO)650m over the next three ***years*** in security and data protection in the face of rising cybercrime. It is also focused on artificial intelligence and machine learning, virtual reality and blockchain applications.

For Alain Fischer, chief digital officer, global banking and investor solutions, at SG, the biggest achievement to date has been the creation of SG Markets, a single electronic platform of business-to-business services covering pre-trade, execution and post-trade services.

"We have brought all our tools together in a unique platform, which allows us to innovate quicker. SG Markets provides digital solutions for all markets, including financing, cash management and securities, which are personalised to meet clientand staff-specific needs and allow both sides to have control over trading and financing decisions," he says.

SG's strategy is as much about the people aspect of digital transformation as technology and the group implemented a new organisational structure in September 2017. "Led from the top management, the organisation is more agile and collaborative, and staff are encouraged to be creative and, at the same time, stay connected across all business and support units," says Albert Loo, SG's deputy head of sales for global markets.

Christophe Leblanc, group head of corporate resources and innovation at SG, agrees that the culture shift has been among the bank's greatest achievements. "People are beginning to think differently and open up to new methodologies. We created an internal start-up challenge and also work with external start-ups," he says. The bank's open innovation platform connects a network of incubators spanning the globe, including Dakar, Bangalore and Bucharest, as well as Paris, London and New York.

SG continues to advance its open banking strategy and plans to share all the APIs in the group by 2020. It also plans to have 80% of its infrastructure in the cloud by 2020.

DISTRIBUTED LEDGER TECHNOLOGY WINNER: CREDIT SUISSE Project name: HQ DCR using DLT Parties involved: HQLAx, ING, R3 Many hail the past 12 months as a crucial breakthrough period for blockchain, or distributed ledger technology (DLT), moving from hype to real-world applications. Credit Suisse's HQ DCR using DLT project, delivered in partnership with fintech HQLAx, ING and DLT consortium R3, is a case in point and, unsurprisingly, has taken home the DLT award this ***year***.

The Swiss bank looked to address the issue of high-quality liquid assets (HQLA), which are in strong demand due to increased regulatory liquidity requirements. To minimise the impact of sourcing and holding HQLA, the banking industry transforms the non-HQLA inventories on their books into HQLA through collateral swaps.

Therefore, this project's main goal was to increase HQLA fluidity and mobility in the marketplace, as well as eliminate physical settlements and intraday credit through the simultaneous exchange of securities. "The platform provides market participants with an instantaneous view of immutable transactions, simplifies the end-to-end architecture, and eliminates the need for multiple point-to-point reconciliations in a secure way, all while enhancing regulatory transparency," says Radhika Venkatraman, Credit Suisse's head of technology, data and infrastructure for global markets and Credit Suisse Holdings (US).

In March 2018, Credit Suisse, HQLAx and ING completed the first live securities lending transaction using R3's Corda DLT platform to record, execute and manage transactions. The banks swapped baskets of securities valued at (EURO)25m using the HQLAx Corda-based collateral lending application.

The counterparties had agreed to ***transfer*** legal ownership of Dutch and German government securities on the platform using Digital Collateral Record (DCR), while the underlying securities remained static within unique DCR-linked custody accounts, eliminating the inter-account ***transfer*** of the individual underlying securities.

The applications of this solution are promising, as market participants will be able to redistribute liquidity more effectively by eliminating settlement delay. From a regulatory standpoint, collateral chain trans-parency will improve visibility into the securities lending market. Overall, this creates a more efficient, cost effective and transparent way to ***transfer*** liquidities.

FINTECH PARTNERSHIP WINNER: NEDBANK Project name: Satellite and Drone Imagery Analytics Experimentation Partner: Aerobotics After a fitful and fearful start, most banks are riding the fintech revolution wave and reaping the benefits of working with agile and innovative start-ups, such as improved customer experience and the ability to deliver highly personalised services to customers.

South-African lender Nedbank scoops The Banker's inaugural fintech partnership award with its 'Satellite and drone imagery analytics experimentation' project, which in many ways illustrates the possibilities opening up through such partnerships. Using an experimental methodology also drove internal change in the bank's approach to fintechs. Working with Aerobotics, Nedbank developed a product that combines technologies, such as unmanned aerial vehicles and machine learning algorithms, to present and transmit data to farmers using an easy-to-engage-with platform. The product was targeted at tree farmers, whose needs were not met by available satellite analysis technologies. The bank took the opportunity to prove the product's value to its ***agricultural*** clients, laying the groundwork to integrate financial services with alternative client channels. The experiment was based on the correct hypothesis that clients could use this technology to improve precision farming capabilities.

"This initiative enables our clients to use technology to improve precision farming capabilities and yields over time," says Brian Kennedy, managing executive at Nedbank corporate and investment bank. "Clients now use the tree crop analytics platform to track health, height, volume and canopy size on a per tree basis, which has significantly impacted management reach and efficacy."

The product has been well received by the bank's clients. Nedbank and Aerobotics co-presented the results of the experiment to the client and commercial agreements were signed shortly thereafter.

Nedbank has benefited because it has provided client value and satisfaction, as well as positioned the bank for future opportunities. The Nedbank-Aerobotics partnership will allow the bank to understand how it can meet the financial needs of clients in new ways through enhanced risk measurements. Nedbank believes that farmers are moving to a more data-driven world and software platforms such as Aerobotics can disintermediate many traditional stakeholders in the ***agriculture*** value chain.

In addition, the bank developed a new methodology for working with fintech startups and technology collaborators, where client value hypotheses are proven in incremental experiments. The experimentation methodology allows Nedbank to match the speed of a fintech while testing the value and suitability of the technology in the banking environment.

MOBILE WINNER: CAIXABANK Project name: CaixaBank App Partner: CaixaBank DigitalBusiness, Silk The mobile channel continues to grow in importance, as evidenced by the number of entries submitted for the category in this ***year***'s Tech Projects Awards, second only to digital transformation. The competition was stiff, but the accolade goes to CaixaBank for its mobile app.

The Spanish bank's customers are increasingly mobile and now the number of mobile users at the bank has recently overtaken web users. "Thus, we wanted to ensure that we continue to improve our offering, service and experience," says Benjamí Puigdevall, corporate director of CaixaBank and executive president of CaixaBank Digital Business.

The app was designed with the user experience in mind and its primary aim is to make it easier for CaixaBank's customers to execute day-to-day banking operations in one place and with one click.

"We tried to simplify the content and navigation, in order to make the sales processes more intuitive. We have adapted the language, making it more user friendly, and added innovative features through advanced functionalities such as a ChatBot with AI and biometric access. To deliver all of these elements we have used design thinking to conceptualise and agile methodology to develop the app," says Mr Puigdevall.

It is the first online and multi-device service for personal finances in the Spanish banking market that integrates 24 months of transactions automatically categorised. As a native mobile app, it takes advantage of the device's full functionalities, usability and design. Plus, it offers the possibility of viewing the financial information of other banks' accounts and cards.

The bank launched the mobile app in February 2018, following a ***year*** of market analysis, workshops and focus groups, collaborating with more than 1300 clients in different phases of the project. One hundred clients tested the final version of the app before it was released.

Mr Puigdevall reports that the bank attracted an additional 300,000 mobile customers within six months of the app's launch. Sales have also increased by 30%-150%, depending on the product, and the sales pipelines have improved, with a 20% improvement in conversions.

"The CaixaBank app boasts some of the best ratings among financial apps, with ratings of 4.7 [out of five] for iOS and 4.3 (4.7 since the latest release) for Android. This means that our reviews are 95% positive," adds Mr Puigdevall. "In the future, we will continue to improve the app and incorporate new features, always focusing on meeting the needs of our customers and improving their user experience."

***PAYMENTS*** WINNER: YES BANK Project name: Digital ***Payments*** Initiatives Yes Bank's belief that "banks are now technology companies in the business of banking" plays out in real life through its digital ***payments***, which is the reason the Indian bank has picked up the award for ***payments*** in 2018.

The bank has created its digital ***payment*** initiatives with three specific objectives in mind. The first is to increase the efficiency for its customers and provide value-added services for its partners through innovating with new technologies such as application ***programming*** interfaces (APIs) and blockchain. The bank believes that by enabling APIs it gives customers better ***payment*** experiences and helps develop the fintech ecosystem in India. In the blockchain space, Yes Bank is one of only two banks in India to partner with distributed ledger technologybased ***payments*** firm Ripple for remittances. The second objective is to experiment with new developments, including India's Unified ***Payments*** Interface (UPI), Bharat Bill ***Payment*** System and Aadhaar Enabled ***Payment*** System (AEPS). For example, Yes Bank partnered with Nearby Technologies to offer AEPS solutions and innovative ATM services to customers across India. Using the PayNearby mobile application on a smartphone, a retailer can become an Aadhaar ATM/bank branch for cash withdrawals and deposits.

In another example, Yes Bank partnered with clients across various industries, such as e-commerce, mutual funds, broking, nonbank institutions, travel and so on, to provide a seamless mobile ***payments*** experience by leveraging UPI. The solution is expected to reduce transaction processing time, make transactions cheaper and provide mobileoptimised experience. And it can be integrated with clients' various internal systems through APIs.

The third objective is to enhance customer service. For example, the bank has deployed chatbots to give customers a 'banker-at-beckand-call' experience and make instant ***payments***. Rana Kapoor, managing director and CEO at Yes Bank, says: "Yes Bank has championed frugal innovations on the 'India Stack' and emerged as a dominant digital ***payments*** bank in India, taking significant steps to enhance customer service."

The bank has also integrated the capabilities of India's Immediate ***Payment*** Service (IMPS) engine into its Remittance Knowledge Bridge ***programme***. This facilitates 24/7 fund ***transfers*** in four seconds to any IMPSconnected bank account. All banks in India are now replicating this model.

RISK MANAGEMENT WINNER: E.SUN BANK Project name: Automatic Detection and Tracking of Fraudulent Accounts Model The number of fraudulent accounts has risen sharply in Taiwan in recent ***years***, resulting in losses for clients and increased operational risk for banks. The total number of such accounts exceeded 30,000 and reached a five-***year*** high in 2017.

In the past, account verification was done manually, which was time consuming, labour intensive and ineffective. The traditional report relied on human expertise and appraisal, it lacked an overall assessment and, if an audit was needed, then a hardcopy file was required.

In order to monitor abnormal transactions more effectively and to reduce the manual monitoring cost, E.Sun Bank developed a regulatory technology - regtech - solution that uses artificial intelligence (AI) to decrease the number of fraudulent accounts, winning this ***year***'s award for risk management.

The solution, which was developed in six months, uses a variety of machine learning algorithms to detect fraudulent accounts accurately and improve the precision rate of reporting suspicious fraud cases to the regulator, which is mandatory for all financial institutions in Taiwan. The bank implemented an automated monitoring system to reduce labour costs and to enable auto-control based on accurate detection results. Based on account transactions at different risk levels, E.Sun set different monitoring management measures and, therefore, manual reviews were no longer required. E.Sun also created a centralised database for managing related information and implemented automated updates to monitor accounts on the watch list more accurately and to facilitate a faster decision-making process. The system automatically records the procedures and status of every irregular account and removes certain procedures, such as manual reviews and archived reports in hardcopy, to achieve centralised management and improve the efficiency of operations. All the information is displayed in an interactive dashboard to monitor and filter out attributes of irregular account holders.

And the results are impressive. For example, the precision rate improved by 40%, which in turn reduced the number of cases reported by 90%.

"The implementation of the project significantly enhanced account risk management and lowered labour cost of fraud monitoring. It can also safeguard our clients and keep bank accounts secure. In the future, we will continue to develop AI and will apply the technology into other operations of the bank," says an E.Sun spokesperson. Other operational areas that the bank is looking at include client credit information, prevention of credit fraud and cheque deposit risk management.

SOCIAL MEDIA WINNER: : ING BANK SLASKI Project name: Helen's Doll ING Bank Slaski has picked up the social media award in 2018 for its innovative 'Helen's doll' project, demonstrating in real life the bank's motto: "It's people that count."

While the bank has been monitoring social media since 2012, it started using Brand24 as a monitoring tool and Lithium Social Response to manage social conversations in 2017. The bank collects social messages from different platforms into a single stream and its agents can then take specific action in response to each message. Its goal is to be available for customers in social media 24/7 to provide them with excellent customer service.

Barbara Pasterczyk, chief marketing officer at ING Bank Slaski, says: "The use of advanced social media monitoring and listening tools serves the bank's guiding principle, which is to build the best brand experience in social media. With [these tools] we can react in real time, quickly and efficiently, to customers' expectations, problems and needs. It affects the perception of ING, as the bank is customer experience oriented, and has helped us to become us be the most recommended bank in Poland."

XXXXXXXXX xxxxxxxxxxxxxxx When the monitoring tool revealed a text in here text in here text in here text in here text in here text in here text in here text in here text in here text in here text in here text in here text in here text in here text in here text in here notice placed at a Warsaw branch, written by a girl who had lost her doll, the bank reacted by posting on Facebook that it was sorry for her loss but wanted to help and offered to present a new doll to her at the branch.

Its empathic response gained ING Bank Slaski considerable social media attention. ING appeared on the main pages of the largest Polish portals, the bank's Facebook post was viewed by more than 100,000 internet users and total reach in social media was 276,311. The advertising value equivalent was estimated at (EURO)47,000, versus (EURO)32 to replace the doll.

The bank says that the use of a social media monitoring tool, which monitors not only its own channels but also other sites, was crucial to the success of the project. Such a tool allows the bank to better understand its customers' needs and offers more opportunity to interact.

"The proper use of technology allows us to differentiate marketing clutter and reach internet users with emotional content. It generates a huge buzz and positive opinions. Such direct interactions with clients via social media help us improve customer experience and strengthen relationships with our clients," says Ms Pasterczyk.

TRADING PLATFORMS WINNER: DENIZBANK Project name: AlgoLab Partners: Ekon Technology and Software Retail trading has seen some interesting innovations over the past few ***years***, many coming from the fintech start-up community. However, banks are now bringing creative trading platforms to market, as shown by this ***year***'s award winner - DenizBank.

The Turkish bank's AlgoLab project uses artificial intelligence to automate investment processes, which helps ordinary citizens invest their savings - an activity the government is promoting. Without needing to know how to code, users can create their own strategies and algorithms, or use 'drag and drop' components of the user-friendly platform. The platform helps customers overcome common investor problems, such as emotional decision-making, limited time for investing and the complexity of investment platforms.

The project came about following the bank's observations that many customers were losing money mainly because they were not applying stop-loss rules that would ensure maximum profit realisation. Others were too wedded to their trading decisions, obstinate to a fault, and would not take quick action to compensate for mistakes, while others developed correct investing strategies but were unable to execute them.

XXXXXXXXX xxxxxxxxxxxxxxx text in here text in here text in here text in here text in here text in here text in here text in here text in here text in here text in here text in here text in here text in here text in here text in here text in here text in here text in here text in here text in here text in here text in here text in here DenizBank and Ankara-based Ekon Technology and Software built AlgoLab to help customers create a strategy based on their risk appetite and then execute it with the 'algo robot'. "We believe that brain beats the heart when you invest and AlgoLab's strategies will be there when it comes to make that decision," says Cem Önenç, executive vice-president at DenizBank. According to the bank, customers will no longer need a human broker because they can monitor or change parameters at any time, and the algo robot will then make decisions to buy and sell on behalf of users within the stated parameters.

The 'drag and drop' feature allows customers to use DenizBank's indicator and trend codes, which are displayed as buttons such as 'Relative Strength Index indicator' or 'Parabolic Stop and Reverse Trend'. Users can drag a button and drop it on the stock they would like to monitor and execute on.

In addition, Ekon has developed a unique coding platform (Complier), which gives the opportunity for more advanced traders to code in three different languages: Java, Python and C++. With these three features, the platform is able to accommodate different trader maturity levels.

Since March 2018, DenizBank has 50 customers actively using algorithms trading via AlgoLab, and already these customers are creating 5% of all transactions made by the bank on the Turkish stock market.

Digital transformation was by far the most coveteD awarD category, as banks continue to moDernise their it architectures

we DefineD a single set of business rules anD leverageD Data science tools anD techniques such as machine learning anD web scraping Mike Urciuoli

each such use case not only proviDes convenience to our customers, but also increases their Digital engagement DBS spokesperson

our platform makes our clients' experience simple Iolanda Ruggiero

customers can access the okyc tool through their existing business internet banking system, or an online portal Harsha Goodlad

with polarify, biometric Data is transposeD into irreversible sequences anD storeD/manageD securely on smartphones. users will no longer neeD to enter iDentities anD passworDs

the project aims to proviDe a full omnichannel banking experience that allows clients anD prospective clients to acquire financial proDucts starting on any channel they choose

we have broughT all our Tools TogeTher in a unique plaTform, which allows us To innovaTe quicker. sg markeTs provides digiTal soluTions for all markeTs, including financing, cash managemenT and securiTies Alain Fischer

The plaTform provides markeT parTicipanTs wiTh an insTanTaneous view of immuTable TransacTions Radhika Venkatraman

this initiative enables our clients to improve precision farming capabilities Brian Kennedy

we trieD to simplify the content anD navigation Benjamí Puigdevall

yes bank has championeD frugal innovations anD emergeD as a Dominant Digital ***payments*** bank in inDia Rana Kapoor

the implementation of the project enhanceD account risk management anD lowereD labour cost of frauD monitoring. it can also safeguarD our clients anD keep bank accounts secure E. Sun spokesperson

the use of aDvanceD social meDia monitoring tools serves the bank's guiDing principle... to builD the best branD experience in social meDia Barbara Pasterczyk

we believe that brain beats the heart when you invest Cem Önenç

**Load-Date:** August 1, 2018

**End of Document**



[***FEDERAL REGISTER: Policy on Audits of RUS Borrowers and Grantees Pages 19905 - 19915 [FR DOC # 2018-09501]***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5S8P-GPM1-JDG9-Y0NB-00000-00&context=1516831)

Impact News Service

May 7, 2018 Monday

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**Length:** 11696 words

**Body**

Washington: Office of the Federal Register has issued the following notice:

DEPARTMENT OF ***AGRICULTURE*** Rural Utilities Service 7 CFR Part 1773 RIN 0572-AC33 Policy on Audits of RUS Borrowers and Grantees AGENCY: Rural Utilities Service, USDA. ACTION: Final rule with request for comment. ----------------------------------------------------------------------- SUMMARY: The Rural Utilities Service (RUS) is amending its regulations regarding its Policy on Audits to incorporate 2011 revisions to the Generally Accepted Government Auditing Standards (GAGAS) issued by the Government Accountability Office (GAO), the clarified audit standards issued by the American Institute of Certified Public Accountants (AICPA) in 2011, and Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart F, Audit Requirements, issued by the Office of Management and Budget on December 26, 2013, and adopted by USDA on December 26, 2014. RUS is also expanding and clarifying its regulations to: include grant recipients, amend its peer review requirements, amend its reporting requirements, expand the options for the electronic filing of audits, and clarify a number of existing audit requirements, and is amending the title to reflect this change.

DATES: Effective Date: Rule will become effective on July 6, 2018 and is applicable for financial audits for periods ending on or after December 15, 2018. Comment Date: Comments must be received by RUS on or before June 6, 2018. ADDRESSES: Submit comments by either of the following methods:  Federal eRulemaking Portal at [*https://www.regulations.gov/*](https://www.regulations.gov/). Follow instructions for submitting comments.      Postal Mail/Commercial Delivery: Please send your comments addressed to Thomas P. Dickson, Acting Director, ***Program*** Development and Regulatory Analysis, Rural Utilities Service, U.S Department of ***Agriculture***, 1400 Independence Avenue SW, STOP 1522, Room 5164-S, Washington, DC 20250-1522.     Additional information about Rural Development and its ***programs*** is available on the internet at   [*https://www.rd.usda.gov/*](https://www.rd.usda.gov/).

FOR FURTHER INFORMATION CONTACT: William Chris Colberg, Acting Chief, Technical Accounting and Auditing Staff, ***Program*** Accounting Services Division, Rural Utilities Service, U.S Department of ***Agriculture***, 1400 Independence Avenue SW, STOP 1523, Washington, DC 20250-1523. Telephone: (202) 720-1905.

SUPPLEMENTARY INFORMATION:

Executive Order 12866

    This final rule has been determined to be not significant for the purposes of Executive Order 12866 and, therefore, has not been reviewed by the Office of Management and Budget (OMB).

Executive Order 12372

    This final rule is excluded from the scope of Executive Order 12372, Intergovernmental Consultation, which may require consultation with state and local officials. See the final rule related notice entitled, ``Department ***Programs*** and Activities Excluded from Executive Order 12372'' (50 FR 47034) advising that RUS loans and loan guarantees were not covered by Executive Order 12372.

Executive Order 12988

    This final rule has been reviewed under Executive Order 12988, Civil Justice Reform. RUS has determined that this final rule meets the applicable standards provided in section 3 of the Executive Order. In addition, all state and local laws and regulations that are in conflict with this rule will be preempted, no retroactive effect will be given to this rule, and, in accordance with section 212(e) of the Department of ***Agriculture*** Reorganization Act of 1994 (7 U.S.C 6912(e)), administrative appeal procedures, if any, must be exhausted before an action against the Department or its agencies may be initiated.

Regulatory Flexibility Act Certification

    RUS has determined that this final rule will not have significant impact on a substantial number of small entities defined in the Regulatory Flexibility Act (5 U.S.C 601 et seq.). The RUS loan ***programs*** provide borrowers with loans at interest rates and terms that are more favorable than those generally available from the private sector. Borrowers, as a result of obtaining federal financing, receive economic benefits that exceed any direct cost associated with RUS regulations and requirements.

National Environmental Policy Act Certification

    RUS has determined that this final rule will not significantly affect the quality of the human environment as defined by the National Environmental Policy Act of 1969 (42 U.S.C 4321 et seq.). Therefore, this action does not require an environmental impact statement or assessment.

Catalog of Federal Domestic Assistance

    The ***programs*** described by this final rule are listed in the Catalog of Federal Domestic Assistance under Numbers CFDA 10.751, Rural Energy Savings ***Program***; CFDA 10.787, Broadband Initiatives ***Program***; CFDA 10.850, Rural Electrification Loans and Loan Guarantees; CFDA 10.851, Rural Telephone Loans and Loan Guarantees; CFDA 10.855, Distance Learning and Telemedicine Loans and Grants; CFDA 10.857, Bulk Fuel Revolving Fund Grants; CFDA 10.858, Denali Commission Grants and Loans; CFDA 10.859, Assistance to High Energy Cost Rural Communities; CFDA 10.861, Public Television Station Digital Transition Grant ***Program***; and, CFDA 10.863, Community Connect Grant ***Program***. The General Services Administration (GSA) website at [*http://www.cfda.gov*](http://www.cfda.gov) contains a PDF file version of the CFDA catalog. The print edition of the catalog may be purchased from the U.S Government Publishing Office (GPO) by calling (202) 512-1800 or toll free at 1-866-512-1800, or by ordering it online at   [*http://bookstore.gpo.gov*](http://bookstore.gpo.gov)

Information Collection and Recordkeeping Requirements

    The reporting and recordkeeping requirements contained in this final rule have been approved by the Office of

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Management and Budget (OMB) under OMB Control Number 0572-0095, pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C Chapter 35). This final rule contains no new reporting or recordkeeping burdens under OMB Control Number 0572-0095 that would require approval under the Paperwork Reduction Act.     Send questions or comments regarding this burden or any other aspect of these collections of information, including suggestions for reducing the burden, to Thomas P. Dickson, Acting Director, ***Program*** Development and Regulatory Analysis, Rural Utilities Service, U.S Department of ***Agriculture***, 1400 Independence Avenue SW, Stop 1522, Room 5164-S, Washington, DC 20250-1522.

Unfunded Mandates

    This final rule contains no Federal mandates (under the regulatory provision of title II of the Unfunded Mandates Reform Act of 1995) for state, local, and tribal governments or the private sector. Thus, this final rule is not subject to the requirements of sections 202 and 205 of the Unfunded Mandates Reform Act of 1995.

Comments

    We invite you to participate in this rulemaking by submitting written comments, data, or views before the noted deadline. We will consider the comments we received and may conduct additional rulemaking based on the comments.

Background

    7 CFR part 1773, Policy on Audits of RUS Borrowers and Grantees (Part 1773), implements the standard RUS security instrument provision requiring RUS electric and telecommunications borrowers and grantees to prepare and furnish to RUS, at least once during each 12-month period, a full and complete report of its financial condition, operations, and cash flows, in form and substance satisfactory to RUS; audited and certified by an independent audit organization, satisfactory to RUS, and accompanied by a report of such audit, in form and substance satisfactory to RUS. This rule is amended to include coverage of all grantees and the title of Part 1773 is revised to reflect this change.     This rule amends Part 1773 to incorporate the 2011 revisions to GAGAS by the GAO issued in December 2011. The 2011 revision contains major changes that reinforce the principles of transparency and accountability and provide the framework for high-quality government audits that add value. This revision to GAGAS incorporates the AICPA Statements on Auditing Standards. The 2011 revisions to GAGAS were effective for financial audits for periods ending on or after December 15, 2012.     The professional standards and guidance contained in GAGAS provide a framework for conducting high quality audits with competence, integrity, objectivity, and independence. These standards are used by auditors of entities that receive government awards and audit organizations performing GAGAS audits. GAGAS contains standards for audits as well as requirements and guidance dealing with ethics, independence, auditors' professional judgment and competence, quality control, performance of the audit, and reporting.     This rule amends Part 1773 to incorporate the clarified audit standards issued by the AICPA in October 2011. The purpose of redrafting the auditing standards was for clarity and convergence although there were some changes and additions in terms of requirements. The clarified standards also introduced new terminology and new audit reports by adding extra paragraphs and segregating sections of the report under subheadings.     In 2013, the Office of Management and Budget (OMB) revised uniform administrative requirements, cost principles, and audit requirements for Federal awards by issuing 2 CFR part 200, which served to consolidate and replace OMB Circulars A-21, A-87, A-89, A-102, A-110, A-122, and A-133. 2 CFR part 200 was adopted by USDA in December 2014. The portion of this CFR applicable to audits, Subpart F, is recognized and adopted by this revision to Part 1773.     This rule revises all subparts to encompass grantees, to remove most references to Rural Telephone Bank (RTB), to conform the language used to generally accepted auditing standards (GAAS) issued by the AICPA and GAGAS. This rule adds, changes or deletes definitions as appropriate to clarify certain existing information. Perhaps most importantly, this rule replaces the RUS management letter with a report on compliance with aspects of contractual agreements and regulatory requirements based on the requirements found in AU-C 806 of GAAS. This rule also provides information on the electronic filing of annual audits in Sec.  1773.21 RUS is also adding a requirement to the reporting package for a schedule of findings and recommendations in Sec.  1773.34     Due to the state boards of accountancy having now adopted peer review requirements as part of the CPA licensing requirements for performing attestation services, this amended rule significantly streamlines the RUS peer review monitoring included in Sec.  1773.5 by removing much of the guidance previously provided with regard to auditor participation in an approved peer review ***program***. RUS will no longer require that all auditors submit copies of their peer review reports but reserves the right to request said reports on a case by case basis. It also removes the option of requesting a waiver of the peer review requirement, relying instead on the requirements of the state boards of accountancy and the guidance provided within the peer review ***programs*** themselves.     Due to the scope and pervasiveness of the revisions being implemented, Part 1773 as revised is being published in its entirety in this final rule.     In this revision to Part 1773, all sample reports and financial statements will be combined into four appendices which will be available in RUS Bulletin 1773-1, Policy on Audits of RUS Borrowers and Grantees. Appendix A of RUS Bulletin 1773-1 contains the sample reports, financial statements and schedule of findings and recommendations for electric borrowers; Appendix B contains similar samples for telecommunications borrowers; Appendix C for broadband borrowers; and Appendix D contains sample reports for grantees. Appendices A through D will not be printed in the Code of Federal Regulations; however, these appendices are available at [*https://www.regulations.gov*](https://www.regulations.gov)/ for review and comment in conjunction with the comment period for this final rule. Only Subparts A through E will be published in the Code of Federal Regulations. The appendices are included in RUS Bulletin 1773-1, Policy on Audits of RUS Borrowers and Grantees, which contains all of Part 1773, including subparts A through E and the appendices. Publishing Part 1773 in bulletin form provides the RUS audit policy in an easy to read format. This publication is available on RUS' website at   [*https://www.rd.usda.gov/publications/regulations-guidelines/rural-utilities-service-audit*](https://www.rd.usda.gov/publications/regulations-guidelines/rural-utilities-service-audit).

USDA Non-Discrimination Statement

    In accordance with Federal civil rights law and U.S Department of ***Agriculture*** (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA ***programs*** are prohibited from discriminating based on race, color, national origin, religion, sex,

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gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from public assistance ***programs***, political beliefs, or reprisal or retaliation for prior civil rights activity, in any ***program*** or activity conducted or funded by USDA (not all bases apply to all ***programs***). Remedies and complaint filing deadlines vary by ***program*** or incident.     Persons with disabilities who require alternative means of communication for ***program*** information (e.g , Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, ***program*** information may be made available in languages other than English.     To file a ***program*** discrimination complaint, complete the USDA ***Program*** Discrimination Complaint Form, AD-3027, found online at [*https://www.ascr.usda.gov/filing-****program****-discrimination-complaint-usda-customer*](https://www.ascr.usda.gov/filing-program-discrimination-complaint-usda-customer) and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by:     (1) Mail: U.S Department of ***Agriculture***, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue SW, Washington, DC 20250-9410;     (2) fax: (202) 690-7442; or     (3) email: [***program****.intake@usda.gov*](mailto:program.intake@usda.gov)     USDA is an equal opportunity provider, employer, and lender.

List of Subjects in 7 CFR Part 1773

    Accounting, Auditing, Electric power, Grants, Loan ***programs***-- broadband, Loan ***programs***--communications, Loan ***programs***--energy, Reporting and recordkeeping requirements, Rural areas, Telephone.

0 For the reasons set forth in the preamble, RUS revises 7 CFR part 1773 to read as follows:

PART 1773--POLICY ON AUDITS OF RUS BORROWERS AND GRANTEES

Subpart A--General Provisions Sec. 1773.1 General. 1773.2 Definitions. Subpart B--RUS Audit Requirements 1773.3 Annual audit. 1773.4 Auditee's responsibilities. 1773.5 Qualifications of an auditor. 1773.6 Auditor communication. 1773.7 Audit standards. 1773.8 Audit date. 1773.9 Disclosure of fraud and noncompliance with provisions of laws, regulations, contracts, and loan and grant agreements. 1773.10 Access to audit-documentation. 1773.11-1773.19 [Reserved] Subpart C--RUS Requirements for the Submission and Review of the Reporting Package 1773.20 The auditor's submission of the reporting package. 1773.21 Auditee's review and submission of the reporting package. 1773.22-1773.29 [Reserved] Subpart D--RUS Reporting Requirements 1773.30 [Reserved] 1773.31 Auditor's report on the financial statements. 1773.32 Report on internal control over financial reporting and on compliance and other matters. 1773.33 Report on compliance with aspects of contractual agreements and regulatory requirements. 1773.34 Schedule of findings and recommendations. 1773.35-1773.37 [Reserved] Subpart E--RUS Audit Requirements and Documentation 1773.38 Scope of engagement. 1773.39 Utility plant and accumulated depreciation. 1773.40 Regulatory assets. 1773.41 Extraordinary retirement losses. 1773.42 Clearing accounts. 1773.43 Capital and equity accounts. 1773.44 Long-term debt. 1773.45 Regulatory liabilities. 1773.46-1773.48 [Reserved] 1773.49 OMB Control Number.

    Authority: 7 U.S.C 901 et seq., 7 U.S.C 1921 et seq., 7 U.S.C 6941 et seq.

Subpart A--General Provisions

Sec.  1773.1  General.

    (a) This part implements the standards for audits required by the loan and grant agreements of Rural Utilities Service (RUS) electric and telecommunications borrowers and grantees. The provisions require auditees to prepare and furnish to RUS, at least once during each 12- month period, a full and complete report of its financial condition, operations, and cash flows, in form and substance satisfactory to RUS, audited and certified by an independent auditor, satisfactory to RUS, and accompanied by a report of such audit, in form and substance satisfactory to RUS.     (b) This part is based on the requirements of GAGAS in effect at the time of the audit and applicable RUS regulations and subpart F (Audit Requirements) of 2 CFR part 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) (2 CFR 200.500-200.521).     (c) This part further sets forth the criteria for selecting auditors satisfactory to RUS and certain audit procedures and audit documentation that must be performed and prepared before an audit report will be accepted by RUS.     (d) Failure to provide an audit in compliance with this part is a serious violation of the RUS Security Agreement. RUS relies on audited financial statements in order to assess and monitor the financial condition of its borrowers and grantees and to fulfill its fiduciary responsibilities.     (e) RUS reserves the right to suspend its acceptance of audits performed by auditors who, in the opinion of RUS, are not meeting the requirements of this part or with unresolved disputes or issues until such time that the matter can be resolved to RUS' satisfaction.

Sec.  1773.2   Definitions.

    As used in this part:     2 CFR part 200, subpart F means 2 CFR part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, subpart F, Audit Requirements, as adopted by USDA in 2 CFR part 400.     AA-PARA means RUS Assistant Administrator, ***Program*** Accounting and Regulatory Analysis.     Administrator means the Administrator of RUS.     Affiliated company means a company that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the auditee.     AICPA means the American Institute of Certified Public Accountants.     ASC means the Accounting Standards Codification issued by the Financial Accounting Standards Board.     Audit means an examination of financial statements by an independent auditor for the purpose of expressing an opinion on the fairness with which those statements present financial position, results of operations, and changes in cash flows in accordance with accounting principles generally accepted in the United States of America (GAAP) and for determining whether the auditee has complied with applicable laws, regulations, and provisions of loan or grant contracts and grant agreements that could have a material effect on the financial statements.     Audit date means the ``as of'' date established by the auditee.     Audit documentation has the same meaning as defined in the AICPA's professional auditing standards.

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    Auditee means an RUS borrower and/or grantee that is required to submit an annual audit as a condition of the award.     Auditor means government auditors as well as certified public accounting firms that perform audits using generally accepted government auditing standards (GAGAS).     BCAS means Broadband Collection and Analysis System (or successor system).     Borrower means an entity that has an outstanding RUS or Federal Financing Bank (FFB) loan or loan guarantee.     CPA means a Certified Public Accountant.     DCS means the Data Collection System (or successor system).     FASB means Financial Accounting Standards Board.     FFB means the Federal Financing Bank, a body corporate and instrumentality of the United States of America under the general supervision of the Secretary of the Department of the Treasury.     Fraud has the same meaning as defined in the AICPA's professional auditing standards.     GAAP has the same meaning as defined in accounting standards issued by the Government Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).     GAGAS means generally accepted government auditing standards as set forth in Government Auditing Standards, issued by the Comptroller General of the United States, Government Accountability Office.     GAO means the United States Government Accountability Office.     GASB means Government Accounting Standards Board.     Governance board means the auditee's board of directors, managing members, or other official body charged with governance.     Grantee means an entity that has a continuing responsibility under a grant agreement with RUS.     Illegal act has the same meaning as defined by the Public Company Accounting Oversight Board.     Material weakness has the same meaning as defined in the AICPA's professional auditing standards.     OIG means the Office of the Inspector General, United States Department of ***Agriculture***.     OMB means The Office of Management and Budget.     Regulatory asset means an asset resulting from an action of a regulator as defined by FASB.     Regulatory liability means a liability imposed on a regulated enterprise by an action of a regulator as defined by FASB.     Related party has the same meaning as defined by FASB.     Reporting package means:     (1) The auditor's report on the financial statements;     (2) The report on internal control over financial reporting and on compliance and other matters;     (3) The report on compliance with aspects of contractual agreements and regulatory requirements;     (4) The schedule of findings and recommendations; and     (5) All supplemental schedules and information required by this part.     RUS means the Rural Utilities Service, an agency of the United States Department of ***Agriculture***.     RUS Bulletin 1773-1, Policy on Audits of RUS Borrowers and Grantees, is a publication prepared by RUS that contains the RUS regulation 7 CFR part 1773 and exhibits of sample audit reports, financial statements, reports on internal control over financial reporting and on compliance and other matters, report on compliance with aspects of contractual agreements and regulatory requirements, and schedule of findings and recommendations used in preparing audits of RUS borrowers and grantees. This bulletin is available on the internet at [*https://www.rd.usda.gov/publications/regulations-guidelines/bulletins/****program****-accounting*](https://www.rd.usda.gov/publications/regulations-guidelines/bulletins/program-accounting).     RUS security agreement means a loan agreement, grant agreement, mortgage, security agreement, or other form of agreement that governs the terms and conditions of, or provides security for, loan and/or grant funds provided by RUS to the auditee.     Significant deficiency has the same meaning as defined in the AICPA's professional auditing standards.     Single Audit Act means Single Audit Act of 1984 (31 U.S.C 7501 et seq.) as implemented by 2 CFR part 200, subpart F.     State means any state or territory of the United States, or the District of Columbia.     Uniform System of Accounts means, for telecommunications borrowers, Bulletin 1770B-1, Accounting Requirements for RUS Telecommunications Borrowers (   [*https://www.rd.usda.gov/files/UTP\_Bulletins\_1770B-1.pdf*](https://www.rd.usda.gov/files/UTP_Bulletins_1770B-1.pdf)), and for electric borrowers, as contained in 7 CFR part 1767, Accounting Requirements for RUS Electric Borrowers, subpart B--Uniform System of Accounts, Bulletin 1767B-1, (   [*https://www.rd.usda.gov/files/UPA\_Bulletin\_1767B-1.pdf*](https://www.rd.usda.gov/files/UPA_Bulletin_1767B-1.pdf)).

Subpart B--RUS Audit Requirements

Sec.  1773.3  Annual audit.

    (a) Each auditee must have its financial statements audited annually by an auditor selected by the auditee and approved by RUS as set forth in Sec.  1773.4 All auditees must submit audited financial statements on a comparative basis covering two consecutive 12 month periods, unless the entity has not been in existence for two consecutive 12-month audit periods. Consolidated statements of the parent are not an acceptable replacement for an audit of the auditee.     (b) Each auditee must establish an annual audit date within 12 months of the date of the first advance and must prepare annual financial statements for the audit date established. Each auditee must notify the AA-PARA of the audit date at least 90 days prior to the selected audit date.     (c) Auditees must furnish a reporting package to RUS within 120 days of the audit date. (See Sec.  1773.21). Until all loans made or guaranteed by RUS are repaid and unliquidated obligations rescinded, auditees that are borrowers must continue to provide annual audited financial statements. Auditees that are grantees must furnish annual audited financial statements in the ***year*** of the first advance and until all funds have been advanced or rescinded, and all financial compliance requirements have been fully satisfied.     (d) In addition to the requirements of this part, certain auditees may be subject to the Single Audit Act. An auditee that is defined as a Non-Federal Entity as defined in 2 CFR 200.69 means a state, local government, Indian tribe, institution of higher education (IHE), or nonprofit organization that carries out a Federal award as a recipient or subrecipient and is required to meet the requirements of this part as follows:     (1) Borrowers and/or grantees expending the threshold established for the Single Audit Act (currently $750,000) or more in Federal awards during the ***year*** must have an audit performed in accordance with the Single Audit Act. See 2 CFR 200.502, Basis For Determining Federal Awards Expended, for guidance in determining annual expenditures. The audited financial statements must be submitted to RUS and to the Federal Audit Clearinghouse.     (2) For auditees expending less than the threshold for expenditure in Federal awards during the ***year***, RUS reserves its right under 2 CFR 200.503, Relationship to other audit requirements, to arrange for an audit performed in accordance with this part.

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    (3) Within 30 days of the audit date, auditees must notify the AA- PARA, in writing, of the total Federal awards expended during the ***year*** and must state whether the audit will be performed in accordance with the Single Audit Act, or this part.     (i) An auditee electing to comply with this part must select an auditor that meets the qualifications set forth in Sec.  1773.5     (ii) If an audit is performed in accordance with the Single Audit Act, the auditor's reporting on the financial statements that meet the requirements of the Single Audit Act, will be sufficient to satisfy the auditee's obligations under this part.     (e) Subpart F of 2 CFR part 200 does not apply to audits of RUS electric and telecommunications cooperatives and for-profit telecommunications borrowers unless the borrower has contractually agreed with another Federal agency (e.g Federal Emergency Management Agency) to provide a financial audit performed in accordance with 2 CFR part 200, subpart F. In no circumstance will an auditee be required to submit separate audits performed in accordance with this part and 2 CFR part 200, subpart F.

Sec.  1773.4  Auditee's responsibilities.

    (a) Selection of a qualified auditor. The auditee's governance board is responsible for the selection of a qualified auditor that meets the requirements set forth in Sec.  1773.5 When selecting an auditor, the auditee should consider, among other matters:     (1) The qualifications of auditors available to do the work;     (2) The auditor's experience in performing audits of utilities, related industries, or in the case of grantees, experience in auditing entities comparable to the grantee; and     (3) The auditor's ability to complete the audit and submit the reporting package within 90 days of the audit date.     (b) Board approval of selection. The board's approval of an auditor must be recorded by a board resolution that states:     (1) The auditor represents that it meets RUS qualifications to perform an audit; and     (2) The auditee and auditor will enter into an audit engagement in accordance with Sec.  1773.6     (c) Notification of selection. When the initial selection or subsequent change of an auditor has been made, the auditee must notify the AA-PARA, in writing, at least 90 days prior to the audit date.     (1) Within 30 days of the date of receipt of such notice, RUS will notify the auditee, in writing, if the selection or change in auditor is not satisfactory.     (2) Notification to RUS that the same auditor has been selected for succeeding audits of the auditee's financial statements is not required; however, the procedures outlined in this part must be followed for each new auditor selected, even though such auditor may previously have been approved by RUS to audit records of other RUS auditees. Changes in the name of an auditor are considered to be a change in the auditor.     (d) Audit engagement letter. The auditee must enter into an audit agreement with the auditor that complies with Sec.  1773.6 prior to the initiation of the audit.     (e) Debarment certification. The auditee must obtain, from the selected auditor, a lower tier covered transaction certification (Form AD-1048, Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion--Lower Tier Covered Transactions), as required by Executive Orders 12549 and 12689, Debarment and Suspension, and any rules or regulations issued thereunder.     (f) Peer review report. The auditee must obtain, from the selected auditor, a copy of the auditor's current approved peer review report.     (g) Preparation of schedules. The auditee must prepare any schedules that are required by the auditor to perform the audit, including a schedule of deferred debits and deferred credits and a detailed schedule of investments in subsidiary and affiliated companies accounted for on the cost, equity, or consolidated basis. The detailed schedule of investments can be included in the notes to the financial statements or as a separate schedule as long as all information required is adequately disclosed. Samples of these schedules can be found in Appendices A-D, of RUS Bulletin 1773-1.     (1) The schedule of deferred debits and deferred credits must include a description of the deferral and a notation as to whether the deferral has received written approval from RUS. If a determination is made that prior written approval is not required, cite the specific authority for the deferral.     (2) The schedule of investments must include investments in subsidiary and affiliated companies, corporations, limited liability corporations and partnerships, joint ventures, etc. accounted for on either the cost, equity or on a consolidated basis. For all investments, the auditee must list the name of the entity, ownership percentage, and the principal business in which the entity is engaged. For investments recorded on the cost basis, the auditee must include the original investment, advances, dividends declared or paid in the current and prior ***years*** and the net investment. For investments recorded on the equity or consolidated basis, the auditee must include the ownership percentage, original investment, advances, dividends declared or paid in the current and prior ***years***, and current and prior ***years***' earnings and losses, including accumulated losses in excess of the original investment.     (h) Scope limitations. The auditee will not limit the scope of the audit to the extent that the auditor is unable to provide an unqualified opinion that the financial statements are presented fairly in conformity with GAAP due to the scope limitation.     (i) Submission of reporting package. The auditee must submit to RUS the required reporting package as set forth in Sec.  1773.21     (1) A reporting package that fails to meet the requirements detailed in this part will be returned to the auditee with a written explanation of noncompliance.     (2) The auditee must, within 30 days of the date of the letter or email detailing the noncompliance, submit a corrected reporting package to RUS.     (3) If a corrected reporting package is not received within 30 days of the date of the letter or email detailing the noncompliance, RUS will take appropriate action, depending on the severity of the noncompliance.     (j) Submission of a plan of corrective action. If the auditor's report contains findings and recommendations but does not include the auditee's response, the auditee must submit written responses to RUS within 180 days of the audit date. The written responses must address:     (1) The corrective action already taken or planned, or the reason the auditee believes no action is necessary; and     (2) The status of corrective action taken on previously reported findings and recommendations.

Sec.  1773.5  Qualifications of the auditor.

    Auditors that meet the qualifications criteria of this section and enter into an audit engagement with the auditee that complies with Sec.  1773.6, will be considered satisfactory to RUS.     (a) Licensing. Auditors that audit the financial statements of an RUS auditee must be licensed to perform attestation engagements in the United States of America. Auditors do not have to be licensed by the state in which the auditee is located; however, auditors must abide by the rules and regulations of professional conduct promulgated by

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the accountancy board of the state in which the auditee is located.     (b) Independence. Auditors must be independent as determined by the standards for independence in the AICPA Code of Professional Conduct and in GAGAS in effect at the time of the audit.     (c) Peer review requirement. Auditors must be enrolled and participating in a peer review ***program***, and must have undergone a satisfactory peer review of their accounting and audit practice. The peer review must be in effect at the date of the audit report opinion.     (1) Peer review reports. RUS reserves the right to request peer review reports from selected auditors.     (2) Peer review requirements for new auditors. New auditing firms must meet the requirements of their state board of accountancy with regard to enrolling in a peer review ***program***, timing of the first peer review, and any other peer review requirements.

Sec.  1773.6  Auditor communication.

    (a) GAGAS and AICPA standards require that the auditor communicate with the auditee the auditor's understanding of the services to be performed and document that understanding through a written communication to those charged with governance. To be acceptable to RUS, the auditor's communication must take the form of an audit engagement letter prepared by the auditor and must be formally accepted by the governance board or an audit committee representing the governance board. In addition to the requirements of the AICPA's professional auditing standards and GAGAS, the engagement letter must also include the following:     (1) The nature of planned work and level of assurance to be provided related to internal control over financial reporting and compliance with laws, regulation, and provision of contracts or grant agreements;     (2) That the auditee and auditor acknowledge that the audit is being performed and that the reporting package is being issued to enable the auditee to comply with the provisions of RUS's security instrument which requires compliance with this part;     (3) That the auditor acknowledges the mandatory reporting requirements for fraud, illegal acts, or noncompliance with provisions of laws, regulations, contracts, and grant agreements in Sec.  1773.9 Acceptance of the engagement letter by the auditee is required, thus granting the auditor permission to directly notify the appropriate officials which may include but is not limited to the governance board, RUS, and OIG;     (4) That the auditor acknowledges that it is required under Sec.   1773.7 to contact RUS if the auditor is unable to resolve scope limitations imposed by the auditee, or if such limitations in scope violate this part. Acceptance of the engagement letter by the auditee is required, thus granting the auditor permission to directly notify the AA-PARA as needed;     (5) That the auditee and auditor acknowledge that RUS will consider the auditee to be in violation of its RUS Security Agreement and this part if the auditee fails to have an audit performed and documented in compliance with GAGAS and this part;     (6) That the auditor represents that it meets the requirements under this part to perform the audit;     (7) That the auditor will perform the audit and will prepare the reporting package in accordance with the requirements of this part;     (8) That the auditor will document the audit work performed in accordance with GAGAS, and the requirements of this part; and     (9) That the auditor will make all audit documentation, including the reporting package available to RUS or its representatives (including but not limited to OIG and GAO), upon request, and will permit the photocopying of all such audit documentation.     (b) A copy of the audit engagement letter must be available at the auditee's office for inspection by RUS personnel. One copy of the current audit engagement letter must be maintained in the auditor's audit documentation.

Sec.  1773.7  Audit standards.

    (a) The audit of the financial statements must be performed in accordance with GAGAS and this part in effect at the audit date unless the auditee is directed otherwise, in writing, by RUS.     (b) The audit of the financial statements must include such tests of the accounting records and such other auditing procedures that are sufficient to enable the auditor to express an opinion on the financial statements and to issue the required reporting package.     (c)(1) The auditee will not limit the scope of the audit to the extent that the auditor is unable to meet RUS audit requirements without prior written approval of the AA-PARA.     (2) If the auditor determines during the audit that an unqualified opinion cannot be issued due to a scope limitation imposed by the auditee, the auditor should use professional judgment to determine what levels of the auditee's management and/or those charged with governance should be informed.     (3) After informing the auditee's management and/or those charged with governance, if the scope limitation is not adequately resolved, the auditor should immediately contact the AA-PARA.

Sec.  1773.8  Audit date.

    (a) The annual audit must be performed as of the end of the same ***calendar*** month each ***year*** unless prior approval to change the audit date is obtained, in writing, from RUS.     (1) An auditee may request a change in the audit date by writing to the AA-PARA at least 60 days prior to the currently approved audit date, providing justification for the change.     (2) The time period between the prior audit date and the newly requested audit date must be no longer than twenty-three months.     (3) Comparative financial statements must be prepared and audited for the 12 months ending as of the new audit date and for the 12 months immediately preceding that period.

Sec.  1773.9  Disclosure of fraud, and noncompliance with provisions of laws, regulations, contracts, and loan and grant agreements.

    (a) In accordance with GAGAS, the auditor is responsible for planning and performing the audit to provide reasonable assurance about whether the financial statements are free of material misstatement due to error or fraud. The auditor must also plan the audit to provide reasonable assurance of detecting material misstatements resulting from violations of provisions of laws, regulations, contracts or loan and grant agreements that could have a direct and material effect on the financial statements.     (b) If specific information comes to the auditor's attention that provides evidence concerning the existence of possible violations of provisions of laws, regulations, contracts or loan and grant agreements that could have a material indirect effect on the financial statements, the auditor should apply audit procedures specifically directed to ascertaining whether a violation of provisions of laws, regulations, contract or grant agreements has occurred.     (c) Pursuant to the terms of its audit engagement letter with the auditee, the auditor must immediately report, in writing, all instances of fraud, illegal acts, and all indications or instances of noncompliance with laws, whether material or not, to:     (1) The president of the auditee's governance board;

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    (2) AA-PARA; and     (3) OIG, as follows:     (i) For all audits performed in accordance with Sec.  1773.3(d) (audits conducted in accordance with 2 CFR part 200 ``Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards''), report to the USDA-OIG-Audit, National Single Audit Coordinator for USDA, 401 W. Peachtree St NW, Room 2328, Atlanta, GA 30308,     (ii) For all other audits conducted in accordance with Sec.  1773.3 report to the appropriate office based on location. See [*https://www.usda.gov/oig/national.htm*](https://www.usda.gov/oig/national.htm) to determine the correct reporting location.

Sec.  1773.10  Access to audit documentation.

    Pursuant to the terms of this part and the audit engagement letter, the auditor must make all audit documentation available to RUS, or its designated representative, upon request and must permit RUS, or its designated representative, to photocopy all audit documentation.

Sec. Sec.  1773.11-1773.19  [Reserved]

Subpart C--RUS Requirements for the Submission and Review of the Reporting Package

Sec.  1773.20  The auditor's submission of the reporting package.

    (a) Time limit. Within 90 days of the audit date, the auditor must deliver the reporting package to the auditee's governance board. At a minimum, copies should be provided for each member of the governance board and the manager. The auditor must also provide an electronic copy of the audit which meets the requirements of Sec.  1773.21 for subsequent transmittal to RUS.     (b) Communication with the governance board. In addition to providing sufficient copies of the reporting package for each member of the auditee's governance board, RUS requires that the auditor report all audit findings to the auditee's governance board. RUS recommends that audit findings also be communicated orally unless oral communication would not be adequate. If the information is communicated orally, the auditor must document the communication by appropriate memoranda or notations in the audit documentation. If the auditor communicates in writing, a copy of the written communication must be included in the auditor's audit documentation.     (c) Matters to be communicated. Matters communicated to those charged with governance must include, but are not limited to the matters to be communicated as prescribed in the AICPA's professional standards AU-C Section 260, ``The Auditor's Communication with Those Charged with Governance''.

Sec.  1773.21  Auditee's review and submission of the reporting package.

    (a) The auditee's governance board should note and record receipt of the reporting package and any action taken in response to the reporting package in the minutes of the board meeting at which such reporting package is presented.     (b) The auditee must furnish RUS with an electronic copy of the reporting package within 120 days of the audit date as provided for in Sec.  1773.3     (c) The auditee must furnish AA-PARA with a copy of its plan for corrective action, if any, within 180 days of the audit date.     (d) The auditee must include in the reporting package a copy of each special report, summary of recommendations or similar communications, if any, received from the auditor as a result of the audit.     (e) All required submissions to RUS described in paragraphs (b) through (d) of this section should be furnished electronically. The electronic copy must be provided in a Portable Document Format (PDF). Auditees with a designation from 0001 through 0199 in the Electric ***program*** and 500 through 699 in the Telecommunications ***programs*** shall upload the reporting package to the DCS or its successor system. Borrowers and/or grantees with a designation from 1100 through 1199, 1300 through 1399, and 1400 through 1499 in the Broadband ***program*** shall upload the reporting package to the BCAS or its successor system. All other borrowers and/or grantees may upload their reporting package through DCS or its successor system. Specific instructions for submission are available from the Technical Accounting and Auditing Staff.

Sec. Sec.  1773.22-1773.29  [Reserved]

Subpart D--RUS Reporting Requirements

Sec.  1773.30   [Reserved]

Sec.  1773.31  Auditor's report on the financial statements.

    The auditor must prepare a written report on comparative balance sheets, statements of revenue and patronage capital (or statement of operations customary to the type of entity reporting) and statements of cash flows. The report must include the manual or printed signature of the auditor, cover all statements presented, and refer to the separate report on internal controls over financial reporting and on compliance and other matters and the report on compliance with aspects of contractual agreements and regulatory requirements issued in conjunction with the auditor's report on the financial statements. The auditor's report on the financial statements should also state that the report on internal controls over financial reporting and on compliance and other matters is an integral part of a GAGAS audit, and in considering the results of the audit, that this report should be read along with the auditor's report on the financial statements.

Sec.  1773.32  Report on internal control over financial reporting and on compliance and other matters.

    (a) As required by GAGAS, the auditor must prepare a written report describing the scope of the auditor's testing of internal control over financial reporting and of compliance with provisions of laws, regulations, contracts, and loan and grant agreements, and that the tests provided sufficient, appropriate evidence to support opinions on the effectiveness of internal control and on compliance with provisions of laws, regulations, contracts, and loan and grant agreements. This report must include the manual or printed signature of the auditor and must include the following items as appropriate:     (1) Significant deficiencies and material weaknesses in internal control;     (2) Instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance;     (3) Noncompliance with provisions of contracts or grant agreements that have a material effect on the audit; and     (4) Abuse that has a material effect on the audit.     (b) When the auditor detects instances of noncompliance or abuse that have an effect on the financial statements that are less than material but warrant the attention of those charged with governance, they should communicate those findings in writing to those charged with governance in a separate communication. If the auditor has issued a separate communication detailing immaterial instances of noncompliance or abuse, the report on internal controls over financial reporting and on compliance and other matters must be modified to include a statement such as:

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    ``We noted certain immaterial instances of noncompliance [and/or abuse], which we have reported to the management of (auditee's name) in a separate letter dated (month, day, 20XX).''     (c) If the auditor has issued a separate letter to management to communicate other matters involving the design and operation of the internal control over financial reporting, the report on internal controls over financial reporting and on compliance and other matters must be modified to include a statement such as:     ``However, we noted other matters involving the internal control over financial reporting that we have reported to the management of (auditee's name) in a separate letter dated (month, day, 20XX).''     (d) The report must contain the status of known but uncorrected deficiencies from prior audits that affect the current audit objective.

Sec.  1773.33  Report on compliance with aspects of contractual agreements and regulatory requirements.

    The auditor must prepare a report on compliance with aspects of contractual agreements and regulatory requirements that includes, at a minimum, comments on:     (a) Audit procedures. State whether the audit has been performed in accordance with this part;     (b) Special reports. State whether any special reports, summaries of recommendations, or similar communications were furnished to the auditee's management during the course of the audit or during interim audit work, and provide a description of the information furnished;     (c) Accounting and records. Comment on whether, during the course of the audit, anything came to the auditor's attention to indicate that the auditee did not maintain adequate and effective accounting procedures and records and utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and for distributing these costs to construction, retirement, and maintenance or other expense accounts. Where appropriate, comment on whether anything came to the auditor's attention to indicate that the auditee did not:     (1) Establish continuing property records (CPRs) that are updated on a current basis, at least annually, and are reconciled with the controlling general ledger plant accounts;     (2) Promptly clear construction clearing accounts of costs of completed construction to the proper classified plant accounts and accrue depreciation on such completed construction from the date the plant was placed in service;     (3) Currently and systematically record and properly price retirements of plant;     (4) Properly account for the accumulated provision for depreciation accounts associated with retirements of plant or properly disclose any unusual charges or credits to such accounts; and     (5) Obtain RUS approval for the sale, lease or ***transfer*** of capital assets secured under the RUS security agreement when approval is required, and properly handle any proceeds from the sale or lease of plant, material or scrap in conformance with RUS requirements.     (d) Materials control. Comment on whether, during the course of the audit, anything came to the auditor's attention to indicate that the control over materials and supplies was not adequate.     (e) Compliance with RUS loan and security instrument provisions. Comment on whether, during the course of the audit, anything came to the auditor's attention to indicate that the following provisions of RUS' loan and security instruments have not been complied with:     (1) For electric auditees, provisions related to:     (i) The requirements for an auditee to obtain written approval of mortgagees to enter into any contract for the management, operation, or maintenance of the auditee's system if the contract covers all or substantially all of the electric system. For purposes of this part, the following contracts shall be deemed as requiring RUS approval:     (A) Management contracts in which the auditee has contracted to have another auditee or other entity manage its affairs;     (B) Operations and maintenance contracts in which the auditee has contracted to have another auditee or other entity operate and/or maintain all or substantially all of the physical plant facilities of the auditee.     (C) Operations and maintenance contracts in which the auditee has contracted to operate and maintain the physical plant facilities of another auditee or other utility system;     (ii) The requirement for an auditee to prepare and furnish mortgagees annual or periodic financial and operating reports on the auditee's financial condition and operations accurately and within the required deadlines. The auditor shall comment on whether, during the course of the audit, anything came to the auditor's attention to indicate that the information represented by the auditee as having been submitted to RUS in its most recent December 31 Financial and Operating Report Electric Distribution or Financial and Operating Report Electric Power Supply was not in agreement with the auditee's audited records. If the auditee represents that an amended report has been filed as of December 31, the comments must relate to the amended report; and     (iii) The requirement for an auditee to use depreciation rates that are within the ranges established by RUS for each primary plant account (See RUS Bulletin 183-1, Depreciation Rates and Procedures at [*https://www.rd.usda.gov/files/UPA\_Bulletin\_183-1.pdf*](https://www.rd.usda.gov/files/UPA_Bulletin_183-1.pdf)), or with the requirements of the state regulatory body having jurisdiction over the auditee's depreciation rates in computing monthly accruals.     (2) For telecommunications auditees, provisions related to:     (i) The requirement for an auditee to obtain written approval of the mortgagees to enter into any contract, agreement or lease between the auditee and an affiliate other than as allowed under 7 CFR part 1744, subpart E; and     (ii) The requirement for an auditee to prepare and furnish mortgagees annual or periodic financial and operating reports on the auditee's financial condition and operations accurately and within the required deadlines. The auditor shall comment on whether, during the course of the audit, anything came to the auditor's attention to indicate that the information represented by the auditee as having been submitted to RUS in its most recent December 31 Operating Report for Telecommunications Borrowers was not in agreement with the auditee's audited records. If the auditee represents that an amended report has been filed as of December 31, the comments must be related to the amended report.     (3) For Broadband auditees, provisions relating to the requirement for an auditee to prepare and furnish mortgagee quarterly or periodic financial and operating reports on the auditee's financial condition and operations accurately and within the required deadlines. The auditor shall comment on whether, during the course of the audit, anything came to the auditor's attention to indicate that the information represented by the auditee as having been submitted to RUS in its most recent BCAS filing was not in agreement with the auditee's audited records. If the auditee represents that an amended report has been filed, the comments must be related to the amended report.     (4) For grantees, provisions related to:

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    (i) Recipients of Broadband Initiatives ***Program*** loans and grants, the requirement for the recipient to prepare and furnish RUS quarterly and annual financial and operating reports on the financial condition and operations of the auditee accurately and within the required deadlines. The auditor shall comment on whether, during the course of the audit, anything came to the auditor's attention to indicate that the information represented by the auditee as having been submitted to RUS in its most recent BCAS filing was not in agreement with the audited records of the auditee. If the auditee represents that an amended report has been filed, the comments must relate to the amended report. The auditor must state whether the Annual Compliance Certificate required by the RUS Security Agreement has been filed in a timely manner with RUS.     (ii) Recipients of all other grant ***programs*** within the electric and telecommunications ***programs***, the requirements to prepare and furnish RUS with any required financial reporting accurately and within required deadlines, as appropriate for that specific ***program***. The auditor shall comment on whether, during the course of the audit, anything came to the auditor's attention to indicate that the information represented by the grantee as having been submitted to RUS in its most recent filing was not in agreement with the audited records of the grantee. If the grantee represents that an amended report has been filed, the comments must relate to the amended report.     (f) Related party transactions. Comment on whether, during the course of the audit, anything came to the attention of the auditor to indicate that all material related party transactions have not been disclosed in the notes to the financial statements in accordance with ASC 850, entitled ``Related Party Disclosures''.     (g) Deferred debits and deferred credits. For electric auditees, comment on whether, during the course of the audit anything came to the attention of the auditor to indicate that the auditee provided detailed schedule of deferred debits and deferred credits, including, but not limited to, margin stabilization plans, revenue deferral plans, and expense deferrals is not accurately presented. This schedule must be included as supplemental information or within the notes to the financial statements; and     (h) Investments. For electric and telecommunications auditees, comment on whether, during the course of the audit, anything came to the auditor's attention to indicate that the auditee provided detailed schedule of investments is not accurately presented. This schedule must be included as supplemental information or within the notes to the financial statements. The auditor must state that the audit did not disclose any investments in subsidiary or affiliated companies.

Sec.  1773.34  Schedule of findings and recommendations.

    The auditor must prepare a schedule of findings and recommendations to be included with the audited financial statements. The schedule of findings and recommendations shall be developed and presented utilizing the elements of a finding discussed in GAGAS and shall include recommendations for remediation. If the schedule does not include responses from management, as well as any planned corrective actions, those items must be submitted directly to the AA-PARA by management in accordance with Sec.  1773.4(j).

Sec. Sec.  1773.35-1773.37   [Reserved]

Subpart E--RUS Audit Requirements and Documentation

Sec.  1773.38  Scope of engagement.

    The audit requirements set forth in Sec.  1773.39 through 1773.45 must be met annually by the auditor during the audit of the RUS auditee's financial statements. The auditor must exercise professional judgment in determining whether any auditing procedures in addition to those mandated by GAGAS or this part should be performed on the auditee's financial records in order to afford a reasonable basis for rendering the auditor's report on the financial statements, report on internal controls over financial reporting and on compliance and other matters, report on compliance with aspects of contractual agreements and regulatory requirements, and schedule of findings and recommendations.

Sec.  1773.39  Utility plant and accumulated depreciation.

    (a) General. The audit of these accounts shall include tests of additions, replacements, retirements, and changes. The auditor's audit documentation shall support that the auditor:     (1) Examined direct labor and material transactions to determine whether the auditee's accounting records reflect a complete accumulation of costs;     (2) Examined indirect costs and overhead charges to determine if they conform to the Uniform System of Accounts or the Federal Acquisitions Regulations as required under the RUS Security Agreement;     (3) Reviewed the costs of completed construction and retirement projects to determine if they were cleared promptly from the work in progress accounts to the classified plant in service accounts and the related depreciation accounts;     (4) Examined direct purchases of special equipment and general plant;     (5) Determined the degree of accuracy and control of costing retirements, including tests of salvage and removal costs;     (6) Reviewed the auditee's work order procedures; and     (7) Reviewed depreciation rates for adequate support, and compared them to RUS guidelines to determine that they were in compliance.     (b) Construction work in progress. (1) The audit documentation shall include a summary of open work orders reconciled to the general ledger and note on the summary any unusual or atypical projects.     (2) The auditor's audit documentation shall support that the auditor:     (i) Reviewed equipment purchases charged to work orders, including ***payments*** and receiving reports;     (ii) Reviewed contracts showing the scope of the work, the nature of the contract, the contract amount, and scheduled ***payments*** and reviewed supporting documents to determine that services contracted for were in fact rendered;     (iii) Reviewed time cards and pay rates for a sample of employees who allocate their time to work orders;     (iv) Reviewed the nature of material and supplies issued to the project, traced amounts and quantities to supporting documents, and reviewed the reasonableness of clearing rates for assignment of stores expense to the work order;     (v) Reviewed the accuracy of the computation of overheads applied to the work order; and     (vi) Reviewed other costs charged to the work order for support and propriety.     (3) The auditor's audit documentation shall support that the auditor:     (i) Scheduled ***payments*** to contractors and traced to verify ***payments*** and supporting invoices;     (ii) Traced contract costs to final closeout documents, to the general ledger, and to the continuing property records; and     (iii) Verified the costs of owner furnished materials, if applicable.     (4) The auditor shall review the auditee's procedures for unitization and classification of work order and contract

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costs. The auditor's audit documentation shall support that the auditor:     (i) Reviewed the tabulation of record units for construction from the work order staking sheets to the tabulation of record units, to the unitization sheets, and to the continuing property records;     (ii) Reviewed the procedures for unitizing and distributing costs of completed construction to the plant accounts;     (iii) Verified that standard costs were being used;     (iv) Evaluated the basis for development of standard costs; and     (v) Determined that costs of completed construction were cleared promptly from work in progress accounts.     (c) Continuing property records. The auditor's audit documentation shall support that the auditor:     (1) Determined whether the subsidiary plant records agree with the controlling general ledger plant accounts;     (2) Noted differences in the audit documentation; and     (3) Commented, in the report on compliance with aspects of contractual agreements and regulatory requirements, on any discrepancies.     (d) Retirement work-in-progress. The auditor's audit documentation shall support that the auditor:     (1) Determined that plant retirements are currently and systematically recorded and priced on the basis of the continuing property records, and determined that costs of removal have been properly accounted for;     (2) Explained the method used in computing the cost of units of plant retired if continuing property records have not been established and determined whether costs appeared reasonable; and     (3) Determined the manner in which net losses due to retirements were accounted for and traced clearing entries to the depreciation reserve, the plant accounts, and the continuing property records.     (e) Provision for accumulated depreciation. The auditor's audit documentation shall support that the auditor:     (1) Verified the depreciation accruals for the period, including the depreciation base;     (2) Reviewed the basis of the depreciation rates, any change in rates and the reason for the change, and, if appropriate, determined whether the rates are in compliance with RUS requirements or with the requirements of the state regulatory body having jurisdiction over the auditee's depreciation rates;     (3) Reviewed salvage and removal costs; and     (4) Searched for unrecorded retirements.     (f) Other reserves. The auditor's audit documentation shall include an account analysis for all other material plant reserves, such as the reserve for the amortization of plant acquisition adjustments. The auditor's audit documentation shall support that appropriate tests of transactions were performed.     (g) Narrative. The auditor shall include in the audit documentation a comprehensive narrative on the scope of work performed, observations made, and conclusions reached. Matters covered in this narrative shall include:     (1) The nature of construction and other additions;     (2) The control over, and the accuracy of pricing retirements;     (3) The accuracy of distributing costs to classified utility plant accounts;     (4) An evaluation of the method of:     (i) Capitalizing the direct loadings on labor and material costs;     (ii) Distributing transportation costs and other expense clearing accounts; and     (iii) Capitalizing overhead costs;     (5) The tests of depreciation;     (6) A review of agreements such as those relating to acquisitions, property sales, and leases which affect the plant accounts; and     (7) Notations, if applicable, of RUS approval of property sales and the propriety of the disposition of the proceeds.

Sec.  1773.40  Regulatory assets.

    The auditor's audit documentation shall support that the auditor tested whether all regulatory assets comply with the requirements of ASC 980. For Electric auditees only, the auditor's audit documentation shall support that all regulatory assets have received RUS approval.

Sec.  1773.41  Extraordinary retirement losses.

    The auditor's audit documentation shall support that the auditor tested retirement losses, including any required approval by a regulatory commission with jurisdiction in the matter, or RUS, in the absence of commission jurisdiction.

Sec.  1773.42  Clearing accounts.

    The auditor's audit documentation shall support that the auditor tested all clearing accounts and that transactions selected for testing were reviewed for proper allocation between expense and capital accounts.

Sec.  1773.43  Capital and equity accounts.

    (a) Capital stock. For privately owned companies, the audit documentation shall include analyses of all stock transactions during the audit period. The auditor's audit documentation shall support that the auditor:     (1) Reviewed the subsidiary records and reconciled them to the general ledger control account;     (2) Reviewed authorizations and issuances or redemptions of capital stock for proper approvals by the governance board, stockholders, regulatory commissions and RUS, as required;     (3) Determined that transactions were made in accordance with the appropriate provisions of the articles of incorporation, bylaws, and RUS loan documents; and     (4) Determined that transactions were recorded in accordance with the Uniform System of Accounts.     (b) Memberships. For cooperative organizations, the audit documentation shall include an analysis of the membership transactions during the audit period. The auditor's audit documentation shall support that the auditor:     (1) Reviewed the subsidiary records and reconciled them to the general ledger control account; and     (2) Determined that transactions were made in accordance with the appropriate provisions of the articles of incorporation, bylaws, and RUS loan documents.     (c) Patronage capital, retained earnings, margins, and other equities. The audit documentation shall include an analysis of the patronage capital, retained earnings, margins and other equities, and any related reserve accounts. The auditor's audit documentation shall support that the auditor:     (1) Determined that the transactions were made in accordance with the appropriate provisions of the articles of incorporation, bylaws, RUS loan documents, Uniform System of Accounts, or orders of regulatory commissions;     (2) Traced ***payments*** to underlying support; and     (3) Determined whether, under the terms of the RUS security instrument, restrictions of retained earnings or margins are required and, if so, whether they have been properly recorded.

Sec.  1773.44  Long-term debt.

    The auditor's audit documentation shall support that the auditor:     (a) Confirmed RUS, FFB, and RTB debt to the appropriate confirmation schedule (RUS Form 690, Confirmation

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Schedule Obligation to the FFB; Form 614, Confirmation Schedule--Long- term Obligation to RUS; or, Confirmation Schedule for RTB Debt);     (b) Confirmed other long-term debt directly with the lender;     (c) Examined notes executed or cancelled during the audit period; and     (d) Tested accrued interest computations.

Sec.  1773.45  Regulatory liabilities.

    The auditor's audit documentation shall support that all regulatory liabilities comply with the requirements of ASC 980. For electric auditees only, the auditor's audit documentation shall document whether all regulatory liabilities have received RUS approval.

Sec. Sec.  1773.46-1773.48  [Reserved]

Sec.  1773.49   OMB Control Number.

    The information collection requirements in this part are approved by the Office of Management and Budget (OMB) and assigned the OMB Control Number 0572-0095.

    Date: April 30, 2018. Kenneth L. Johnson, Administrator, Rural Utilities Service. [FR Doc. 2018-09501 Filed 5-4-18; 8:45 am]  BILLING CODE P

**Load-Date:** May 8, 2018

**End of Document**



[***Washington: Grassley Marks Policy, Oversight Accomplishments in 2017***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RB7-WV21-JDG9-Y1F6-00000-00&context=1516831)

Impact News Service

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**Body**

Washington: Office of the Senator Chuck Grassley has issued the following news release:

Sen. Chuck Grassley of Iowa marked a series of policy and oversight accomplishments in 2017.   “Serving the people of Iowa as their United States Senator is my first priority and it’s an honor that I take seriously,” Grassley said. “As chairman of the Senate Judiciary Committee and through my extensive oversight efforts, my work focuses on making government more transparent, efficient and accountable to Iowans and all Americans.”   Grassley holds at least one meeting in each of Iowa’s 99 counties every ***year*** to hear concerns and answer questions on any subject from Iowans. In 2017, Grassley completed his annual county meetings for the 37th ***year*** in a row. Grassley holds meetings in a variety of settings to ensure that a broad cross-section of Iowans can participate, including businesses, schools, town meetings and factory floors.

Although the setting may differ from county to county, the format is the same: Iowans set the agenda.   In addition to his annual meetings, Grassley also attended or convened a variety of events and forums, including: county farm bureau meetings, a WOTUS roundtable with Administrator Pruitt, a meeting with biodiesel stakeholders, a tour of the Iowa Veterans Home, an ***agriculture*** roundtable with Secretary Perdue, a tax roundtable discussion with local business owners, the Partnership for a Drug Free Iowa Digital Literacy Conference and met with Iowans at the state fair.   When the Senate is in session, Grassley sets aside eight 15-minute meetings every Monday through Thursday to meet with Iowans in Washington, D.C , including advocacy groups, associations, chambers of commerce and local business leaders, students and families. This Congress, Grassley met with nearly 950 groups of Iowans visiting the nation’s capital and discussed a variety of policy issues affecting Iowans such as anti-opioid addiction legislation, the farm bill, infrastructure, juvenile justice, sentencing reform, expiring tax provisions, the Affordable Care Act and tax reform. Grassley also joined eight Iowa schools for Q&As via video conferencing, including three college classes, three high school classes, and two middle school classes.   Highlights of Grassley’s legislative and oversight work follow here:   Accountability for sexual harassment and assault: After ***years*** of taking a backseat in societal debate, sexual misconduct has taken center stage and renewed an important conversation on Capitol Hill regarding sexual harassment. Grassley spearheaded the passage of the Congressional Accountability Act of 1995, which established the congressional Office of Compliance (OOC). The OOC offers sexual harassment prevention training to Senate offices, however it was not mandatory. Grassley wrote a letter to the leaders on Rules and Administration asking that committee to make sexual harassment training mandatory for all Senate offices. Soon after, the resolution offered by Grassley passed unanimously in the Senate, requiring regular training for all senators and employees.   Grassley also offered an amendment that recognizes and supports the goals and ideals of National Sexual Assault Awareness Month, which passed the Senate with unanimous consent.   ***Agriculture***: Changes to the North American Free Trade Agreement (NAFTA) would have a significant impact on Iowa farmers, the state’s economy and U.S trade. Grassley emphasized his support of continuing NAFTA in a bipartisan letter to Commerce Secretary Wilbur Ross, in which he pressed for an in-depth economic analysis to evaluate how changes to NAFTA would affect changes to the nation’s crop and livestock sectors.   Grassley reintroduced the Family Farmer Bankruptcy Clarification Act of 2017 to reverse a Supreme Court ruling (Hall v. United States) that made it harder for family farmers to reorganize their finances after declaring bankruptcy. The bill was included as part of the supplemental appropriations package and was signed into law by President Trump.   The United States Department of ***Agriculture*** (USDA) withdrew two rules related to the Packers and Stockyards Act, commonly referred to as the “GIPSA rules.” As the only two farmers currently serving in the U.S Senate, Grassley, along with Sen. Jon Tester (D-Mont.), wrote a letter to USDA Secretary Sonny Perdue to express their disagreement over the agency’s decision to withdraw these rules. Grassley also offered legislation to amend the Packers and Stockyards Act to make it unlawful for a packer to own, feed or control livestock intended for slaughter.   Grassley introduced the Food Security is National Security Act of 2017, which would give top U.S ***agriculture*** and food officials permanent representation on the Committee on Foreign Investment in the United States (CFIUS). It would also include new ***agriculture*** and food-related criteria for CFIUS to consider when reviewing transactions that could result in control of a U.S business by a foreign company, ensuring the U.S has the tools and people it needs to safeguard the nation’s food security, food safety, biosecurity and bring security to Iowa farmers and the U.S farm sector as a whole.   As a member of the Senate ***Agriculture*** Committee, Grassley wrote a letter to the U.S Government Accountability Office (GAO) requesting an update of its 2013 report on farm ***program*** eligibility in advance of the next farm bill. In 2014, Grassley led an effort to fix loopholes that allowed farmers to exploit the system by using non-farming family members to receive additional subsidies from the government. Both chambers of Congress passed his bipartisan amendment that included reforms to farm ***program*** eligibility, but the amendment was significantly watered down during conference and ultimately became law as part of the 2014 farm bill. Grassley continues work on this issue in order to help young Iowa farmers who cannot get started in farming because of non-farmers who receive substantial subsidies due to a rigged system.   Antitrust: The Senate passed Grassley’s Criminal Antitrust Anti-Retaliation Act, which would extend whistleblower protections for employees who provide information to the U.S Department of Justice (DOJ) related to criminal antitrust violations. This is part of Grassley’s decades-long effort to protect and empower whistleblowers. The legislation passed the Senate the past two Congresses, but has not been taken up by the House of Representatives.   Grassley, along with House Judiciary Committee Chairman Bob Goodlatte (R-Va.), called on the DOJ and Federal Trade Commission (FTC) to work with the U.S Trade Representative to make strong competition provisions a central part of upcoming trade negotiations. In their letter, Grassley and Goodlatte encouraged the federal antitrust agencies to include a competition chapter in NAFTA to establish a high standard for competition chapters in future trade negotiations.   Bureau of Prisons: In 2016, an inspector general review concluded that 157 inmates were erroneously released either before or after their scheduled release dates – sometimes by multiple ***years*** – between 2009 and 2014. In his role as chairman of the Senate Judiciary Committee, Grassley called on the Federal Bureau of Prisons to explain why recommendations aimed at preventing untimely release of federal inmates remain unimplemented.   Criminal and Juvenile Justice Reform: Grassley, along with a bipartisan group of senators, reintroduced the landmark Sentencing Reform and Corrections Act of 2017, which would recalibrate prison sentences for nonviolent drug offenders, target violent and career criminals and save taxpayer dollars. The bill would allow increased judicial discretion at sentencing for offenders with minimal criminal histories and help inmates successfully re-enter society. It would also tighten penalties for violent criminals and preserve key prosecutorial tools for law enforcement.   Grassley introduced the Juvenile Justice Delinquency Prevention Reauthorization Act of 2017. This bill takes steps to reduce the unnecessary incarceration of youth by securing new protections for minors and improve accountability measures in the federal juvenile justice grant ***program***. The Senate unanimously passed this bipartisan bill to improve protections for minors who come into contact with the justice system.   Defense oversight: Grassley led a bipartisan group of senators in a letter to Secretary of Defense James Mattis calling for the DOD to comply with mandatory audits, which are long overdue by the department.   DOJ/ FBI: As a watchdog of the federal bureaucracy, Grassley continues staunch oversight of the various investigations being conducted by the Federal Bureau of Investigations (FBI) in 2017, as well as his efforts to protect whistleblowers by pressing the FBI to explain why it has failed to update its whistleblower policies, employee trainings and internal communications to comply with the Federal Bureau of Investigation Whistleblower Protection Enhancement Act (FBI WPEA). Grassley introduced the new protections last Congress to bring FBI whistleblower policies in line with other federal agencies. The bipartisan bill was signed into law on December 16, 2016. Additionally, Grassley pressed the DOJ regarding the implementation of whistleblower protections at the FBI, outlining a series of concerns about whistleblower protections that have gone unaddressed despite government reports drawing attention to these problems and recommending changes.   Grassley called on the FBI to explain its advance knowledge and any plan to thwart a 2015 terrorist attack in Garland, Texas and pressed for answers on how an FBI translator was reportedly able to travel to Syria and marry the ISIS operative who she was supposed to be investigating.   With Senators Dianne Feinstein (D-Calif.), John Cornyn (R-Texas) and Sheldon Whitehouse (D-R.I ), Grassley introduced the Combating Money Laundering, Terrorist Financing, and Counterfeiting Act of 2017. The legislation would modernize and strengthen criminal laws against money laundering, update criminal money laundering and counterfeiting statutes and promote transparency in the U.S financial system.   Grassley and Feinstein also introduced the Strengthening State and Local Cyber Crime Fighting Act of 2017. The legislation would authorize for the first time the National Computer Forensics Institute (NCFI), which provides law enforcement with techniques and best practices for handling digital forensics evidence.   Grassley introduced the Lawsuit Abuse Reduction Act, legislation that would put in place stricter rules to deter harmful, abusive and frivolous litigation.   Drug prices: Grassley continued his ongoing oversight efforts on drug pricing in 2017. He wrote several letters to Food and Drug Administration (FDA) Commissioner Scott Gottlieb expressing concerns and advocating for legislative solutions to problems on drug pricing and availability of generic prescription medications.   Along with Sens. Patrick Leahy (D-Vt.), Mike Lee (R-Utah) and Amy Klobuchar (D-Minn.), Grassley wrote a letter to Gottlieb asking him to address anticompetitive practices currently used by some brand-name pharmaceutical companies to delay the manufacture and introduction of generic drugs in the market.   Grassley also led a group of bipartisan senators in a letter urging Gottlieb to address abuses in the regulatory process that delay competition and increase prescription drug costs. It advocates for the Creating and Restoring Equal Access to Equivalent Samples (CREATES) Act, legislation Grassley cosponsored earlier this ***year***.   In another letter, Grassley called on Gottlieb to examine legislative proposals and collaborate with other government agencies to increase consumer access to affordable prescription medications. He encouraged a review of two bills that he has cosponsored to address anti-competitive behavior by drug makers and enhance market access to less costly generic medications. The Preserve Access to Affordable Generics Act and the CREATES Act.   For months, Grassley pressed for the accurate classification of prescription drugs under the Medicaid Drug Rebate ***Program***. In January, he sought answers from the Centers for Medicare and Medicaid Services (CMS) on whether it sought to recoup tax dollars overpaid for EpiPens from drug maker Mylan and added a new request for two additional drugs reportedly misclassified under the Medicaid Drug Rebate ***Program*** – Dilaudid and Prilosec. He sent another letter to CMS later in January, reiterating his initial request for information.   Grassley’s work was prompted by the news that EpiPen maker Mylan was in discussions with the DOJ to settle a case and repay the taxpayers for over-charging for EpiPen. Grassley’s letter to then-President-elect Trump urging appropriate classification under the Medicaid Drug Rebate ***Program*** is available here. Grassley’s January letter to the outgoing administration on the issue is available here.   Grassley also wrote to Iowa Attorney General Tom Miller seeking clarification regarding his office’s ability to determine the value of reimbursement to the state necessary to make Iowa whole from EpiPen’s apparent misclassification under Medicaid’s Drug Rebate ***Program***. A few months later, Grassley followed up with another letter seeking additional details and accompanying documentation regarding the state’s receiving $1.5 million as part of a DOJ settlement with Mylan.   In February, Grassley, along with Sens. John McCain (R-Ariz.) and Amy Klobuchar (D-Minn.), urged then-Department of Health and Human Services (HHS) Secretary Tom Price to use his statutory authority to fast track the importation of prescription drugs from Canada under certain circumstances as a remedy to recent drastic drug price increases in the United States.   In April, Grassley asked health insurer CareFirst to explain an apparent practice of charging customers more for receiving a brand name prescription drug than a generic drug when the insurer’s own doctors explicitly prescribed the brand name drug for medical reasons. Grassley also noted due process concerns about this potential practice if the insurer was not complying with its own policies. He also wrote a letter to Kaléo Pharmaceuticals, the maker of epinephrine injector Auvi-Q, to explain its pricing, including which entities in the health care system will pay the cited price of $4,500 for a two-pack when consumers without insurance will pay $360 for the product. Grassley said the pricing of Auvi-Q “appears to draw parallels with concern about EpiPen’s pricing structure.”   Education: Grassley introduced a series of bills aimed at providing students and their families a better idea of the true costs of higher education and giving them the tools needed to make informed decisions based on tuition costs, financial aid and loan and repayment options.   The Net Price Calculator Improvement Act would improve the effectiveness and access to net price calculators, tools that provide students with early, individualized estimates of higher education costs and financial aid figures before they decide where to apply.   The Understanding the True Cost of College Act would create a universal financial aid award letter so that students could easily compare financial aid packages between schools. It would clarify what financial aid families would receive from a school and create standard terms for the aid offered so that students could accurately compare offers from different schools.   The Know Before You Owe Federal Student Loan Act would increase the amount of information students receive about federal student loans, including their potential ability to repay, before rather than after signing up for tens of thousands of dollars in debt to Uncle Sam.   Additionally, Grassley and fellow legislators have worked with federal agencies to clarify that nonprofit lenders, including state-run or state-chartered organizations, can use tax-exempt bonds for student loan refinancing. Along with 14 fellow senators, Grassley urged the IRS and Treasury Department to make technical clarifications to rules on refinancing options for student debt.   Grassley also offered a resolution designating March 3, 2017 as 'National Speech and Debate Education Day,' which passed the Senate by unanimous consent.   Energy: As a champion of renewable fuels and an all-of-the-above American energy policy, Grassley continued his extensive work to enact responsible energy policies in 2017.   Grassley introduced the American Renewable Fuel and Job Creation Act of 2017, legislation that would extend the biodiesel tax credit, a clean-fuel incentive, for three ***years*** and reform the incentive by ***transferring*** the credit from the blenders to the producers of biofuels. The switch would ensure that the tax credit incentivizes domestic production and taxpayers aren’t subsidizing imported fuel.   Much of Grassley’s 2017 energy agenda focused on the Renewable Fuel Standard (RFS). Grassley worked extensively with Senate colleagues, President Trump and the Environmental Protection Agency (EPA) to find ways forward on renewable energies and fulfill congressional intent on the RFS.   Under new proposed rules, America’s commitment to biofuels would have been decreased, resulting in less renewable fuels being blended. In a letter earlier this ***year***, Grassley and a bipartisan group of 23 senators urged President Trump to maintain the point of obligation under the RFS and reject changes that would upend the current successful system. In November, EPA announced it would maintain the point of obligation.   Grassley also sent a letter to EPA Administrator Pruitt asking him to support a strong RFS as the agency worked toward finalizing its rule on biofuels volume requirements for 2018 under the RFS. The letter urged the continued implementation of the RFS as intended by Congress and the release of a strong final rule that would give consumers more choices at the pump, strengthen the economy and make the country more secure.   Grassley continued to put pressure on the EPA by joining Sens. Heidi Heitkamp (D-N.D ), Roy Blunt (R-Mo.), Patty Murray (D-Wash.) and a bipartisan group of 29 senators in a letter urging the agency to increase its proposed 2019 Renewable Volume Obligations (RVOs) for biodiesel. The move would encourage growth in the industry and diversity in the nation’s energy supply.   Grassley joined a letter led by Sen. Joni Ernst (R-Iowa) to Pruitt asking him to examine a burdensome regulation that makes it more difficult to sell gasoline with ethanol content above 10 percent, such as E15, ***year***-round. Grassley raised the issue to Pruitt’s attention when hosting a meeting with him and several senators from ethanol-producing states in January.   Grassley raised concerns to Energy Secretary Rick Perry regarding a study he directed that appeared geared toward undermining the wind energy industry. The study was meant to explore issues central to protecting the long-term reliability of the electricity grid, including an investigation of “market-distorting” federal policies that “create acute and chronic problems for maintaining adequate baseload generation and have impacted reliable generators of all types.” Grassley asked a series of questions about the study, including which organizations that analyze grid reliability and security would be involved, whether a contractor would conduct it, the cost to taxpayers and whether stakeholders would be able to comment on a draft.   Grassley and other Midwestern senators received several assurances in a letter from Pruitt ensuring that the EPA would not follow through on a proposal that would have undermined the integrity of the RFS. The letter from Pruitt can be found here. This came after Grassley led several letters and meetings on the issue.     Grassley led a bipartisan group of senators urging U.S Trade Representative Robert Lighthizer to work with the Brazilian government to end a recently reinstated 20 percent tariff on ethanol imports in excess of 600 million liters (158 million gallons) annually. The United States is the primary exporter of ethanol into Brazil. U.S producers called Brazil’s tariff plan “a trade barrier that threatens over $750 million in U.S exports and American jobs.”   Federal Judiciary: Grassley presided over a historic ***year*** of federal judicial nominations and confirmations. Beginning with the nomination of Neil M. Gorsuch to be Associate Justice of the Supreme Court of the United States, Grassley rigorously vetted and reviewed judicial nominations to ensure our federal judges will read the law as written, not legislate from the bench based on policy preferences. President Trump has endeavored to nominate strict constructionist and constitutionalist judges that understand the role of the judiciary. Under Grassley’s leadership, the committee oversaw the nomination and confirmation of a record 12 appeals court judges in 2017, more than in any first of a presidency since the inception of federal appeals courts in 1891. These confirmations will have an important impact on our country not just for the rest of this Congress or presidency, but for decades to come.   Foster youth, adoption, missing children, families and elder care: Throughout his career, Grassley has been a staunch advocate for children and families. He continued his work on these issues in 2017 by introducing a number of bills aimed at protecting special needs children, preventing elder abuse, encouraging elder independence and funding ***programs*** to improve family health.   Grassley introduced the Strong Families Act of 2017, legislation which would re-authorize the Maternal, Infant and Early Childhood Home Visiting ***Program***, a ***program*** that provides grants to states, territories and tribal entities to develop and implement evidence-based, voluntary ***programs*** to improve maternal and child health, prevent child abuse and promote child development and school readiness.   In honor of two boys with autism who perished after wandering from safety, Grassley reintroduced Kevin and Avonte's Law. The legislation would help families locate missing loved ones with Alzheimer’s disease, autism and related conditions. It would also support training for caregivers to prevent and respond to instances of wandering. This bipartisan bill unanimously passed in the Senate.   Grassley introduced the ACE Kids Act of 2017, legislation that would improve the Medicaid ***program*** by more efficiently coordinating care for children with complex medical conditions within the system, ensuring positive outcomes while reducing costs.   A strong advocate for fostering and adoption ***programs***, Grassley introduced the Foster Youth Independence Act of 2017, which would amend a part of the Social Security Act to allow the chief executive officer of a state to certify that the state will provide assistance and services under the John H. Chafee Foster Care Independence ***Program*** to young adults who have aged out of foster care but are under the age of 23.   Grassley also introduced the Fostering Stable Housing Opportunities Act of 2017, legislation which would grant priority preference for federal housing assistance to foster youth who are aging out of care and allow youth in foster care to apply for housing assistance at the age of 16, prior to aging out.   Focusing on the health and well-being of America’s senior citizens, Grassley introduced the Community-based Independence for Seniors Act, legislation that would allow older Americans to receive individualized care that would help them continue to stay in their own homes rather than nursing homes.   Grassley also introduced the Elder Abuse Prevention and Prosecution Act, which became law in October. The law enhances enforcement against perpetrators of crimes targeting senior citizens. Specifically, it increases training for federal investigators and prosecutors and calls for the designation of at least one prosecutor in each federal judicial district who will be tasked with handling cases of elder abuse. It also ensures that the FTC’s Bureau of Consumer Protection and the DOJ will both have an elder justice coordinator and increases penalties for perpetrators.   Grassley sought information from a Florida assisted living facility about criminal charges filed against an employee alleging she violated the privacy of two residents using Snapchat. The case is ONE OF the latest examples of exploitive videos or photos involving elder care facilities on Snapchat, Instagram and Facebook.   Along with Sen. Joni Ernst (R-Iowa), Grassley sent a letter to the DOJ asking for an explanation regarding penalties against an Iowa nursing home that was ordered closed and to pay $100,000 to federal taxpayers over “grossly substandard care” that was essentially “without value.” Grassley and Ernst said the Abbey of Le Mars was on a federal watch list for two ***years*** during the Obama Administration because of concerns about care.   Grassley also offered a resolution recognizing National Foster Care Month as an opportunity to raise awareness about the challenges of children in the foster-care system, and encourage Congress to implement policies to improve the lives of children in the foster-care system. It passed the Senate with unanimous consent.   Fraud fighting: Grassley joined Sen. Tom Carper (D-Del.) in introducing the bipartisan Saving Federal Dollars Through Better Use of Government Purchase and Travel Cards Act, legislation that was included in the recently passed NDAA legislation and signed into law by President Trump. The legislation will help prevent charge card misuse and abuse by requiring agencies to take a series of steps to strengthen accountability and oversight over purchases made using federal government charge cards.   Good Government/Transparency: Grassley introduced the American Red Cross Transparency Act of 2017, bipartisan, bicameral legislation that would give the congressional watchdog arm complete access to American Red Cross records for oversight purposes as well as respond to concerns that the Red Cross tried to quash a review by the GAO of its practices, successfully limiting the scope of the review.   Grassley sent many oversight letters in support of whistleblowers and increased transparency in government. Grassley led a bipartisan group of 11 senators on the Whistleblower Protection Caucus in a letter to 19 federal agencies calling on government leaders to promote a culture that welcomes whistleblower disclosures and condemns attacks on whistleblower rights. Grassley also sent a letter to Acting Chairman of the Commodity Futures Trading Commission (CFTC) Christopher Giancarlo, requesting a formal briefing of CFTC’s efforts to address the systemic weaknesses of internal data security policies and procedures, as well as efforts to eliminate whistleblower reprisal.   In his continuing effort to “drain the swamp,” Grassley excoriated the Office of Legal Counsel (OLC) in its attempt to insulate unelected government bureaucrats from questions by the people’s elected representatives in Congress and called on President Trump to rescind the OLC opinion. In his letter, Grassley laid out the constitutional case for every member of Congress to exercise their powers of inquiry and oversight of the executive bureaucracy, regardless of committee membership or chairmanship. He emphasized the importance of oversight and inquiry regardless of partisan affiliation.   Grassley urged the Office of Management and Budget (OMB) Director Mick Mulvaney to ensure that any executive branch ethics pledge waivers granted by the Trump Administration are immediately provided to the U.S Office of Government Ethics (OGE) and made publicly available. Grassley made a similar request of the Obama Administration in 2009. Those waivers were ultimately published on OGE’s website following Grassley’s request.   Grassley also sent letters to the Department of Health and Human Services, Defense Secretary Jim Mattis and Commerce Secretary Wilbur Ross regarding issues relating to wasteful government spending by bureaucrats and government efficiency and accountability.   Grassley introduced the Sunshine for Regulatory Decrees and Settlements Act of 2017, legislation which would end the practice of creating new federal red tape outside of the public rulemaking process, shine a light on sue-and-settle litigation and restore the transparency, public scrutiny and judicial review protections of the rulemaking process.   Grassley also introduced the bipartisan Cameras in the Courtroom Act of 2017, legislation which would require the Supreme Court to permit television coverage of all open sessions of the Court, unless the Court decides, by a majority vote of the Justices, that doing so would constitute a violation of the due process rights of one or more of the parties before the Court.   Grassley offered two resolutions pertaining to documents about the assassination of President John F. Kennedy, which were being held by the National Archives and Records Administration. The first urged the National Archives and Records Administration to publicly release records detailing the assassination, the second commending the National Archives and Records Administration and its staff for working to comply with the President John F. Kennedy Assassination Records Collection Act of 1992 and release all records related to the assassination.   Grassley also offered a resolution designating the week beginning October 15, 2017, as 'National Character Counts Week,' which passed the Senate with unanimous consent.   Health care: Grassley introduced the Over-the-Counter Hearing Aid Act, which became law as part of the FDA Reauthorization Act. The bicameral measure requires the FDA to write regulations ensuring that the new category of over-the-counter hearing aids meets the same high standards for safety, consumer labeling and manufacturing protections as all medical devices, providing consumers the option of an FDA-regulated device at lower cost.   Along with Sens. Bob Casey (D-Penn.) and Sherrod Brown (D-Ohio), Grassley reintroduced the Pharmacy and Medically Underserved Areas Enhancement Act, bipartisan legislation which would encourage pharmacists to serve older Americans in communities lacking easy access to doctors or where pharmacists are more convenient to visit for certain services than doctors.   Grassley also reintroduced the Provider ***Payment*** Sunshine Act, legislation that would require drug companies and medical device makers to publicly disclose their ***payments*** to nurse practitioners and physician assistants for promotional talks, consulting and other interactions. The disclosures already apply to doctors, dentists, chiropractors, optometrists and podiatrists under the Physician ***Payment*** Sunshine Act, co-authored by Grassley and enacted in 2010.   Along with Klobuchar (D-Minn.), Grassley introduced the Reducing Drug Waste Act of 2017, bipartisan legislation which would require the FDA to coordinate with CMS to develop a joint action plan to reduce waste generated by single use drug vials and better manage costs with respect to drug vial sizes and other drug delivery systems, such as eye-drops.   In his continued support for rural health care, Grassley introduced the Rural Hospital Access Act of 2017, which would permanently extend key Medicare rural hospital ***programs*** critical to five Iowa hospitals and many others around the country. He also reintroduced the Rural Emergency Acute Care Hospital (REACH) Act, which would help rural hospitals stay open while meeting the needs of rural residents for emergency room care and outpatient services.   Grassley, along with Sen. Mark Warner (D-Va.), reintroduced the Medicare Orthotics and Prosthetics Improvement Act, bipartisan legislation that would apply accreditatio

n and other standards for orthotics and prosthetics, such as prosthetic limbs, under Medicare, helping to guarantee access to quality products for beneficiaries.   Housing: Grassley continued his oversight of TARP’s Hardest Hit Fund (HHF), a $9.6 billion ***program*** that began in 2010 to help homeowners who suffered during the housing crisis. Wasteful spending of these funds by state agencies persisted unchecked for many ***years*** of the Obama Administration, and the need for accountability remains. In a continuation of Grassley’s request to audit state agency expenses, the Special Inspector General for the Troubled Asset Relief ***Program*** (SIGTARP) is reviewing state agency spending on travel, conferences and other administrative spending. Grassley also pressed the Treasury Department on why it has recovered only one percent –  $113,592 of $11 million – wasted on restaurant meals, employee gifts and a $500-per-month company Mercedes from the HHF.   Grassley asked the Buffalo Municipal Housing Authority and newly-confirmed Department of Housing and Urban Development (HUD) Secretary Ben Carson to explain potentially excessive travel and conference expenses by the housing authority, including that the executive director reportedly has spent 158 days over four ***years*** attending conferences. Grassley also called on the HUD Office of the Inspector General (OIG) to complete its investigation into the mismanagement at the Alexander County Housing Authority (ACHA) in Cairo, Illinois, and make its findings public.   Grassley met with Secretary Carson prior to his confirmation, at which time he raised concerns about millions of dollars of wasteful spending at HUD. In an effort to assist public housing authorities (PHAs), the federal government allows PHAs to establish nonprofit affiliates through which development activities are conducted. However, PHAs throughout the country often use taxpayer dollars to fund personal priorities and feather their own nests rather than to provide safe, affordable housing for those in need.   Grassley wrote to Secretary Carson concerning the agency’s two failed projects to update its financial management system. HUD spent 14 ***years*** and more than $131 million only to pull the plug on both projects prior to completion.   Illegal and illicit drugs: Along with Sen. Dianne Feinstein (D-Calif.), Grassley re-introduced the Protecting Kids from Candy-Flavored Drugs Act, legislation that would increase the criminal penalties for marketing candy-flavored drugs to appeal to children. It would provide an enhanced penalty when a person manufactures, creates, distributes, dispenses or possesses with intent to distribute a controlled substance combined with a beverage or candy product, marketed or packaged to appear similar to a beverage or candy product, or modified by flavoring or coloring to appear similar to a candy or beverage product.   Grassley and Feinstein also introduced the Stop the Importation and Trafficking of Synthetic Analogues (SITSA) Act of 2017, which would allow substances that are substantially similar to controlled drugs to be rapidly regulated without additional time-consuming testing and analysis. Grassley also led a group of senators in a call for the Trump Administration to prioritize the Office of National Drug Control Policy in the Fiscal ***Year*** 2018 budget. The letter cited the previous success of the office in preventing use of illicit drugs in American communities. This important effort has only increased in light of the ongoing opioid epidemic across the country.   As part of that ongoing effort to fight opioid abuse, Grassley joined a bipartisan group of legislators in a letter U.S Attorney General Jeff Sessions asking him to provide Congress with information detailing how the DOJ is supporting and prioritizing forensic science service providers across the nation as part of a broader approach to combat the opioid epidemic.   Along with Sen. Joni Ernst (R-Iowa), Grassley urged the Office of National Drug Control Policy to include an evaluation of drug take back ***programs*** in the final report of the President’s Commission on Combatting Opioid Abuse, correcting a shortcoming in the interim report. At Grassley and Ernst’s request, the GAO is studying the DEA’s implementation of the law allowing local pharmacies to accept unused controlled substances for public convenience, amid concerns that regulations present barriers to participation.   Immigration and Visas: Grassley introduced the Security, Enforcement, and Compassion United in Reform Efforts, (SECURE) Act, legislation which would protect and provide certainty to DACA recipients, and improve the lawful immigration system by targeting illegal immigration and criminal aliens. The bill contains provisions from several immigration proposals, including Senator Dick Durbin’s (D-Ill.) bipartisan BRIDGE Act, which would protect DACA recipients from deportation. It’s also a significant step forward on the path to immigration reform.   Grassley reintroduced the Taking Action Against Drunk Drivers Act, legislation that would require federal immigration authorities to take action against undocumented immigrants arrested for driving under the influence. Grassley first introduced the bill last ***year*** following several tragedies involving immigrants who were arrested for drunk driving, including one incident that claimed the life of 21-***year***-old Iowan Sarah Root.   Grassley wrote oversight letters to Secretary of State Rex Tillerson, acting director of Homeland Security Elaine Duke, U.S Trade Representative Robert Lighthizer, then-Homeland Security Secretary John Kelly, the Department of Labor and the U.S Chamber of Commerce on a wide range of issues related to visas and immigration. Several letters focused on obtaining information regarding the Diversity Visa ***program***, the process by which DHS reviews the Temporary Protected Status (TPS) designation, and the O visa ***program***. Grassley also raised questions about the Foreign Agents Registration Act (FARA) and H-2B foreign worker and EB-5 investor visa ***programs***.   Law enforcement: In honor of the service and sacrifice made by the men and women in law enforcement, Grassley introduced a resolution designating the week of May 15 through May 21, 2017, as 'National Police Week,' which passed the Senate with unanimous consent.   The Public Safety Officers’ Benefits Improvement Act, which became law in June, helps families of fallen first responders receive the survivor benefits they’d been promised. Congress established the Public Safety Officers’ Benefits ***Program*** in 1976 to provide death benefits to survivors of officers who die in the line of duty. Grassley’s oversight revealed, however, that many of these survivors were waiting ***years*** to receive their benefits. His legislation will reduce this wait time and provide greater accountability in the process.   Thousands of U.S Marshals Service (USMS) officers tasked with hunting down dangerous fugitives are relying on expired protective and trauma gear and insufficient training, according to information obtained by the Senate Judiciary Committee. Despite repeated warnings about the increased risks to employees and public statements prioritizing safety, agency leadership has reportedly failed to follow through with critical steps to ensure officers are appropriately trained and equipped to carry out often-dangerous duties. In two separate letters to USMS leadership, Grassley called on the agency to explain how the lapses were allowed to occur.   National Security: Along with House Judiciary Committee Chairman Bob Goodlatte (R-Va.), Grassley urged the Trump Administration to put American victims of terrorism first by securing a binding commitment from Sudan to compensate for its historical support of international terrorism that has killed and injured Americans serving abroad. In a joint letter to Secretary of State Rex Tillerson, the chairmen called on the Administration, as a condition of lifting any terrorism-related sanctions, to accept nothing less than a binding commitment from the government of Sudan to resolve or settle the terrorism judgments entered against it in U.S courts and meet its obligations to compensate American victims.   Taxes: As a senior member and former chairman of the Senate Finance Committee, which has jurisdiction over tax policy, Grassley was instrumental in the crafting and passage of the Tax Cuts and Jobs Act of 2017, which was signed into law by President Trump. Two Grassley-led amendments were included in the bill’s final passage.   The first amendment regards increasing the time period in which taxpayers may seek to have proceeds from the sale of wrongfully levied property returned to them. The IRS is authorized to levy on property to satisfy a tax debt in certain instances. While the IRS is authorized to return property at any time, it is only authorized to return the monetary proceeds from a sale for up to nine months from the date of the levy. Similarly, if a third party believes the property levied or seized belongs to him/her and not the person against whom the tax is assessed, the third party generally only has nine months from the time of the levy to bring an administrative wrongful-levy action to seek the return of monetary proceeds. In many cases the nine-month period is insufficient for individuals and third parties to discover a wrongful or mistaken levy and seek to remedy it. This amendment extends from nine months to two ***years*** the time period that individuals and third parties have to seek the return of proceeds on the sale of wrongfully levied property.   The second amendment included in the Tax Cuts and Jobs Act of 2017 expands provisions relating to the nondeductibility of fines and penalties to prohibit a tax deduction for any amount paid or incurred to, or at the direction of, any governmental entity relating to the violation of any law or the investigation or inquiry into a potential violation of law. It exempts from such prohibition: (1) restitution or amounts paid to come into compliance with any law that was violated or otherwise involved in the investigation or inquiry, (2) amounts paid pursuant to a court order in a suit in which the governmental entity was not a party, and (3) amounts paid or incurred as taxes due.   Grassley also reintroduced the Taxpayer Bill of Rights Enhancement Act of 2017, comprehensive legislation which would improve customer service at the IRS, create new taxpayer protections and update and strengthen existing taxpayer protections.   Trade: With Sen. Sherrod Brown (D-Ohio), Grassley introduced the United States Foreign Investment Review Act, which would to review foreign investments in the United States to ensure they are in the long-term economic interests of the U.S   Grassley joined a bipartisan group of 37 senators urging USDA to push the Chinese government to end its ban on the sale of American poultry products. The ban was instituted by China in 2015 due to the detection of a wild duck with Highly Pathogenic Avian Influence (HPAI) and continues to be enforced today, in contradiction of World Health Organization for Animal Health (OIE) standards.   Victims’ reform: Grassley introduced and the Senate unanimously passed, the Trafficking Victims Protection Act of 2017. The bipartisan legislation would renew existing ***programs*** that make federal resources available to human trafficking survivors and establish new prevention, prosecution and collaboration initiatives to help bring the perpetrators to justice.   Grassley led 22 Senate colleagues in calling on the U.S Supreme Court to review a federal appeals court decision undermining the ability of U.S victims of international terrorism to seek justice. The appeals court’s decision effectively nullified the Antiterrorism Act of 1992, a law passed by Congress—and championed by Grassley—specifically to protect Americans abroad and to provide victims with a tool to bring terrorists to justice in U.S courts.   Grassley offered two resolutions in support of victims’ reform. The first was a resolution supporting the mission and goals of National Crime Victims' Rights Week in 2017, which includes increasing public awareness of the rights, needs, and concerns of, and services available to assist, victims and survivors of crime in the United States. The second was a resolution supporting the goals and ideals of National Domestic Violence Awareness Month, commending domestic violence victim advocates, domestic violence victim service providers, crisis hotline staff, and first responders serving victims of domestic violence for their compassionate support of survivors of domestic violence, and expressing the sense of the Senate that Congress should continue to support efforts to end domestic violence, provide safety for victims of domestic violence and their families, and hold perpetrators of domestic violence accountable. Both resolutions passed the Senate by unanimous consent.   Whistleblowers: Grassley, along with Sens. Ron Wyden (D-Ore.), Ron Johnson (R-Wis.) and Claire McCaskill (D-Mo.), introduced the Whistleblower Protection Coordination Act. The legislation would permanently extend the ***program*** requiring a dedicated official in each inspector general office focused on whistleblower protection issues.   Grassley sent several oversight letters to the DOJ and the DEA requesting information on issues such as why it took the DOJ’s inspector general’s office nearly five ***years*** to complete an investigation into the Osorio and Barba trafficking rings. He pressed for answers regarding unaccountability in addressing sexual misconduct and harassment in the DOJ, and inquired about what steps the agency has taken to address the problem. With McCaskill, Grassley also pressed the Missouri National Guard for answers on what it will do to address findings that one of its contractors retaliated against contractor employee Michael Sandknop after he made disclosures that were protected under whistleblower statutes.   Grassley, along with Wyden, introduced the bipartisan IRS Whistleblower Improvements Act of 2017, legislation that would improve IRS communication with tax fraud whistleblowers and protect those whistleblowers from workplace retaliation. The bill is based on the Grassley-Wyden amendment included in the Taxpayer Protection Act of 2016. The Taxpayer Protection Act, along with the Grassley-Wyden amendment, passed the Finance Committee in April 2016 but was never considered by the full Senate.   In honor of the critical service whistleblowers provide for good governance and our nation, Grassley introduced a resolution designating July 30, 2017, as 'National Whistleblower Appreciation Day,' which passed the Senate with unanimous consent.

**Load-Date:** January 4, 2018

**End of Document**



[***Blockchain In Agribusiness: Plenty Of Benefits But Commercialisation A Few Years Away***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SYB-02H1-F0J5-80JB-00000-00&context=1516831)

BMI Western Europe Food and Drink Insights

August 2, 2018 Thursday

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**Highlight:** The agribusiness sector's interest in blockchain is growing rapidly with trial ***programmes*** multiplying and companies devoted to the technology emerging quickly. The benefits of blockchain for ***agriculture*** are extensive from farmers to trading and food companies, especially in terms of supply chain efficiency and product traceability. However, the technology remains immature at this stage and is still a few ***years*** away from feasibility at scale with considerable challenges to overcome to make it a reality.

**Body**

*Key View: The agribusiness sector's interest in blockchain is growing rapidly with trial* ***programmes*** *multiplying and companies devoted to the technology emerging quickly. The benefits of blockchain for* ***agriculture*** *are extensive from farmers to trading and food companies, especially in terms of supply chain efficiency and product traceability. However, the technology remains immature at this stage and is still a few* ***years*** *away from feasibility at scale with considerable challenges to overcome to make it a reality.* Discussions around the potential benefits of using the blockchain technology in agribusiness are growing, while actual trial and pilot ***programmes*** have started multiplying in recent quarters. As a result, in this article, we identify the benefits of such technology for the sector, have a look into ongoing or recent trials and highlight the challenges.Blockchain is a way of storing and sharing information on a distributed shared ledger, without the need for intermediaries or third parties to make transactions. Each transaction is unalterable, traceable and secure, with blockchain using a public/private key model of cryptography and allowing users to monitor all transactions in real time. On paper, the benefits of blockchain technology are decentralisation, cryptographic security, transparency, and immutability. Blockchain in agribusiness will also require the adoption of a number of other 'Agtech' components to allow for real-time traceability including, for example, IoT devices (satellite data analytics of plantation, sensors along the supply chain among others).We have identified four benefits that blockchain will bring to the agribusiness sector, and find significant overlap with the potential benefits to the Food & Drink sector ( *see 'Blockchain's Track And Trace Functionality Could Revolutionise F&D Industry', June 20*). Benefits for farmers: cost savings, faster ***payments***, direct access to consumers, clear land registry Benefits for commodity trading: drastic optimisation of international trade Benefits for the food sector: improved food traceability, product labelling and addressing rising consumer awareness Blockchain to help the fight against food waste and towards food security

**Benefits For Farmers: Cost Savings, Faster *Payments*, Direct Access To Consumers, Clear Land Registry** A more efficient and less costly management of livestock disease outbreaks and farm product contamination. Traceability features to support speciality food differentiation and profitability. Reduction in the number of intermediaries could help farmers receive a larger share of the sector's revenue. Blockchain could speed up ***payments*** to farmers and, therefore, reduce uncertainty. As a more distant benefit, blockchain could greatly improve land registry efficiency in developing markets, which would support access to credit and, therefore, farm investment. One of the most important features of blockchain for agribusiness is traceability and supply chain transparency, and it will impact the sector at the farm level, at the trading level, as well as downstream at the food distribution level. For farmers, traceability is likely to lead to cost reduction, as it could help improve the management of disease outbreak or food contamination at the farm level. The origin of a contaminated product could be quickly and precisely identified, and taken care of. This would avoid the mass recall and destruction of farm products and the mass culling of livestock which is currently being resorted to as a precautionary measure. **Increased traceability and a better trust in the origin of the product could also mean farmers of speciality products (organic *agriculture* among others) could be better remunerated.** In general, the reduction in the number of intermediaries and the development of farm-to-table and local sourcing initiatives enabled by blockchain could also increase farms' profits. FoodShed and GroceryX are startups building on blockchain to support farm-to-table products.Blockchain could also **speed up *payments*** to farmers and reduce ***payment*** uncertainty. Historically, growers have carried the burden of counterparty risk and a lack of ***payment*** security when making a delivery to a buyer or storage site. Blockchain could help change this dynamic and instead match the ***transfer*** of title to the ***payment***.A more distant yet potentially high-impact benefit of blockchain for farmers in developing countries could be the **development of a fully transparent land registry**. Unclear, customary land records in developing countries are a key issue and greatly hinder access to credit and farm investment. The creation of a transparent land registry would greatly improve much-needed farm financing and, in turn, investment and yields. However, this would require a mass and global adoption of blockchain which is a distant prospect. **Commodities Trading: Optimising International Trade, Reducing Processing Time And Costs** Commodities trading involves very complex administrative tasks and a large number of players, including suppliers, trading companies, customs administrations, food producers, shipping companies and banks. Blockchain transactions for commodities with transparent and immutable digital contracts could help reduce many shortcomings and inefficiencies in the sector, as it could lead to enhanced information for the players involved, greater traceability and proof of origin, improved stock management, certainty around the conditions of the contract, less paperwork and reduced transaction risks and uncertainty.

**Examples Of *Agricultural* Commodity Trades Conducted With Blockchain**

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| --- | --- | --- |
| **Blockchain-based Commodity Trade Trials/ *Programmes*** | **Companies Involved** | **Details Of The Trade** |
| **Shipping 17 tonnes of almonds from Melbourne, Australia to Hamburg, Germany** | Commonwealth Bank of Australia, Pacific National, Olam Richards Australia Pty Ltd, CL Limited, Patrick Terminals and LX Group. | 2018. An experiment that combined a custom private blockchain, smart contracts and a geotracking IoT framework to facilitate end-to-end movement of the almonds. Using the information provided by four IoT devices inside the container, transaction partners could track cargo location in real time and view real-time cargo data (temperature, humidity, etc). The information was accessed through the blockchain platform, making it impervious to manipulation. |
| **Tracking, delivery and *payment* of a batch of oats within Australia** | CBH Group, AgriDigital | 2017. The companies ran two tests, one to make delivery and ***payment*** of oats, and the other to track the movement of organic oats from farmgate to the retail consumer. The digital title that was generated for the transaction was developed on a private Quorum network based on AgriDigital's DLT solution. The companies hope to launch a commercial solution in 2019. |
| **Selling 60,000 tonnes of US soybean to the Chinese government** | Louis Dreyfus Commodities, Shandong Bohi Industry Co, ABN AMRO, ING and Societe Generale | 2017. The trade - done via the Easy Trading Connect (ETC) blockchain prototype - included a full set of digitalised documents (sales contract, letter of credit, certificates) and automatic data-matching, thus avoiding task duplication and manual checks. Participants claim time spent on processing documents and data was reduced fivefold. Other benefits include the ability to monitor the operation's progress in real time, data verification, reduced risk of fraud, and a shorter cash cycle. |
| **Shipping cotton from Texas, USA to Qingdao, China** | Brighann Cotton, Commonwealth Bank of Australia, Wells Fargo | 2016. Private blockchain and smart contracts enabled with IoT geolocation technology. The trade involved an open account transaction, mirroring a Letter of Credit, executed through a collaborative workflow on a privately distributed ledger between the seller (Brighann Cotton (US)); the buyer (Brighann Cotton Marketing Australia); and their respective banks. |

Source: Fitch Solutions **Benefits For The Food Sector: Improved Traceability, Product Labelling And Addressing Rising Consumer Demands** The transparency allowed by blockchain will help food companies address rising consumer awareness and demand for higher quality and sustainable products. The technology can be used for improved labelling of products, with more information available to consumers, allowing consumers to check if products labelled as organic, locally sourced, cruelty-free and sustainable are, in fact, what they claim.Currently, validating these claims is left up to companies such as **Fair Trade** or **Where Food Comes From**, who verify all aspects of products from the beginning of the lifecycle. Blockchain would add to this by amplifying good behaviour of ethical companies and removing those making false claims through the tracking systems. This will increase trust among consumers if they are able to trace every step of the supply chain through a blockchain that cannot be tampered with and would offer more accuracy than the third-party verification. Blockchain will also help to fight against food fraud, as mislabelled food is still an ongoing problem in the industry. **Reducing Food Waste And Improving Global Food Security** Blockchain could also help reduce food waste, an endemic issue which is receiving increasing regulatory and public attention. A 2015 study by the FAO found that globally, 1.3bn tonnes of food is lost or wasted every ***year***, amounting to about one-third of all food produced for human consumption. Given the overall consumer trends towards sustainable food and concern about overuse of resources increasing greenhouse gas emissions, reducing waste will be an ongoing theme over the coming decade in our view.The development of a direct farm-consumer relationship, the reduction of supply chain processing time, real-time tracking of product conditions would help to mitigate some of this wastage. These efficiency gains would go hand-in-hand with ongoing yield growth and will become necessary in the future to maintain a satisfactory level of food security at a time when expanding the arable land is facing clear constraints.

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| --- |
| Blockchain Could Help Reduce Global Waste |
| Global - Food Waste By Commodity Per ***Year*** (% of quantity produced, 2015) |
|  |
| *Source: FAO* |

**Blockchain Is Still At Trial Stage, Commercialisation A Few *Years* Away** Overall, blockchain remains a rather immature technology and it is generally considered that it is still three to five ***years*** away from feasibility at scale. Moreover, the strategic case for agribusiness players to invest in the technology in order to profit from it has not been proven yet. We note that most of the applications performed by established agribusiness and food companies over the past couple of ***year*** were trials or are still at the stage of pilot ***programmes***. A number of startups have emerged around the world in this space and certain key industry players have also conducted trials and invested in the technology ( *see table below*). Most of the trials have been limited in scope, and only involved performing the transactions for an individual contract across borders, or for one individual commodity at the national level ( *see table above*).

**Blockchain For Agribusiness And Food - Players Involved**

|  |  |
| --- | --- |
| **Established agribusiness and food companies that are experimenting with blockchain** | **Startups using blockchain in the agribusiness and food sectors** |
| **Food producers**: Tyson Food, Nestle, Danone, Unilever | AgriDigital, AgriLedger, Agunity, Arc-Net, Blockgrain, Block Commodities, FarmShare, FoodCoin, FoodLogiQ, GroceryX, INS Ecosystem, Ositrade, Pavo, Provenance, Ripe.io, The Seam, ZhongAn Online |
| **Trading companies**: Louis Dreyfus Commodities, Cargill, Graincorp, CBH, Olam International |  |
| **Food retailers**: Walmart |  |

Note: This list is not exhaustive and is meant to present examples of companies involved in Agribusiness and Food blockchain initiatives. Source: Fitch Solutions **Plenty Of Challenges To Overcome Before Blockchain Becomes RealityToo Complex To Implement?** - The most important barrier preventing blockchain technology from flourishing is that it requires the participation of all actors in the supply chain for it to work. Every transaction needs to be registered from farmers to distributors, packagers, producers, grocery stores and restaurants, in order to facilitate the advanced tracking and transparency features that will transform the industry. If one of these actors does not participate, then the system cannot fully develop. **Is The Technology Scalable?** - A blockchain transaction may be relatively simple to execute, but implementing millions of them could become much more costly or time-consuming than previously anticipated. The computing power to do so would also be phenomenal and would take up huge amounts of energy, potentially making the whole enterprise more expensive than it is worth to track a head of lettuce that retails for a few dollars. The scalability of this technology is a few ***years*** away at present, so it will be some time before we see blockchain rolled out. **Greater Transparency Means Greater Scrutiny** - While higher transparency will help to improve production processes, agribusiness and food players are also likely to face greater scrutiny. Disclosing production and supply chain details of food products is likely to bring more profits for higher-end products, but the push towards greater transparency enabled by blockchain and other Agtech may backfire for mid-range or lower-range products which strike a delicate balance between cost-control, product affordability and poorer producing processes in terms of animal welfare, and use of chemicals, antibiotics, growth hormones or pesticides. **The Question Of Trust And Security** - For blockchain to be effective, it still relies on the accuracy of information entered into the system, at a farm level and throughout the value chain. The necessary input of data will, therefore, always raise the issue of trust. Connecting and securing physical goods to a blockchain also requires enabling technologies like IoT. This raises questions around security as while the blockchain record might be immutable, IoT devises can still be tampered with. **Competing Blockchain Technologies** - Adding further complexity to this will be the competing types of blockchain technology and platforms that are trying to make this a reality. If platforms do not interact with competing platforms, this may require each supplier to have multiple blockchain systems for different clients, creating confusion and increasing the risk of error. **Absence Of Regulation** - Given the early stage of development, it is impossible to predict what the most useful information will be to store on a blockchain ledger and how this might evolve over time. For smallholder farmers in remote regions, choosing between a myriad of competing platforms that boast different benefits and standards will be a serious challenge. This will be complicated for all the other actors in the supply chain too, given the relative unfamiliarity with blockchain at present.

**Load-Date:** August 3, 2018

**End of Document**



[***Register of Commission documents: Ex-post Addressing migration and forced displacement challenges in Asia and the Middle East Document date: 2018-01-16 COM-AC\_DI(2018)O055047-01 Comitology - Documents for information***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RJ6-PV21-JDG9-Y2N7-00000-00&context=1516831)

Impact News Service

January 31, 2018 Wednesday

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**Body**

Brussels: Public Register European Parliament has issued the following document:

[1] EN This action is funded by the European Union ANNEX of the Commission Decision on the Special Measure for 'Addressing migration and forced displacement challenges in Asia and the Middle East: a comprehensive regional EU Response' Action Document for 'Addressing migration and forced displacement challenges in Asia and the Middle East: a comprehensive regional EU Response' INFORMATION FOR POTENTIAL GRANT APPLICANTS WORK ***PROGRAMME*** FOR GRANTS This document constitutes the work ***programme*** for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012) in the following sections concerning calls for proposals: 5.3.1 Grants. 1. Title/basic act/ CRIS number Addressing migration and forced displacement challenges in Asia and the Middle East: a comprehensive regional EU Response CRIS: ACA/2017/040575, ACA/2017/040576, ACA/2017/040577, ACA/2017/040578, ACA/2017/040580, MIGR/2017/040581, MIGR/2017/040582, MIGR/2017/040584 financed under Development Cooperation Instrument (DCI) 2. Zone benefiting from the action/location Islamic Republic of Afghanistan People's Republic of Bangladesh Islamic Republic of Iran Republic of Iraq Islamic Republic of Pakistan The activities will be carried out all over the countries, with a specific focus on regions of high migration / return / protracted forced displacement.

3. ***Programming*** document Regional ***Programme*** for Asia 2014-20201 (i.e Aid to Uprooted People ***programme*** – Afghanistan – 2017-2020, EUR 20 million); Special 1 C(2014) 6112 of 03.09.2014 and C(2014) 9382 of 11.12.2014 [2] measure for 'Addressing migration and forced displacement challenges in Asia: a comprehensive regional EU Response'2 (EUR 175.7 million) 4. Sector of concentration/ thematic area Migration, Forced displacement DEV. Aid: YES 5. Amounts concerned Total estimated cost: EUR 195.7 million Total amount of EU budget contribution: EUR 195.7 million, of which EUR 90 million are financed under the DCI Global Public Good and Challenges - Migration and Asylum budget line (21.020705), EUR 40 million under the DCI Cooperation with Asia budget line (21.020200) and the remaining EUR 65.7 million under the DCI Cooperation with Afghanistan budget line (21.020500). The contribution is for an amount of EUR 165.7 million from the general budget of the European Union for 2017 and for an amount of EUR 30 million from the general budget of the European Union for 2018, subject to the availability of appropriations following the adoption of the relevant budget. 6. Aid modality(ies) and implementation modality(ies) Project Modality Direct management: grants (calls for proposals in Afghanistan, Iran, Iraq) Indirect management with: Deutsche Gesellschaft für Internationale Zusammenarbeit – GIZ (Pakistan), International Centre for Migration Policy Development – ICMPD (multi-country), International Labour Organization – ILO (Bangladesh), International Organization for Migration – IOM (multi-country), United Nations Educational, Scientific and Cultural Organization – UNESCO (Afghanistan), United Nations High Commissioner for Refugees – UNHCR (multi-country), United Nations Human Settlements ***Programme*** – UN-HABITAT (Afghanistan), United Nations Children's Fund – UNICEF and World Health Organization – WHO (multi-country), United Nations Office on Drugs and Crime – UNODC (multi-country), World Bank – WB (Afghanistan) 7 a) DAC code(s) 13010 (Population policy and administrative management) for the capacity building and policy-making component; 11330 (Vocational training); 16020 (employment policy) for the component that relates to capacity building and job creation. b) Main Delivery Channel IOM, UNHCR and World Bank; others (e.g EU Member State agencies, ICMPD, ILO, Non-governmental organisations (NGOs), UNESCO, UN-HABITAT, UNICEF and WHO, UNODC, etc.) 2 C(2017) 6190 of 18.09.2017 [3] 8. Markers (from CRIS DAC form) General policy objective Not targeted Significant objective Main objective Participation development/good governance ☐ ☐ x Aid to environment x ☐ ☐ Gender equality (including Women In Development) ☐ x ☐ Trade Development x ☐ ☐ Reproductive, Maternal, New born and child health x ☐ ☐ RIO Convention markers Not targeted Significant objective Main objective Biological diversity x ☐ ☐ Combat desertification x ☐ ☐ Climate change mitigation x ☐ ☐ Climate change adaptation x ☐ ☐ 9. Global Public Goods and Challenges (GPGC) thematic flagships  Human development;  Migration and asylum 10. SDGs3 SDG target 10.7 SUMMARY Afghanistan, Bangladesh and Pakistan are listed as the EU's priority countries on migration with regard to origin and transit in Asia (Communication on establishing a new Partnership Framework with third countries under the European Agenda on Migration4 & HR/VP Federica Mogherini letter to all EU Ministers of Foreign Affairs (3 August 2016). Together with Iraq and Iran, these are also countries of great relevance to regionally address protracted forced displacement from a development perspective (Communication on Forced Displacement and Development5 and Foreign Affairs Council Conclusions6 (12 May 2016). Development responses to the root causes of irregular migration and protracted forced displacement in the region are central and essential to the goal of supporting countries to boost shared prosperity and resilience and promote stability and self-reliance – in line with the international commitment to reach first those who are furthest behind. 3 Sustainable Development Goals. 4 COM(2016) 385 of 07.06.2016 5 COM(2016) 234 of 26.04.2016 6 [*http://www.consilium.europa.eu/en/press/press-releases/2016/05/12/conclusions-on-afghanistan/*](http://www.consilium.europa.eu/en/press/press-releases/2016/05/12/conclusions-on-afghanistan/). [4] First and foremost solutions have to be found to tackle the drivers of forced displacement and curb the prospects of increasing irregular migration from these countries. To a great extent these two issues are interlinked, a key requirement for success being improved security and socio-economic conditions in hosting countries and countries of origin, which includes improved international protection, access to basic services (including education and health), realistic, decent and viable employment, livelihoods and income generation opportunities. Second, sustainable long-term solutions to facilitate orderly, safe and dignified returns and reintegration of forcibly displaced populations and irregular migrants to their countries of origin should be identified and implemented. However, where such return and reintegration is not directly feasible, forcibly displaced populations and their host communities should be assisted to foster local inclusion and social cohesion. As such, this action aims to address the short, medium and long-term challenges posed by protracted forced displacement and migration, in host, transit and countries of origin and tackle the need to develop sustainable solutions for the return, reintegration and inclusion of displaced populations in Afghanistan and neighbouring countries. The action foresees a series of multi-sector and multi-stakeholder measures focusing on policy dialogue and financial support for reintegration, international protection and local inclusion. The interventions will focus on enhanced access to services (including education and health); land allocation as a foundation for integration; livelihood support services for forcibly displaced populations returnees and host communities; strengthening of capacity of local authorities to deliver integrated services; technical and vocational education and training ( TVET)/skills development and job creation for forcibly displaced populations, returnees and host communities; financial assistance to the small and medium-sized enterprises (SMEs); improvement of migration and asylum management systems and policies; protection of migrants. The action is designed to strengthen the nexus between humanitarian and development assistance and thereby ensure a sustainable interplay between relief and development. By improving service delivery for the displaced and host communities and sharing of livelihood assets and conflict management mechanisms, inter-communal relations and development outcomes should improve. International partners such as UNHCR, IOM, UN-HABITAT, UNICEF and WHO, UNODC, ILO, ICMPD, World Bank, UNESCO, specialised NGOs and EU Member States agencies who have a presence in the field in the regions of high concentrations of forcibly displaced populations, areas of return and or in the border/transit areas represent an essential knowledge to build upon and will be the primary implementation partners for the action. [5] 1. CONTEXT 1.1 Regional context Forced displacement in Afghanistan and neighbouring countries (mainly Pakistan and Iran) represent a protracted caseload. According to UNHCR and IOM, 2.7 million documented Afghan refugees and up to 3 million undocumented Afghans remained in Pakistan and Iran in 20167. The continued conflict and insecurity in around half of Afghanistan hamper the smooth and sustainable return of Afghans to their country/region of origin. Around 6.5 million Afghan refugees voluntarily returned to Afghanistan since 2001 and in 2016, Afghanistan witnessed a sharp increase in returns – more than 1 million persons – of both documented and undocumented Afghan refugees, mainly from Pakistan. From Iran, a high number of returns were also witnessed, yet the movements appear to be more circular patterns of recently arrived persons. For 2017, it was estimated that around 1.7 million Afghans will be on the move, including due to conflict-induced internal forced displacement. This will create significant challenges for the Afghan government in managing the absorption and successful reintegration of returnees,. It could also generate significant humanitarian needs and expose the affected (vulnerable) population to radicalisation. Bangladesh is one the most overpopulated, climate-vulnerable and disaster-prone countries in the region, with a sizeable part of the population living and working abroad, estimated by IOM at 8.6 million people. As such, remittances from Bangladeshis working abroad constitute important revenue flows for the Government, about 11% of the gross domestic product (GDP). Despite high rates of economic growth and significant gains in poverty reduction, Bangladesh remains one of the poorest countries in the world. Poor rural households are particularly vulnerable to economic shocks and unemployment among youth is a significant challenge. In addition, large numbers of people have been internally displaced in Bangladesh due to natural disasters and conflict. Many of those affected resort to migration as a coping mechanism and the described push factors are likely to increase in the future. Bangladeshi nationals are now the second on the list of irregular migrant disembarkations in the Central Mediterranean route to Europe and their numbers are rising. Bangladesh is also experiencing increased socio-economic pressure from the continued influx of Rohingya refugees, due to the deteriorating situation across the border in the Rakhine State of Myanmar. At present, close to 32,000 officially recognised refugees and 300,000-500,000 undocumented Rohingya reside in Bangladesh. In Iran, documented and undocumented Afghans refugees have been hosted in large numbers for several decades. According to UNHCR, in May 2015, 951 142 Afghan refugees, 28 268 Iraqi refugees, 620 000 Afghans holders of Iranian visas and around 1.5-2 million undocumented Afghans resided in the country, with limited access to public services8. Access to basic services for Afghan refugees, specifically in health care and education, has recently improved for different categories of undocumented Afghans. The Iranian authorities have also recently conducted a civil documentation process for certain categories of undocumented 7 The reference to 'Afghan refugees' in this Action document includes both documented and undocumented Afghans, and recognises their differentiated vulnerabilities and needs. 8 According to UNHCR and 'Amayesh IX' statistics from the Government of Iran (May 2015). [6] Afghans, which is another positive step. At the same time, challenges remain in terms of access to services and as regards conditions of return to Afghanistan. In early 2017, according to IOM, 109 966 undocumented Afghans returned to Afghanistan. Ensuring dignified, safe return and adequate protection, especially of vulnerable groups, is therefore a priority. In Iraq, in early 2017, 3.1 million people were internally displaced, due to past and more recent conflicts, and 250,000 Syrian refugees resided in the country, due to the conflict in Syria. Since the advent of the Mosul operation in October 2016, the country has seen large waves of forced displacement from the areas of the military intervention. At present, one third of the Iraqi population – 11 million people – is in need of humanitarian aid, yet only the most vulnerable 6.2 million receive international humanitarian assistance. The country saw a peak in emigration between 2014 and 2015. In 2016, patterns of returns, mainly from Europe, increased. Still, the increasing numbers of internally displaced persons (IDPs), coupled with delayed returns to liberated areas and the volatile political and economic situation further increase the risk of forced displacement and secondary movements, both within and outside Iraq. Pakistan is a country of origin, transit, and destination of migration flows, both regular and irregular, and plays an important role as a host country for refugees, especially from Afghanistan and Bangladesh. According to UNHCR and IOM, Pakistan is currently hosting around 1.5 million Afghan refugees and an estimated 1 million undocumented Afghans. Only in 2016, over 790,000 undocumented Afghans returned to their home country due to diverse push factors, including deteriorating protection space in Pakistan. The Pakistani government estimates that another 500,000 Afghans will return in 2017. Pakistan is also affected by internal forced displacement, with approx. 750,000 registered IDPs in Khyber Pakhtunkhwa (KPK) and Federally Administered Tribal Areas (FATA). Annually, around 1 million Pakistanis leave their country for overseas employment. Labour migration plays a significant role in the local economy and contributes greatly to poverty reduction. In 2016, remittances amounted to EUR 18 billion, representing around 7-8% of GDP. Legal channels for labour migration from Pakistan are limited to the six countries that are members of the Gulf Cooperation Council (GCC), where around 4 million Pakistanis are living. The lack of legal avenues to emigrate and the bureaucracy associated with migration contribute to irregular migration, trafficking and exploitation of workers during recruitment and employment overseas. The migrant smuggling market is reported to be rapidly expanding: Pakistan nationals are in the top 10 of encountered suspects linked to organised crime groups responsible for migrant smuggling into and within Europe. 1.1.1 Public Policy Assessment and EU Policy Framework The EU has an advanced policy framework for external relations and development cooperation on migration. The Agenda for Change9 recognises strengthening positive synergies between migration and development as a priority issue for external cooperation and the EU's Global Approach to Migration and Mobility10 underlines the importance of setting up mutually 9 COM(2011) 637 of 13.10.2011 10 COM(2011) 743 of 18.11.2011 [7] beneficial partnerships with non-EU countries, including migration and development as one of its four priority areas. The EU Policy Coherence for Development agenda11 furthermore recognises migration as a priority area where enhanced action is needed. The Communication on ‘Maximising the Development Impact of Migration’12 (2013) stressed the role of effective migration governance in maximising the positive and limiting the negative impacts of migration on development, and underlined the need for a broader and more ambitious approach in this area. The December 2014 Council conclusions on ‘Migration in EU Development Cooperation’13 further supported the inclusion of migration in the post-2015 agenda and called for greater ambition in the area of migration and development at EU level. The EU is fully committed to the Agenda 2030, specifically its aim to ‘leave no one behind’. Sustainable Development Goal 10, on reducing inequality, focuses on the need to facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed policies. The Agenda also underlines the right of migrants to return to their country of citizenship, and recalls that States must ensure their returning nationals are duly received. At the UN level, the process towards the adoption of the Global Compact on Migration is ongoing and the discussions ahead of the Compacts will cover a range of issues, including addressing drivers of migration, sustainable development and (re)integration. The main objective of the European Agenda on Migration14 (2015) is to approach migration in a comprehensive way and to mainstream migration into all relevant policy areas, both internal and external. The Agenda defines immediate measures to prevent human tragedies and to reinforce mechanisms to deal with emergencies, as well as a new strategic approach to better manage migration in the medium- to long-term. It focuses on four pillars; 1) reducing the incentives for irregular migration; 2) saving lives and securing the external borders; 3) a strong common asylum policy; 4) a new policy on legal migration. The external aspects of migration are a cross-cutting issue in the Agenda and EU development cooperation will directly contribute to its implementation. In the Communication on establishing a new Partnership Framework with third countries (2016) - the European Union's comprehensive approach to address the challenges of irregular migration and its root causes as part of the broader cooperation with our partners under the European Agenda on Migration, Afghanistan, Bangladesh and Pakistan were identified as long-term priority countries for addressing migration and forced displacement in Asia. The EU is also committed to continuing support to Iran's efforts benefitting Afghan refugees inside Iran and to launch a joint EU-Iran comprehensive migration dialogue. All the concerned countries participate in the regional framework of dialogue and cooperation on migration-related issues, the ‘Budapest Process’15, involving 50 governments and 11 COM(2009) 458 of 15.09.2009 12 COM(2013) 292 of 21.05.2013 13   [*http://www.consilium.europa.eu/en/press/press-releases/2015/12/14/conclusions-external-assistance/*](http://www.consilium.europa.eu/en/press/press-releases/2015/12/14/conclusions-external-assistance/). 14 COM(2015) 240 of 13.05.2015 15 Together with the Rabat, Khartoum and Prague Process, the Budapest Process is one of the main informal migration dialogues as recognised with the EU's Global Approach on Migration and Mobility. [8] international organisations. The Budapest Process strives to implement the objectives and initiatives listed in the Istanbul Ministerial Declaration establishing the Silk Routes Partnership for Migration, adopted in April 2013. The EU Communication 'Lives in Dignity' and following Council Conclusions (2016) put forward a new development-oriented approach to address forced displacement through a multi-stakeholder approach aimed at fostering self-reliance and resilience. Support targets access to the labour market, integrated service-delivery and the capacity of local authorities to enable socio-economic inclusion of the displaced. The EU approach is fully in line with the Agenda 2030, the New York Declaration for Refugees and Migrants’ focus on investing in the resilience of refugees and their host communities and the piloting of the Comprehensive Refugee Response Framework (CRRF). Afghanistan To date, most of the Afghan Government and international community's efforts have gone towards targeting vulnerable Internally Displaced Persons (IDPs), refugees and returnees from neighbouring countries, in particular Pakistan and Iran. Positive steps have been made through the adoption of the National IDP Policy (2013) and the endorsement of the Solution Strategy for Afghan Refugees (2012) which was developed by the Governments of Afghanistan, Iran, Pakistan and UNHCR, providing the overall framework for Afghan refugees in the region. In December 2015, the Afghan Government adopted a national policy paper on migration proposing four priority areas / ***programmes***: (i) revitalising the civil service; (ii) housing development; (iii) expanding legal migrant labour, and (iv) increasing rural productivity and market integration. The policy has been linked to the 'Jobs for Peace' ***programme***, launched in the fall of 2015 by the Afghan Government in response to the worsening socio-economic conditions. In addition, the Ministry of Labour, Social Affairs, Martyrs & Disabled (MoLSAMD) drafted a new labour policy (2015) with a separate section on labour migration and is currently finalising a National Labour Migration Strategy (NLMS) to transform the largely informal and irregular migration movements into well-governed formal labour migration system based on international norms and on skills development linked to market needs. In December 2016, Afghanistan adopted a Policy Framework for Returnees and IDPs to address problems posed by massive numbers of returnees and IDPs. The framework identifies three stages for the sustainable integration of returnees and IDPs; (i) immediate humanitarian assistance, (ii) intermediate livelihood support and (iii) long-term integration measures, to address the socio-economic burden on host communities. It establishes a new policy coordination and governance structure for migration issues under the guidance of the Council of Ministers’ Sub-Committee on Migration Affairs, chaired by the Chief Executive. The Displacement and Return Executive Committee (DiREC) leads on and oversees the implementation of the policy framework, with representation from relevant government ministries and agencies, the IOM, UN and World Bank, and since February 2017 the EU Delegation. In February 2017, DiREC circulated an Action Plan Matrix for the implementation of the Migration Policy Framework which also guides this proposed action and has been endorsed by the Cabinet. It sets out eight implementation goals, which include registration of [9] new arrivals, improving access to services, land, housing and livelihoods, and full integration in host communities. It also provides a framework for the monitoring of and the strengthening of citizens’ awareness and community cohesion. Moreover, DiREC has decided to expand the Citizens’ Charter Afghanistan Project, designed to improve the delivery of core infrastructure and social services to all communities in Afghanistan, to regions of high return, thus bridging between humanitarian assistance and a longer-term livelihood ***programming*** in 2018. Afghanistan is in the process of ratifying the UN Protocols on trafficking and smuggling and a new law banning smuggling is in preparation and was published by the Ministry of Justice in January 2017, emphasising a commitment to strengthening the legislative framework designed to enhance protection for vulnerable migrants. In order to step up political cooperation on a number of issues of mutual concern, the EU and Afghanistan signed in October 2016 the ‘Joint Way Forward on migration issues’ (JWF). Moreover, migration will be a topic of discussion under the framework of the recently signed EU- Afghanistan Cooperation Agreement on Partnership and Development (CAPD). Migration is being considered as one of the EU's main objectives under its new Strategy for Afghanistan 2017-2020. The ongoing mid-term review of the multiannual indicative ***programme*** (MIP) 2014-202016 clearly recognises the link between security, development and migration, and proposes a combination of dedicated measures addressing the immediate needs of the migratory populations with measures to support sustainable (re)integration and address the root causes of irregular migration and forced displacement under the focal sectors. The proposed action will be an integral part of this approach. Aware of the importance of the Afghan refugees’ regional dimension, the EU is also actively pursuing a dialogue with relevant partners to identify and implement sustainable solutions for Afghan refugees in the region. Bangladesh The policy framework governing migration in Bangladesh has received significant attention from development partners over the past 10 ***years***. Currently governing the migration space are the Prevention and Suppression of Human Trafficking Act (2012) and the Overseas Employment and Migrants Act (2013). While these instruments have been legally enacted, gaps remain in their implementation. There are growing political pressures on the state to take a more vigilant and effective role in ensuring the rights and well-being of its citizens abroad and to make the Prevention and Suppression of Human Trafficking Act more in line with international standards and to strengthen its implementation. The Government has established Counter Trafficking Committees (district to sub-district level). The Prevention and Suppression of Human Trafficking Act is being implemented: its Standard Operating Procedures (SOPs) are being developed by ILO in consultation with the Ministry of Home Affairs, and the guidelines for implementation have been recently cleared by the same Ministry. However, the core tribunal mentioned in the act has not yet been established, limiting the strength of the instrument. Further, its National Plan of Action adopted by the Ministry of Home Affairs requires further coordinated support from the relevant ministries. For the 16 C(2014) 7413 of 10.10.2014 [10] Overseas Employment and Migrants Act (2013) various rules, including the Recruiting Agent’s Conduct and License (2002), require the adoption and development of new legislation. Further work is required to ensure its effective implementation and tangible results in terms of curbing irregular migration. The EU-Bangladesh Migration dialogue was launched in the spring of 2016 and aims to enhance cooperation on all aspects of migration management, with a particular urgency on managing irregular migration and improving cooperation on return. Iran Following the Joint Comprehensive Plan of Action (JCPOA) (2015) between the E3/EU+3 and Iran which, once fully implemented, will ensure the exclusively peaceful nature of the Iranian nuclear ***programme*** and provide for the comprehensive lifting of all United Nations, EU, and United States nuclear-related sanctions, the EU and Iran have engaged in a number of sectors, including migration. This engagement refers to the Joint Statement (April 2016) by High Representative/Vice-President Mogherini and Foreign Minister Zarif, announcing the intention of both sides to develop a broad and comprehensive agenda for bilateral cooperation.17 The Iranian government has shown interest and commitment to engage in a number of migration-related issues in a wider sense, as part of a structured comprehensive migration dialogue. Generally speaking, the interest in migration issues among the government authorities is high and Afghan refugee matters are becoming the focus of a growing public discourse. The government of Iran introduced in 2010 the Comprehensive Regularization Plan (CRP) which allowed for a number of Afghans to obtain a visa for their stay in Iran. Iran is part of a quadripartite consultative process initiated in 2011 involving also the Islamic Republics of Afghanistan, Pakistan and UNHCR and linked to the Solutions Strategy (SSAR). Recent developments have shown a positive trend. Since a decree by the Supreme Leader stating that all children must attend school regardless of their documentation status (2015), 48 000 undocumented Afghans were able to register for formal education in Iran. Substantial number of Afghan children could be enrolled over the next ***years***. 360 000 Afghan children are currently in Iranian high schools. In late 2015, the government announced a large-scale initiative to allow registered Afghan and Iraqi refugees to be included in the (Salamat) public health insurance scheme, based on an agreement between UNHCR, the Bureau for Aliens and Foreign Immigrants Affairs (BAFIA) of the Ministry of Interior, the Ministry of Health, and the Iran Health Insurance Organisation (Salamat). Iran has repeatedly reiterated that it does not intend to forcibly return Afghan refugees back to Afghanistan and in 2017. The government also asked some categories of undocumented Afghans to reach out to the authorities. UNHCR is in discussions with the government of Iran on their involvement with the CRRF– which could be supported by this action. At the same time, challenges remain as documented refugees have a limited ability to integrate economically, since only a limited number of jobs are accessible to them. Iran does not register new asylum seekers arriving from Afghanistan and the number of newly arrived asylum 17 Joint Statement of April 2016:   [*http://europa.eu/rapid/press-release\_STATEMENT-16-1441\_en.htm*](http://europa.eu/rapid/press-release_STATEMENT-16-1441_en.htm) [11] seekers which are returned is high. In addition, the protracted situation of undocumented refugees makes them particularly vulnerable. Iraq The Government of Iraq’s migration policies have mainly focused on responding to very specific internal forced displacement needs to ensure access to basic services and rights for displaced populations. A National Policy for Displacement along with a number of additional pieces of legislation partially addressing specific needs, such as housing and shelters, have been in place since late 2000. The Ministry of Migration and Displacement (MoMD) provides ad hoc support to IDPs and returnees by providing cash assistance and registration services to IDPs and ensuring coordination functions. An inter-ministerial High Committee on IDPs has been in place since June 2014. The Government works with the UN and the international community to develop ***programmes*** and structures to facilitate safe and voluntary returns for IDPs. Priorities include improving access to shelter, employment, and services in areas where Iraqis are returning home, in addition to removing and clearing explosive hazards and explosive contamination in areas liberated from the Islamic State. During the 2015 migration crisis, IOM, with EU funds, supported the Government in developing standard operating procedures for migration crisis response, aiming at enhancing the Government’s capacity to plan and coordinate the emergency responses on forced displacement and migration. Still, the current institutional response fails to address the complexity of the Iraqi situation, characterised by subsequent displacements and return movements, and by the most recent mass flows due to the advance of the Da’esh and subsequent Iraqi Security Forces military campaign. Some of the current policies only target specific categories or historical periods, such as the regulations on property disputes dealing only with the ‘‘Saddam era,’’ and the absence of a regulatory framework for (mainly Asian) foreign labour migrants present in the country. In addition, forced displacement and return crises in Iraq are closely intertwined with broader political and power struggles between the different ethnic and sectarian groups, making more difficult the set-up of an integrated policy approach. Looking towards stabilisation and new post-conflict challenges, the Government is now willing to expand the current limited policy angle and is currently drafting a National Strategy Action Plan on Migration. This plan will be looking at long, mid and short-term actions, also expanding on key migration aspects such as voluntary and involuntary returns and communication strategies for potential migrants and those who have already migrated. Helping Internally Displaced People, reintegration measures and assistance for returnees, migration management, fight against trafficking, smuggling, no

n–voluntary return and irregular migration of Iraqi youth with subsequent brain-drain, are key areas of interest. In May 2012, a Partnership and Cooperation Agreement was signed between the EU and Iraq, inter alia covering the joint management of migration flows and establishment of a comprehensive dialogue on all migration-related issues, including irregular migration. It is yet to enter into force subject to ratification by the EU. Following the outcome of the second EU-Iraq Cooperation Council, in October 2016, informal talks have started between the Iraqi authorities, the EU Delegation and the EU Member States representatives in Baghdad to [12] identify areas of possible cooperation on migration management and to define the terms of reference of a possible migration dialogue. In addition, EU services (DG DEVCO18, DG ECHO19, FPI20, and EEAS21) are currently developing an EU-Comprehensive Action Plan to address short-, medium- and long-term needs in a jointly analysed and planned manner followed by well-coordinated and conflict/post-conflict sensitive delivery in the field. The objective is to enhance complementarities between different funding instruments and build on each other's achievements, towards an overall higher impact and, ultimately, long-term peace, stability and prosperity in Iraq and the region. Particularly, building on the substantial humanitarian investment in-country, ensuring the stability of retaken areas, the restoration of basic services and livelihood are critical for the safe, voluntary and dignified return of those displaced and to reconstruct the social compact in Iraq. Pakistan Migration is an important issue for Pakistan and has a substantial impact on its economic development, and migration governance needs to be strengthened.The area of legal migration is better regulated, but lacks a comprehensive policy; the country is in the process of developing its labour migration policy. The flow of workers’ remittances to Pakistan has more than quadrupled in the last ten ***years*** and shows no sign of slowing down. Remittances are a key component of the Pakistan economy (about USD 20 billion per ***year*** - 2016), namely more than twice the flow of official development assistance (ODA). The participation of the Government of Pakistan at various international and regional fora, including the Bali, Budapest and Colombo Processes and the Abu Dhabi Dialogue, can be read as commitment to working on migration-related issues. The Government has also expressed interest in receiving support for migration issues, especially improved reintegration capacity. A National Policy of migration was drafted in 2013, but was never approved. Currently the Ministry of Overseas Pakistanis and Human Resource Development (OPHRD) started to revise the policy. As elections are to be held in 2018, it is uncertain whether this strategy will be approved by the current government. It is important to take into consideration that there is no policy or institution in charge of returning migrants. In view of trafficking of human beings and smuggling of migrants, Pakistan is signatory to the related international conventions, but has not signed the protocols. Pakistani law does not distinguish between trafficking and smuggling and irregular migration is a criminal offense. Currently two laws are at the level of the Senate to close the loophole and adapt the legal framework to international standards. A Readmission Agreement between the EU and Pakistan is in place since December 2010 but the number of irregular migrants being detected in the EU remains high. In July 2016, an EU 18 Directorate-General for International Cooperation and Development. 19 Directorate-General for European Civil Protection and Humanitarian Aid Operations. 20 Service Department for Foreign Policy Instruments. 21 European External Action Service. [13] Cooperation Platform on Migrant Smuggling was launched in Pakistan aiming at enhancing EU-Pakistan exchange of information and cooperation on migrant smuggling. Cooperation on law enforcement between Member States' authorities and those of Pakistan and Afghanistan has also been launched. The aim is to work together to better address migrant smuggling. The issue of migration will be central to the new Strategic Engagement Plan being developed between the EU and Pakistan, reflecting the importance of migration in the overall relation between the EU and Pakistan. At the Leaders’ Summit on Refugees (September 2016) Pakistan announced the intention to stand by the right established in its Constitution that foresees access to government schools for Afghan refugees. Actions aimed towards this include Balochistan’s incorporation of refugees into their provincial education plans. Pakistan will also work with the Unites States (US), the EU, UNHCR and other potential donors to ensure that at least 29,000 additional refugee students are able to attend school in the coming ***year***. In February 2017, the Federal Cabinet extended the validity of the Proof of Registration cards to some 1.3 million registered Afghan refugees until the end of 2017. It also pledged to document Afghan nationals who currently have no identification and committed to adopt a national refugee law and a visa regime for different categories of Afghan nationals. Commitments made by Pakistan at the Leader’s Summit on Refugees and recent moves by its Cabinet showcase a willingness to pursue voluntary return of Afghan refugees to their homeland in a dignified way. In line with its approach to forced displacement and development, the EU will support these developments by promoting – inter alia – the self-reliance and resilience of Afghan refugees and fostering a developmental approach to forced displacement in its policy dialogue with Pakistan, also with a view to decreasing the pressure on returns to Afghanistan, which faces massive internal forced displacement, on top of many other challenges. 1.1.2 Stakeholder analysis Afghanistan In Afghanistan following the regional migration crisis in 2016 the Displacement and Return Executive Committee (DiREC) was established to prepare and coordinate Government response. It prepared and adopted a policy framework and an action plan matrix. A costing exercise is currently underway. Presidential palace is involved and closely follows these issues. Line ministries dealing with refugees, returnees, IDPs and migrants include: the National Disaster Management Authority (immediate humanitarian intervention), the Ministry of Refugees and Repatriations (coordinating role). The Ministry of Urban Development and Housing, the Ministry of Rural Rehabilitation and Development, the Independent Directorate of Local Governance, the Ministry of Labour and Social Affairs, Martyrs and Disabled, the Ministry of Education, the Ministry of Public Health, and the Ministry of ***Agriculture***, Irrigation and Livestock have service delivery roles and contribute to the implementation of National Priority ***Programmes*** (NPPs). Local authorities, including provincial directorates of the above-mentioned ministries, provincial and district governors, as well as municipalities have a key [14] role regarding implementation on the ground, particularly in areas with high levels of returnees and/or IDPs. Communities are considered key stakeholders. In the context of development in Afghanistan, Community Development Councils (CDCs) are considered as key instruments for the implementation of NPPs. Most of the time, communities host the returnees and IDPs, and therefore their inclusion in the planning and implementation is key. Overall, line ministries as well as the provincial and local authorities have limited resources and capacity to fulfil their mandates which is one reason why the international community is still needed to assist them in resolving the problems of uprooted peoples in the country. UN agencies such as UNHCR (which focuses on documented refugees/returnees), IOM (which deals with undocumented returnees), UNHABITAT (land allocation), UNICEF (children rights), WHO (health policies and services), UNESCO (social and cultural reintegration) and international NGOs such as Norwegian Refugee Council (NRC), Danish Refugee Council (DRC), Mercy Corps, International Rescue Committee (IRC), Aga Khan Development Network (AKDN), etc. (livelihood and vocational training) are providing support to the uprooted Afghans inside Afghanistan and in the neighbouring countries. ECHO is actively involved in providing humanitarian assistance to the recently displaced due to conflict or natural disaster. Bangladesh Migration management requires dedicated but shared responsibilities and commitment amongst the three ministries having competencies on migration issues, namely the Ministry of Foreign Affairs (MoFA), the Ministry of Home Affairs (MoHA) and the Ministry of Expatriate Welfare and Overseas Employment (MEWOE). While the MEWOE deals with the skills development, employment and welfare issues of migrants, the MoHA controls immigration issues. The MEWOE oversees the Bureau of Manpower, Employment, and Training (BMET), the government agency in charge of registering and clearing labour migrants for overseas employment and skills training. These ministries have a certain convening power, presence in the field, and capacity to influence other line ministries. However, the lack of information-sharing among the Ministries limits the effectiveness of law enforcement actions to reduce irregular migration. Bodies such as the Vigilance Task Force, ostensibly responsible for monitoring recruitment agencies, lack the capacity and authority to effectively act when faced with infringements or criminal activities. Many established Counter-Trafficking committees at district, Upazila and Union level are often non-functional. For the intervention to be carried out in a sustainable manner, there is a need for partnerships amongst private sector entities, NGOs, and the public sector. The private sector offers particular value in providing skills development, technical enterprise support, and employment and market linkages. The Community Based Organisations (CBOs) and Civil Society Organisations (CSOs) are indispensable for the implementation of the project at local level. [15] IOM has substantial experience in working with the Government on legal and institutional capacity building. ILO is active in the area of technical and vocational education and training to assist Bangladesh to reform TVET policies and systems so that more people, including returnees, can acquire employable skills and thus generate income through wage-earning jobs or self-employment. The Swiss Development Cooperation (donor) and ILO (implementing agency) are active in the field of migration governance with the project 'Promoting Decent Work through improved Migration Policy and its Application in Bangladesh'. The United States Agency for International Development (USAID) supports Bangladesh with the 'Counter Trafficking in Persons' ***programme*** in the areas of prevention, protection, prosecution and partnership. The Bangladesh Rural Advancement Committee (BRAC) is an NGO based in Bangladesh and active in many migration related areas across the country. Iran The main responsible governmental body dealing with refugee matters in Iran is the Bureau for Aliens and Foreign Immigrants Affairs (BAFIA) under the Ministry of Interior (MoI), which undertakes the periodic renewal of refugee residency cards (Amayesh cards) to access basic services, facilitates the issuance of work permits and determines the total refugee population in Iran. Other government bodies such as the Ministry of Education and Ministry of Labour are involved in the education and employment of refugees. The Immigration and Aliens Police is the responsible body for dealing with entrance, stay, employment and exit of foreign nationals in Iran. Under the authority of the MoI, the security police forces are responsible for combatting trafficking in human beings and migrant smuggling. The Institute for Political and International Studies (IPIS) is linked to the Iranian Foreign Ministry with the task of leading and encouraging the study and research on issues relevant to the foreign policy of the Islamic Republic of Iran and providing the Iranian foreign policy decision making establishment with analytical reports and policy papers. UN agencies such as UNHCR and UNICEF are active on the issues of Afghan refugees for registration, advocacy, protection and youth/minor's rights. International NGOs active in the field, the Norwegian Refugee Council, the Danish Refugee Council and Relief International, together with UNHCR, are indispensable as regards addressing status and living conditions of refugees in Iran. There are only a limited number of partners in Iran, and working with them would allow reaching the vast majority of refugees. Iraq In Iraq, the Ministry of Displacement and Migration (MoMD) is the main responsible body for all matters pertaining to refugees and displaced persons. It is also in charge for all policies and ***programmes*** related to non-Iraqi refugees residing in country and Iraqi returnees. The Kurdish Regional Government has its own government structures similar to the central government. Other line ministries and specialised institutions include: the Ministry of Interior, leader in law enforcement including border management and residency affairs; the Ministry of Labour and Social Affairs, in charge of social security and of work permits including regulation for Iraqis working abroad; the Ministry of Foreign Affairs, responsible for visa issuing, the wellbeing of [16] Iraqis abroad and of Iraq’s international treaties obligations; the Property Claims Commission, in charge of land and property disputes before 2003; and the Iraqi National Intelligence Service follows on illegal human trafficking and the status of foreigners inside Iraq. The Ministry of Justice, the Council of Ministers and the Council of Representatives have further key roles related to their legislative, executive and judiciary functions. In addition further institutions are involved as for the Kurdistan autonomous region, namely the Bureau of Displacement Migration within the Ministry of Interior, responsible for migrants and IDPs, and the Kurdistan Regional Governments Ministries of Justice, Interior and Labour and Social Affairs with similar functions as their corresponding Ministries at the federal level. Overall, line ministries as well as the provincial and local authorities have limited resources and capacity to fulfil their mandates. UN agencies in particular IOM and then UNDP, with the large stabilisation ***programmes*** devoted to the resettlement of displaced communities in the newly liberated areas from Da'esh, are key international actors providing support. Via the bilateral envelope the EU, through the Hijira Amina project run by IOM, has been funding support to the key line ministries and institutions in particular through dedicated training on migration management and tools to face the migration crisis in 2015. Given the high vulnerability of host communities and the underlying issues of social cohesion and sectarian violence in Iraq, communities are considered key stakeholders on forced displacement and migration and receive dedicated attention by the key stabilisation and early recovery response ***programmes***. Pakistan Labour migration is under the responsibility of the Ministry of Overseas Pakistanis and Human Resources Development (MOPHRD). The Ministry makes policies for employment promotion abroad and coordinates with provincial governments to align national labour laws with Pakistan’s international obligations on labour standards, but has limited oversight possibilities. The Protectorate of Immigration (POI) is the entity in charge of oversight of legal migration. Its tasks include the checking of visas, labour contracts and information for legal migrants. However, the office does not function fully and lack of valid documentation often leads to the deportation of migrant workers from the GCC countries. In Islamabad and Lahore two migration resource centres (MRC) have been established in 2016 with the mandate to disseminate information on legal migration possibilities. Neither at federal nor at provincial level is there any specialised entity for the management of the return of regular or irregular migrants that could provide information, assistance or referrals. The Overseas Pakistanis Foundation (OPF) started a dialogue with the Board of Investment and the Board of Revenue to establish an investment information centre to advise overseas Pakistanis in investments upon return in a vision to use the positive experiences and skills as well as the earnings abroad to develop the areas of return. [17] For the Afghan refugees, the institutions in charge are the Ministry of States and Frontier Regions (SAFRON), the Pakistani Chief Commissioner for Afghan Refugees (CCAR), and the National Database and Registration Authority (NADRA). All issues concerning refugees are being dealt with by the Ministry of Interior (MoI) and the Ministry of States and Frontier Regions (SAFRON). Under the authority of the MoI, the Federal Investigation Agency (FIA) has the main responsibility for immigration, trafficking and smuggling of migrants. The agency is understaffed and in need of capacity development. The MOI announced recently a plan to establish a separate Immigration agency, but it is uncertain whether this will be realised. Border management is challenging within Pakistan and in relation to the neighbouring states. Several security agencies (FIA, Frontier Corps (military), Frontier Constabulary, Rangers, police and customs) are operating without a coordinated approach, without communication, with serious lack of equipment and capacity to control the borders. Information exchanges between the two sides of the border are very scarce. In 2016, a trade agreement between Pakistan and Afghanistan foresaw the opening of two additional border crossing points. The more than 2500 km long border between Pakistan and Afghanistan is politically sensitive since Afghanistan has never recognised the Durand Line. It was recently closed (February 2017) following a brutal increase of terrorist attacks in Pakistan. 1.1.3 Priority areas for support/problem analysis Afghanistan Issues concerning Afghan refugees, returnees and IDPs are quite diverse but can be clustered in the following main categories which are interlinked and which cover the main concerned countries: Afghanistan, Pakistan, Iran and recently the EU. 1) As of December 2016, the Government estimated the number of internally displaced people in Afghanistan to be around 1.5 million individuals, a major part of which are in prolonged or even protracted situations. IDPs are mostly hosted by their extended family networks or close acquaintances; in some circumstances they have been compelled to settle in makeshift camps. The widespread poverty of the host communities, doubled with the strains of sharing limited resources with displaced groups, IDPs' limited access to basic services, precarious accommodation, and generally material and psychological hardship, continue to be the most important challenges for these segments of the population. For those providing support, the challenge is not so much to identify new IDPs, but to identify sufficiently early those who will become protracted IDPs. Over the last ***years***, ECHO support has specifically focussed on the humanitarian needs of the IDP population particularly the newly displaced, and thus most vulnerable. 2) Quite similar, but slightly better than the situation of IDPs, Afghan returnees face difficulties in reintegrating in Afghanistan as they would also have limited access to basic social services and development opportunities. In Afghanistan, the living conditions are not favourable enough for a sustained return, and there is an increasing concern regarding possible reverse migration to the neighbouring countries and further afield. Studies show that the main [18] reasons causing difficulties to socio-economic reintegration are security concerns, the lack of land and housing and very limited livelihoods or jobs opportunities for returnees. The absence of proper documentation further limits access to services. Moreover, the poor urban infrastructure limits the absorption capacity. The Afghan institutions are not strong enough to deal properly with the land disputes and to prevent human rights abuses which are among the reasons for lack of integration. In addition, the limited capacity of the Government of Afghanistan to deliver basic services further worsens the opportunities for reintegration of returnees. For instance, the governmental Land Allocation Scheme (LAS), which has recently seen a number of improvements such as the adoption of an integrated approach or the setting up of a project implementation unit still needs continued support from the international community in order to be successful. 3) Afghan refugees in host countries remain vulnerable, especially because the political context in Pakistan is not favourable to them, and hardships persist also in Iran. A large number of Afghans living in the host countries remain in a vulnerable condition with regard to their health, education and legal situation. Afghanistan is therefore confronted with a double-faced challenge. On the one hand, sustainable, long-term solutions have to be identified to facilitate return and reintegration of its displaced population. On the other hand, solutions have to be found to tackle the root causes of forced displacement and curb the prospects of increasing irregular migration from Afghanistan. To a great extent these two issues are interlinked, a key requirement for success being improved security and economic conditions including realistic and viable employment, livelihoods and income generation opportunities. In brief: → Afghanistan has a weak reintegration capacity and a limited absorption capacity. Main recurrent problems for reintegration are: the rising insecurity and the economically precarious situation, especially in relation to difficulties in promoting jobs and the lack of social services. The Government has recently taken significant steps in shaping policy and actions in response to the crisis. These efforts need to be supported and any intervention should be aligned with Government priorities and ***programmes***. Given the magnitude of the forced displacements responses have to be comprehensive and nationwide. → A regional approach in support of Afghan refugees in Iran and Pakistan to sustain a predictable, dignified and well managed return and reintegration process needs to be enhanced. Improving international protection, enhancing employment and livelihood opportunities as well as integrated service delivery, and supporting host country national and local authorities, policy dialogue on developing enabling legal frameworks to enable self-reliance and resilience for forced displaced populations, as well as advocacy activities and cross-border activities should be envisaged. → The returns (whether voluntary or forced) are too concentrated in terms of both time (too short) and locations (mainly Kabul and Nangarhar). This has an impact on the increasing fragility and socio economic texture of the two main peri-urban areas of [19] return. The problem is exacerbated by the limited access to reliable information on the status of many returnees. → Adopting a community based approach, thus enlarging the number of beneficiaries to include members of the communities where the refugees/returnees and IDPs settle would be an effective means of ensuring sustainability. In this context, access to basic public services (transport, health, legal redress and education) and utilities (safe water, affordable electricity) as well as livelihood opportunities and jobs should be prioritised. → Lack of registration and lack of access to valid ID documents are also significant issues in Afghanistan. Without proper documentation, access to basic services and sustainable reintegration is under severe threat. → Land allocation and security of tenure: A key priority for sustainable reintegration is to improve the regulatory framework enabling land allocation and securing the legal title to land ownership, upgrading urban and peri-urban neighbourhoods and promoting affordable housing. → Specifically young migrants/refugees face a situation with very limited economic perspective upon return, competing among an estimated 400,000 new entrants into a saturated labour market each ***year***. This exacerbates the risk of continued migration pressure as much as the risk of vulnerability to radicalisation. An additional challenge is represented by the endemic presence of polio in both Afghanistan and Pakistan. The key challenge for the full eradication of this disease in the two countries is accessing the remaining high-risk populations, i.e the people on the move along the Afghanistan-Pakistan border. The current volatile security situation in many areas limits access to children as much as supervision and monitoring, resulting in sub-optimal campaign quality. Under the given circumstances, access to these groups appears to be easier from the Afghan side than from Pakistan, where violent resistance to vaccination is a high risk. One possible solution is targeting immunisation campaigns for returnees, migrants and IDPs at the point of entry or registration in Afghanistan, or at the places of (temporary) settlement. The advantage of this approach is its relatively easy access, as current migrant streams are monitored and individuals register for ID and support by government and development partners. These populations are in general harder to reach through existing standard vaccination campaigns. This approach would, therefore, be complementary to existing routine activities already supported by the EU under the System Enhancement for Health Action in Transition (SEHAT) ***programme***. Bangladesh Bangladesh is the 8th most populous country in the world with a population of 166 million habitants of which around 45% (74 million) lie in the workforce category. A sizeable number of people in the workforce category have always been prone to looking for overseas employment due to the high rate of unemployment and underemployment, the inefficient social environment, poverty, land scarcity and low wages. The Bangladesh labour market can only provide about 200,000 new formal sector jobs, while there are about 1.8 million new labour market entries per ***year***, which means that people have to seek employment outside of the [20] country. Migrant workers are classified into four categories: 1) Professional 2.21%; 2) Skilled 31.53%; 3) Semi-skilled 13.98% and 4) Less-skilled/unskilled 52.29%. This last category is the largest of the four, which explains why often migrants are unequipped with proper documentation and skills, and therefore led into vulnerable situations in the destination countries, and why they sometimes even initiate subsequent movements from the original destination country to other countries, becoming irregular migrants despite having started as regular migrants. Potential migrants and their communities, as well as the returnees who run the risk of falling back into a new cycle of irregular migration, need better awareness of the processes and strategies of safe migration. In particular they need to better understand the dangers of migrating through irregular channels, the benefits of using regular channels and the mechanisms and processes they need to utilise. To ensure ‘Safe Migration’ for Bangladeshis and more durable reintegration for migrants returning from Europe, it is necessary to strengthen the knowledge on the mechanisms that facilitate regular migration to ensure that migrant workers receive efficient, reliable and accessible migration information and avoid falling into irregular migration, exploitation and potential trafficking. Finally one of the most important contributions of migrants to their country is represented by their remittances, which amount to approximately 11% of the country’s GDP. Basic financial literacy is needed to ensure a better use of the remittances for the benefits not only of the returnees or the potential migrants, but also of their families and communities. Skills Development Bangladeshi returnees may face difficulties to reintegrate in their home country as living conditions may not be favourable enough for a sustained return or their skills may not be adapted to the local labour market. Lack of land and housing, limited livelihood and job opportunities and security concerns could result in returnees being re-exposed to the risk of irregular migration. Emphasis therefore needs to be placed on tackling the root causes of irregular migration and on focusing on skills development, through the scaling-up of specific actions that accompany both the short-term as well as the long-term economic and social reintegration of returnees. Skills development should be adapted to and focus on local labour market needs, but should also equip returnees and other prospective migrants with skills to obtain legal employment in countries that need labour. Awareness raising Awareness raising at community level on the rights and benefits of regular migration and the risks associated with irregular migration remains a cornerstone for ensuring that prospective migrants are fully equipped with the necessary knowledge, advice and access to services to reduce their vulnerability and exposure to exploitation. Remittances Remittances-related activities in the form of financial literacy training and services to the returnees and their family members can be provided to ensure a better use of the remittances for [21] the benefit not only of the returnees or the potential migrants but also of their families and communities. Iran Over the past three decades, the Islamic Republic of Iran has hosted one of the largest refugee populations in the world (today it is the fifth largest and the most protracted refugee population). Afghans began to seek refuge in Iran after the 1979 Soviet invasion of Afghanistan. The effects of war, insecurity, and the lack of economic opportunities in Afghanistan drive its citizens across the border. During the past two ***years***, the Government of Iran has further opened the public health and education systems to refugees and also partly to undocumented migrants. Most refugees in Iran reside in urban areas, with only 3% living in settlements in rural areas. Resettlement is therefore an important durable solution for the Afghan refugee population although only a very small number of Afghan refugees in Iran have benefited from such a solution so far. Since 2002, UNHCR assisted the voluntary repatriation of approximately 920,000 Afghan refugees residing in Iran, with an increase in voluntary returns since 2011. In 2016, IOM reported the return of 420,293 undocumented Afghans. Approximately 10% of them are in need of humanitarian assistance. Ensuring dignified voluntary return and adequate protection, especially of vulnerable groups, is a priority. While Iran is a middle-income country, an estimated 22% of registered Afghan refugees live below the poverty line.22 While the EU is present in Iran through its support to humanitarian partners (EUR 15 million in 2016), Iran receives minimal financial support from the international community at large for its role as a host country to Afghan refugees. Due to its geographic position, Iran represents an important transit country and destination country of irregular migrants. The irregular migrants are notably from Afghanistan, but also Pakistan and Bangladesh. Iran has been facing an increasing number of Afghan refugees transiting to other destinations. Daily arrivals from Afghanistan are counted in the thousands. While for some refugees Iran is a country of destination, others will spend time in Iran before heading towards Turkey and Europe, however precise data on migration flows are insufficient. Iranian migration authorities estimate that between 800,000 and one million Afghans have arrived in Iran since the beginning of 2016 alone. Iranian authorities have also made attempts to address the problem of unaccompanied minors as well as human trafficking, while facilitating the settling down and stabilisation of Afghan migrants and refugees in the Iranian territory. At the same time, challenges remain in the context of border management, especially at the borders with Afghanistan and Pakistan. Accompanying measures to improve migration governance and to inform policy choices with relevant Ministries can be developed, including through targeted information sharing and exchange of experience ***programmes***, to ensure continued operationalisation of existing policies and to support the relevant areas, as needed, in the EU-Iran structured migration dialogue. 22 [*https://www.nrc.no/countries/middle-east/iran/*](https://www.nrc.no/countries/middle-east/iran/). [22] Iraq The precondition for migration management in Iraq is an understanding of the changing trends in such a dynamic context. The key elements for migration and forced displacement are the security concerns related, not only to the conflict, but also to political instability, lack of social justice, and economic factors, which are all directly related to the conflict and create a sense of hopelessness among the population. The impetus is on enhancing community stabilisation and revitalisation in order to facilitate the return and durable reintegration of IDPS and Iraqi returnees from Europe to their areas of origin, thus preventing further irregular migration. More in-depth analysis on the motivation, mode, methods and demographics of migration and migrants in Iraq and on their intentions and needs with regards to return and reintegration are necessary to tailor country specific activities. In brief, the following priorities need attention:  The high number of displaced and returnee population, which poses tremendous reintegration challenges, as many are in camps and some have returned to homes that have been destroyed or severely damaged, with little to no basic services and infrastructure; inconsistent security presence and limited economic/income generation opportunities. In this context, social tensions may turn into violence, not only as a result of competition over scarce resources, but also because of the perceptions that returnees and security forces hold of those who stayed behind as colluding with Da’esh, with ethnic and religious identities coming into play. Not only can this environment lead to internal conflict, but it also creates the conditions for further radicalisation, especially of disenfranchised youth, and fosters the push factors of irregular migration such as people smuggling, increasing the risk of human trafficking.  Irregular migration. Iraq has a long history of irregular migration to Europe and in 2015 saw a sharp increase of these flows. The number of negative asylum decision is steadily growing which impacts on the expected number of Iraqi nationals subject to return. Findings from a 2016 EU-funded IOM piece of research, exploring the dynamics of migration from Iraq to Europe revealed that the main reasons for migrating, or “push factors”, were an unstable security situation (both general and personal), and a lack of equality and social justice.  Poor socio-economic opportunities for reintegration of IDPs and returnees, who experience a significant decline in their standard of living as a consequence of their forced displacement. Employment opportunities are limited and 20-30% are working in the informal sector, further increasing income instability. Employment of IDPs previously working in some sectors, i.e ***agriculture***, is particularly challenging given the inaccessibility of large areas. Security, housing, financial resources and livelihoods are the most determining factors of intentions to return, and there is high borrowing from family and friends.  Lack of access to shelter, housing, land and property security contributes to the overall risks to social cohesion, justice, peace and stability in the return communities, and can generate further erosion of the public trust in the rule of law. There are currently gaps in [23] terms of the lack of timely and accurate information about housing, land and property rights; the lack of referral systems for individual and families to get adequate support in accessing their houses, land and property; geographic, political and cultural inconsistency of the application of community level dispute resolution mechanisms; and the lack of adequate institutional legal framework and mechanisms for compensation and restitution of housing, land and property rights. This is combined with the widespread extent of destruction and confiscation in all territories which were or are still controlled by Da’esh. These areas have seen, among others, the systematic destruction of property records of the displaced population, confiscation or loss of essential civil documentation and the illegal rental and sale of confiscated property areas. Property recovery policies will then become extremely necessary for the recovery of the country.  Lack of adequate capacity of governmental institutions to enable fast, efficient and sustainable management of migration crisis and integration of returnees. In specific, the Government needs further support in efficiently coordinating and delivering essential services to the newly displaced population; in leading the coordination response with key stakeholders; in collecting and analysing data informing rapid decision making; in developing short to long term policies and implementation guidelines that can be put in place rapidly. Pakistan Migration management Migration in Pakistan is a complex interlinked phenomenon that has to be addressed in a comprehensive way. Economic factors including poverty, lack of employment opportunities, and low wages are among the key reasons for migration. The rapidly growing population has led to excess supply of the workforce comprising illiterate persons, semi-skilled, skilled, educated, and even highly qualified professionals as compared to the domestic labour demand. Labour migration is an important coping mechanism and the improvement of migration management and protection of migrant workers should be further strengthened so that Pakistan and Pakistanis can fully benefit from the positive impact of migration. The negative side of regular migration is the corrupt process, the insufficient protection of migrant workers at home and abroad and the lack of efficient redressal systems for complaints. The Government of Pakistan lacks the capacity to offer comprehensive social welfare and protection systems and business development ***programmes*** that could benefit returning Pakistani migrants. As a consequence, interventions will focus on enhancing the capacity of national and provincial authorities, in particular in KP and Punjab provinces, for addressing migration and reintegration issues through the availability of an expanded evidence base for policy formulation. In the public sector, the Government of Pakistan, with support from international donors, has taken initiatives to promote access to livelihood opportunities such as technical and vocational training ***programmes*** and health outreach services. However, these ***programmes*** are not targeted or tailored towards lower and upper middle class Pakistanis, the class to which the returnees from Europe mostly belong. Similarly, private sector organisations focus on cash grants interventions rather than sustainable reintegration ***programmes***. Therefore, [24] there is a clear need to invest in increasing knowledge of migration dynamics and the needs of returnees to enable public and private institutions to develop and implement sustainable reintegration ***programmes*** that have a holistic focus on returning migrants and their communities. Via cooperation with chambers of commerce as well as with international companies with a presence both in Europe and Pakistan, Pakistani nationals with a return decision will be supported to reintegrate. Irregular migration On the other hand, irregular migration and particularly trafficking and smuggling of migrants is a growing phenomenon and is overshadowing the positive effects of migration. This is true for irregular migration to Europe as well to the GCC states. Institutional development and capacity building to strengthen border control, data collection, monitoring and analysis of irregular migration, smuggling of migrants and trafficking in human beings will be carried out. Reintegration Better use of the knowledge, skills and earnings of returnees, skills development to enhance employability and the provision of better opportunities is crucial not only for returnees' reintegration, but also for providing alternatives to irregular migration or migration in general. Youth should be particularly targeted as they represent a significant proportion of returning and potential migrants. Market-oriented training to equip returnees with skills that enhance their chances to obtain legal employment in countries and regions that need labour is a particular focus. Socio-economic problems, including the lack of livelihood opportunities and lack of access to accurate information, contribute to weak community resilience in key source communities. Building social resilience in key source communities of irregular migration in Punjab and KP Provinces is therefore a key priority area. Existing ***programmes***, such as TVET and microcredits, are an important intervention for the rural poor, but not targeted towards lower middle class Pakistanis who wish to earn more than the minimum to survive. Innovative approaches for lower middle class for both returning migrants and residents will be piloted. 2. RISKS AND ASSUMPTIONS Risks Risk level (H/M/L) Mitigating measures Lack of political will and commitment from the Governments to work on return and reintegration in the context of migration and development L-M EU is pursuing dialogue at all levels, combining different instruments. Discussions should be held on the way to proceed, including on whether or not to sequence the funding to the level of cooperation from the partner country Lack of political will and M EU is pursuing dialogue at all levels, [25] commitment from the targeted countries to work on socio-economic inclusion of forcibly displaced populations and their host communities combining its own instruments and ensuring alignment and complementarity with international processes (CRRF/GRC23 and Leaders’ Summit Commitments) and financing (World Bank IDA24-18, EU Member States) Structural changes at national and local government level, including regular turnover of staff M The EU and its implementing partners will ensure close cooperation with stakeholders, highlighting the importance of dedicated resources (financial and personal), and, if necessary, convene meetings at high-level to address any issue that may arise. Deterioration of security situation, political instability H Implementing partners work in coordination with law enforcement agencies and under guidance of the UN Department of Security and Safety. For political stability, a strong institutional collaboration with stakeholders at various levels of the three Governments will be maintained. Interest of and access to returnees and their communities to engage in monitoring and participation in reintegration and development-oriented initiatives L-M The issue will be addressed by working through local grassroots organisations that have strong relationships with communities and can contribute to community buy-in. Communities face lack of matching skills for labour market L-M Need assessments in communities and close coordination with provincial authorities will enable that a targeted diverse set of training/skill building initiatives are offered to key source communities. Assumptions  Political will to establish durable solutions for migration and forced displacement at multiple levels of government remains strong; including the political will to create an enabling policy environment.  National and provincial authorities continue to be committed to the promotion of sustainable reintegration, willing to engage in the implementation of the activities, and 23 Global Compact on Refugees. 24 International Development Association. [26] receptive to the recommendations provided.  Conditions for return do not further deteriorate and asylum space in host countries is preserved.  Hosting areas are willing to engage with ***programme*** activities  Conflict between host communities and new arrivals is not prohibitive; relations between different groups can be built through joint ***programmes*** and an area-based approach to development interventions, and conflicts that do arise can be mitigated  Insecurity and instability do not prevent participation and smooth implementation of ***programme*** activities; access to implementation sites is not restricted to the extent where essential monitoring and evaluation activities are not possible  Local government authorities have adequate absorption capacity (including sufficient qualified and experienced staff) to benefit from participation in ***programme*** activities and ultimately take over ownership  (Afghanistan) Sufficient vacant state owned land in appropriate locations can be identified and acquired 3. LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES 3.1 Lessons learnt In the area of return and reintegration ***programmes*** funded by the EU Development policy the key lessons learned are identified in the 2015 Study on the Results and Impact of EU development cooperation-funded projects in the area of voluntary return and reintegration. One of the study´s findings was that it is necessary to provide comprehensive support across categories of migrants while paying attention to their particular needs and vulnerabilities, regardless of their status. Experience has shown that reintegration can be considered as sustainable when returnees are re-included in a group or a process, and when they fully participate in the social, cultural, economic and political life of their country of origin. The support therefore needs to address all dimensions of successful reintegration and take into account individual needs of the returnees beyond one-off assistance. At the same time, the support has to consider the wider impact of returnees on the communities of origin and return. Individual assistance has to be combined with more structural reforms addressing the underlying drivers of migration (and also be aligned with policy priorities of beneficiary countries) if it is to lead to broader and sustainable impact. In Afghanistan, there is a well-documented sense of failure amongst those who return. Reintegration is far more effective when there are face-saving community reintegration interventions to support returnees. In communities, this sense can easily turn to resentment if the returnee is seen to receive excessive individual assistance. To avoid this, and in order for communities to more easily embrace returnees, it is essential to also provide those communities with improved access to basic services, additional development and job-creation benefits in the context of accepting returnees. [27] Using local expertise and partners in community interventions not only increases local ownership, and thus the sustainability of the interventions, but also enhances the capacities of local actors to establish and implement a structured system for reintegration support after the external assistance has ended. One of the major reasons for young people not being able to get a job is their lack of skills. Apprenticeships are an effective pathway to employment; however, apprenticeship systems often do not provide all of the skills that apprentices need as they are reliant on the existing skill levels of the master craftspeople. Apprenticeship alone is not sufficient and must be linked with structured vocational training systems. Skills development and employability has proved to be one of the most successful interventions for employment creation in many countries. This is crucial for returnees' reintegration but it is also crucial for providing alternatives to migration. Skills development has to be part of an integrated approach that includes labour market information, technical and entrepreneurship skills development, and with appropriate post-training support, including employment services, business management and financial services. In light of the activities for technical and vocational training and skills development established under the 2016 activities for Afghanistan, specific attention needs to be given to the employability of these skills. The proposed action should complement and reinforce the ongoing training ***programmes*** with a market oriented support to employment and self-employment generating measures. In Bangladesh, in the area of skills development, the ***programme*** builds on long-term EU support to the TVET reform process, notably through a previous ILO-implemented TVET reform project. It will directly work through the ongoing project Skills 21 (EUR 21 million, 2016-2020), which already includes a window for supporting the reintegration of some 1000 returnees. Moreover, the implementation of the projects promoting safe migration and local development in eight districts, funded by the EU and implemented by DanChurchAid – Terre des Hommes (2009-2013), provides good basis for awareness raising actions at grassroots level. Two main lessons were learned: enhancing awareness at the community level through adequate awareness campaigns, on the migration process, legal opportunities, rights and benefits of regular migration, as well as risks of irregular migration, have proven to be effective. Through the above mentioned projects the EU funded the establishment of a total of 23 local migration resource / information centres at a local level to make information on safe migration, as well as employment conditions, more easily available to communities and families. In communities empowered with reliable information and available services, migrants’ vulnerability to exploitation is reduced. These migration resource / information centres have been integrated in the overall migration governance of the country and are still operating and contributing to the promotion of legal migration. In Iran, lessons learnt from the ongoing Aid to Uprooted People (AUP) ***programme*** show that there is a strong demand for the continuation of interventions addressing protection issues of Afghan refugees in Iran. There is a need to improve provision of and access to basic services such as health and education and livelihood support. [28] The AUP ***programme*** improved the conditions of voluntary repatriation of Afghan refugees from Iran but showed that a long term development approach has to be provided in order to sustainably address this issue. In Iraq, lessons learnt from previous and ongoing intervention show that a careful assessment of the needs of IDPs and returnees is crucial to better understand their situation and ensure appropriate targeted and general responses. A theory of change that breaks down IDPs, returnees, refugees and vulnerable members of host communities is necessary to clearly reflect their different motivations and economic reasons for migration. There is a need to translate from the humanitarian and early recovery to long term stability and recovery. Understanding data and statistics, analysing the interface between ***programmes*** at community level and long term government accountability, transparency and responsiveness issues is a crucial aspect of the success of this action. In terms of direct assistance to returnees, specific lessons learnt from the EU Commission funded Magnet intervention (DG HOME25), show that individual assistance is not a sufficient incentive when it is related only to cash assistance, ***payment*** of vocation training and cash subsidies to employers. Key to success is a reintegration scheme that focuses on wider, community based schemes including job referral and in combining labour demand with labour offers though the strong participation of the private sector. In Pakistan, the project has been designed taking into account lessons learned from reintegration ***programmes*** implemented by IOM Pakistan. The ***programme*** will also take into account lessons from other ***programmes***, including the EU-funded 'Support to the Silk Routes Partnership for Migration under the Budapest Process' (implemented by ICMPD) and the ***programme*** 'Promoting the Effective Governance of Labour Migration from South Asia through Action on Labour Market Information, Protection during recruitment and Employment, Skills and Development Impact' (implemented by the International Labour Organization (ILO). Lessons learnt from the ongoing project Support to the Silk Routes Partnership for Migration under the Budapest Process and the Promoting effective governance of labour migration (ILO) show that: - Comprehensive policy on migration and the legal framework of migration is incomplete and improvements are needed; - Institutional development and capacity building of the government entities in charge of migration management at federal and provincial level has to be strengthened; - Migration governance is largely compartmentalised in the Silk Routes countries and further efforts are needed to put in place sustainable inter-ministerial/inter-agency coordination and cooperation mechanisms at national and at regional level; - Trust building through regular meetings, exchange of experience and information sharing, contacts and consultations is crucial in establishing a regional understanding of migration challenges and developing a regional response to address them; 25 Directorate-General for Migration and Home Affairs. [29] - To a certain extent, deficit of information and awareness among the general public and media as well as government stakeholders as regards migration and mobility and serious consequences of irregular migration can be addressed through Migration Information Centres and community outreach, as one of the tools; - Enhancing awareness at the community level on the migration process, legal opportunities of migration, skills training, rights of migrants, international protection and assistance mechanisms, and the risks and consequences of irregular migration proves to be effective in reducing migrants’ vulnerability to exploitation; - Regional and national law enforcement response is crucial in addressing irregular migratory flows in and from the Silk Routes region. Empirical evidence shows that – if the necessary enabling conditions are put in place – the forcibly displaced can make positive social and economic contributions to host communities in both camps and urban areas by expanding markets, importing new skills, and increasing demand for goods and services. The EU's approach to forced displacement and development was built on examples of better integrated, coherent development-oriented responses and a shift towards more holistic programmatic and regional interventions in forced displacement in EU ***programming*** such as the Regional Development and Protection ***Programme*** (RDDP) Middle East and the multi-donor public sector financial reform and management ***programme*** in Jordan, together with a small number of integrated projects such as those for refugees in Uganda and Pakistan. These projects not only seek to mitigate the costs and impacts of forced displacement by the Commission's humanitarian interventions, but also to promote a more proactive and coherent development-led response. Since the adoption of the Communication, the developmental approach underpins ***programming*** to forced displacement done in Uganda (responding to the forced displacement crisis due to the conflict in South Sudan) with a view to supporting the CRRF process, Kenya, Niger, Northern Cameroon, the Lake Chad basin, Libya, Ukraine, Afghanistan and Pakistan. The approach underpins ***programming*** done in the context of the Facility for Refugees in Turkey26, the EU Regional Trust Fund in Response to the Syrian Crisis27 (Madad Fund) and the EU Trust Fund for Africa28, as well as the Regional Development and Protection Programmes29 (Middle East, Horn of Africa and North Africa). 3.2 Complementarity, synergy and donor coordination The Regional Indicative ***Programme*** Asia 2014-2020 includes the Aid to Uprooted People ***programme*** (EUR 25 million, committed in 2014). The main activities under the current Aid for Uprooted People ***programme*** include improving infrastructure of IDP settlements, empowering IDP through creating their governance structures, improving health, education, international protection, hygiene and increasing livelihood opportunities for Afghan refugees in Iran and Pakistan, provision of information, counselling and legal assistance to IDPs and returnees, provision of economic and employment opportunities for IDPs and returnees and improving 26   [*https://ec.europa.eu/neighbourhood-enlargement/news\_corner/migration\_en*](https://ec.europa.eu/neighbourhood-enlargement/news_corner/migration_en). 27   [*https://ec.europa.eu/neighbourhood-enlargement/neighbourhood/countries/syria/madad\_en*](https://ec.europa.eu/neighbourhood-enlargement/neighbourhood/countries/syria/madad_en). 28   [*https://ec.europa.eu/europeaid/regions/africa/eu-emergency-trust-fund-africa\_en*](https://ec.europa.eu/europeaid/regions/africa/eu-emergency-trust-fund-africa_en). 29   [*https://ec.europa.eu/home-affairs/what-we-do/policies/asylum/external-aspects\_en*](https://ec.europa.eu/home-affairs/what-we-do/policies/asylum/external-aspects_en). [30] access to education for IDPs and returnees in Afghanistan. This ***programme*** is already complementary with ECHO interventions with IDPs and returnees. The ***programme*** will complement the regional ***programme*** on Improving Reintegration of Returnees in Afghanistan, Bangladesh and Pakistan of EUR 91 960 500 that aims at supporting the sustainable reintegration of migrants returning to Afghanistan, Bangladesh and Pakistan. The Action will complement and support the relevant elements of and resulting from ongoing migration dialogues between the EU and Afghanistan, Pakistan, Bangladesh, Iran and Iraq.. Close coordination of the activities with the reintegration ***programmes*** by the EU Member States will be ensured. In this respect, the key instrument is the European Reintegration Network (ERIN). It is a joint return and reintegration ***programme*** involving several European partner states: the Netherlands (network leader), Austria, Belgium, Germany, Greece, Finland, France, Italy, Luxembourg, Norway, Romania, Spain, Sweden, Switzerland and the United Kingdom (UK). Participation is open to all EU Member States and the Commission has actively encouraged them and all Schengen-associated states to join. At regional level, Afghanistan, Bangladesh, Pakistan, Iran and Iraq are part of the Budapest process. Complementarity and synergy will be ensured with the EU-funded ***programme*** 'Support to the Silk Routes Partnership for Migration under the Budapest Process' (ICMPD), which finances a facility for short and long term technical assistance and flagship initiatives on issues like the protection of migrant workers and the establishment of migration information centres. Cooperation on law enforcement between Member States' authorities and those of Pakistan and Afghanistan has also been launched. The aim is to work together to better address migrant smuggling. Afghanistan At the Brussels Conference on Afghanistan (5 October 2016), the Government of Afghanistan presented its Afghanistan National Peace and Development Framework (ANPDF) to which a set of 10 National Priority ***Programmes*** (NPPs) is linked. Of particular importance in the context of migration are the 'Citizens Charter' (a compact between government and citizens for the provision of basic social services particularly, but not only, in rural areas), the Urban Development ***Programme*** (under preparation), the Human Capital Development ***Programme*** (under preparation) and the NPP for Women's Economic Empowerment. On 16 December 2016 the EC adopted the Decision on ''Improving reintegration of returnees in Afghanistan, Bangladesh and Pakistan'' which foresees a substantial financial allocation for Afghanistan (EUR 78 million). This package includes three components: i) Supporting individual returnees and communities in areas of high migration/return to achieve sustainable reintegration; ii) Incentivising Government efforts in key areas linked to migration and reintegration, and; iii) Promoting skills development/TVET and employability as a deterrent for irregular migration. The 'Incentive Package' for the Government of Afghanistan will be disbursed through WB/ Afghanistan Reconstruction Trust Fund (ARTF) upon the achievement of jointly agreed benchmarks which will align with the Government Policy Framework and Action Plan Matrix. A national Steering Committee will coordinate the abovementioned action. [31] This proposed action will fully complement and enlarge this existing intervention. Close cooperation with the Government and with partner organisation including UN agencies will be reinforced. The EU's overall assistance already comprehensively addresses certain root causes of irregular migration and there are specific national ***programmes*** addressing migration-related issues and job-creation. The EU 'FARM' programme30 of EUR 102 million implemented by GIZ and the World Bank as well as the 'Panj-Amu ***programme***' of EUR 45 million implemented by the ADB support added value chains, ***agricultural*** development and improved access to sustainable irrigation increasing jobs in rural areas. The 'Jobs for Peace' ***programme***, launched in autumn 2015, aims at creating short-term employment that should contribute to a reduction of out-flow migrants. The EU committed EUR 30 million to this ***programme*** under the annual action ***programme*** (AAP) 201631 to create jobs in rural areas and to contribute to improved infrastructure. This will reinforce the component on prevention of irregular migration. An action financed by the Instrument contributing to Stability and Peace (IcSP – EUR 8 million) is seeking to provide temporary job opportunities in anticipation of the implementation of more structural reforms that were launched in 2017. Complementarities and synergies will be fostered with the new 'STRIVE' action in Afghanistan (STRIVE for development – strengthening resilience to violence and extremism) being launched by the Instrument contributing to Stability and Peace (IcSP). The aim of the Action is to support local state and non-state partners to develop and implement interventions that have a demonstrable impact on the threat posed by radicalisation and recruitment to terrorism. The specific objective is to develop best practices to implement and monitor ***programmes*** that have demonstrable impact on strengthening resilience against extremism and violence among returnees including women and their communities in selected areas of Afghanistan. Bangladesh The action in support of returnees will be conceived as a scaling-up of two actions: (1) For skills development, this action will reinforce the activities foreseen for returning migrants under the Skills 21 ***programme*** (AAP 2015)32, where specific units specialised in migration-related matters will be established in selected TVET training centres; (2) For awareness-raising campaigns at the grassroots level and for the financial literacy training and services for a better use of the remittances, this action will complement the 2016 Special Measure33 whose implementation started in 2017 (implemented by IOM/BRAC) and the Safe Migration Awareness Raising ***Programme*** financed by the EU (DG HOME) through the EURCAP (Capacity Building for Return Management) implemented by IOM. 30 Support to ***Agriculture*** and Rural Development in Afghanistan; C(2014) 9099 of 03.12.2014 and C(2015) 9115 of 08.12.2015 31 C(2016) 5716 of 05.09.2016 32 C(2015) 9336 of 14.12.2015 33 C(2016) 8433 of 16.12.2016 [32] Complementarities and synergies will be ensured with projects under the Bangladesh-EU MIP 2014-202034 priority sectors, in order to address the root causes of economic migration, notably the resilient livelihoods ***programme*** (AAP 2016), where the emphasis is placed on offering alternative sources of livelihoods. A specific component within the resilience ***programme*** implemented by GIZ addresses the specific needs of returnees from the EU in terms of skills, jobs and value chains development, linking with formal and informal SMEs and promoting access to social services in urban contexts. Complementarity will be ensured with the other actions under the 2016 Special Measure which focuses on migration management services, the social reintegration of returnees and the referral to the economic reintegration activities. Complementarity will be ensured with the projects implemented by IOM and ILO on Enhanced Skills Development & Qualification recognition of labour migrants from Bangladesh, aiming at building the employability of Bangladeshi migrant workers and improving their job opportunities through enhanced skills and recognised qualifications, and with the ILO – the Swiss development cooperation ***programme*** on Promoting Decent Work through improved Migration Policy and its Application in Bangladesh. Complementarity will be ensured also with BRAC's migration ***programmes*** including the one on capacity building strengthening of government, media and partners, and on policy advocacy – mainly – during the Libya crisis (project financed by UN Women – ILO – Japan International Cooperation Agency – UK Aid). In 2016, in the run-up for the Global Forum on Migration and Development held in Dhaka in December, a new informal Migration Working Group was created among the donor community, which expects to be – but has yet not been – formalised within the Local Consultative Group donor coordination mechanism. Donors have so far met 3 times to discuss and exchange information on migration related issues have only recently decided to work on multiple mapping exercises: 1) on on-going and planned ***programmes*** on migration, 2) on the different contribution/activities on the follow up to the Global Forum on Migration and Development (GFMD) and to the contributions to the Global Compacts. Iran The action will complement activities implemented under the Aid to Uprooted People ***programme***. In Iran, access to refugees and providing them with durable solutions has recently improved. This could allow creating synergies in areas such as health, education and livelihoods, school attendance of refugee children and self-reliance and livelihoods of the beneficiary population. Synergies with ECHO funded interventions is ensured by focussing on medium- and long-term funding to address the needs of refugees in areas such as education, health and social services, while ECHO will continue covering the humanitarian needs of refugees where appropriate. Until 2015, ECHO partners working with Afghan refugees were only NRC and UNHCR, who concentrated their assistance mainly on vulnerable documented refugees. Since 2016, the 34 C(2014) 5718 of 18.08.2014 [33] number of partners has increased and assistance is progressively being targeted towards undocumented Afghans. The main sectors of intervention are health, protection, education, food security, shelter, advocacy, coordination, and WASH35, which is in line with the proposed activities of this action. Iraq EU bilateral cooperation in Iraq focuses on humanitarian assistance, stabilisation, national reconciliation, economic reforms, and the support to education and vocational training. A reinforced diplomatic engagement and attention to qualitative and quantitative information on migration causes and patterns are part of a more strategic approach to migration pursued in past ***years***. This action on migration follows on the legacy of the EU funded initiative by the Hijira Amina (‘‘safe migration’’ in Arabic), a project implemented by IOM between 2013 and end 2016. The project has provided technical support and capacity development to the Federal Government of Iraq and the Kurdistan Regional Government (KRG) ministries, including provincial authorities with migration functions, in establishing adequate migration procedures and has responded to the urgent protection needs of IDPs, returnees, refugees and other migrants in Iraq. While conceived to provide dedicated policy support to Government, the project’s long term vision has been affected by the escalating of violence, insecurity, forced displacement and immigration which has occurred since 2014, and so has then dealt on specific emergency issues on migration management caused by the changing context. The project has produced some pieces of research identifying underlying causes, key gaps and recommendation for future intervention on migration in Iraq, which now needs to be implemented. EU funding, channelled through ECHO, the Madad Trust Fund and the Instrument contributing to Stability and Peace (IcSP), is already addressing, within the remits of each specific instrument mandate, part of the challenges linked to forced displacement, social cohesion, return and conflict resolution in local communities hosting IDPs and returnees. In specific, IcSP funding (implemented by IOM) is supporting the ongoing stabilisation efforts in Iraq by helping to reduce tensions between IDPs and host community members. In the past ***years*** DG HOME has supported the IOM's ***programme*** 'MAGNET' , which is linked to the assisted voluntary return and reintegration ***programmes*** of four European countries, providing job placement opportunities for rejected asylum seekers and irregular migrants returned from Austria, Belgium, France and the Netherlands. The project created and delivered innovative services involving the identification of possible vacancies in the private sector and linking beneficiary profiles to these job offers, so as to improve the attractiveness and the sustainability of reintegration. Pakistan EU-Pakistan relations are moulded into a 5-***year*** Engagement Plan (2012-2017). The purpose of the Engagement Plan is to upgrade the relationship, improve EU coordination in Pakistan and expand relations to include a full range of issues including migration. The last chapter of the 35 Water, sanitation and hygiene. [34] Engagement Plan on sectoral cooperation calls for cooperation on migration issues. A new Engagement Plan is currently being discussed. Complementarity and synergy exists with the Pakistan-EU MIP Bilateral Development Cooperation for the period 2014-202036 (EUR 653 million), which is comprised of Rural Development (EUR 340 million), Education including TVET and Human Resource Development (EUR 210 million), as well as Good Governance (EUR 97 million). These focal sectors are addressing certain root causes of migration. Possible complementarities and synergies will be also sought with other technical education and vocational training ***programmes***, social welfare ***programmes*** and micro-credit schemes of other actors including the UK Department for International Development (DFID) Skill Development Fund in Punjab and other governments and donors' ***programmes*** in Khyber Pakhtunkhwa. The ***programme*** is also developed based on findings of an ongoing assessment of service provision for returning migrants from Europe, being carried out under the EU funded “Monitor” project. The system aims to provide an increased understanding of the situation of returnees and provide a monitoring and evaluation mechanism to ascertain their needs. The project will ensure continuity and complementarity with EU-funded initiatives like: (i) Regional ***Programme*** 'Promoting the Effective Governance of Labour Migration from South Asia through Action on Labour Market Information, Protection during recruitment and Employment, Skills and Development Impact' (SALM), which includes two already established Migration Resource Centres (ILO & ICMPD jointly) and ended in September 2016; (ii) EU- ILO project on Fair recruitment process; (iii) the project “Fight against Trafficking in Human Beings - Phase 2” (THB/IFS/2) contributing to the prevention of and fight against transnational organised crime, particularly in relation to trafficking in human beings (THB), implemented by ICMPD; (iv) the Global Action against Trafficking in Persons and the Smuggling of Migrants (GloAct) project aiming at assisting selected countries in developing and implementing comprehensive national counter-trafficking and counter-smuggling responses and focusing on prevention and protection (implemented in Pakistan by UNODC). Coordination and policy dialogue on Afghan Refugees is eased by regular meetings of the Friends of Sustainable Solutions for Afghan Refugees (FOSSAR) gathering all concerned Government stakeholders with the key donors involved. 3.3 Cross-cutting issues Cross-cutting issues, such as gender, human rights and good governance, will be carefully considered and taken into account throughout the implementation process. Given the fact that women make up close to 50% of migrants worldwide, and their vulnerability in the migration process is particularly serious, careful attention will be put on addressing their needs. The action will also address female poverty by ensuring that the 36 C(2014) 5599 of 11.08.2014 [35] proportion of those receiving services and their access to livelihood activities is in line with the proportion of female refugees/IDPs/returnees. The different roles of women and men in community-based interventions, reintegration processes, livelihoods and development ***programmes*** are important to recognise, thus ensuring their inclusive and equitable participation in decision-making processes and project implementation. Monitoring, including through disaggregated data, will be key in this ***programme***. In addition, the project will address gender-specific needs through efforts to reach female community members through multiple interventions. Social resilience activities will include fostering dialogue between men and women to foster the agency of both and contribute towards gender equality. Similarly, disaggregated data throughout the ***programme*** cycle (i.e baseline and results) will help make clear to what extent the ***programme*** benefits women and men according to their needs. Given the nature of the action, the protection of human rights and due processes will be an integral part of the activities carried out. Protection of human rights for the different categories of 'people on the move' and specifically for vulnerable categories, such as children, unaccompanied minors, disabled persons, victims of trafficking or smuggling and rejected asylum seekers will need to be specifically considered. Human rights issues will be an important topic of discussion between the EU and the partner countries. The proposed action will particularly need to be reflective of the fact that a large part of the Afghan refugee and migrant population, specifically returnees from Iran but also returnees from Pakistan and Europe, are young people, often minors. This segment of the target group for the proposed action is particularly vulnerable in the migration process but also susceptible to abuse, exploitation and radicalisation, especially if confronted with a lack of social and economic perspectives and a deep sense of personal failure upon return. In terms of good governance, the proposed action recognises the comprehensive approach required to address socio-economic inclusion of forcibly displaced persons in their host or return communities. As such, the action will be supported by policy dialogue with partner countries and relevant stakeholders, aimed at improving the legal and socio-economic situation of refugees and IDPs in their host or return communities. Sustainability and empowerment are core cross-cutting issues that are promoted throughout the community-based interventions, which ensure inclusive participation from the initial phase of identifying priorities and needs throughout the project design, implementation and monitoring phases. Finally, as concerns Afghanistan, the high numbers of return in certain areas increase pressure on natural resources (e.g water and fuelwood). A managed approach to land allocation, with impact studies, will avoid installing returnees in regions with insufficient water, preventing future conflicts with the host communities. [36] 4. DESCRIPTION OF THE ACTION 4.1 Objectives Overall objective In line with the commitments undertaken by the Commission in the European Agenda on Migration and within the framework of the Sustainable Agenda 2030, the action primarily contributes to the progressive achievement of Goal 10.7 (SDG target 10), to facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed policies. Limiting the negative effects of forced displacement is a central part of ensuring safe, orderly and regular migration and mobility and maximising its positive aspects, notably contributions of the displaced to their host communities, will improve development outcomes in host regions. Specific objective(s) The aim of the ***programme*** is to: (i) enhance the resilience and self-reliance of the forcibly displaced, the returnees and their host / return communities in a way that they may live together peacefully, have access to social services and develop economic ties to build sustainable livelihoods and thus foster social cohesion and stability, (ii) ensure that those who intend to migrate or return will be equipped with the necessary information, resources, skills and knowledge to achieve a decent standard of living and contribute to the long-term development of their communities, (iii) ensure the protection of IDPs, returnees, refugees and vulnerable migrants, and victims of smuggling or human trafficking; (iv) improve the national migration management systems, policies and their implementation; (v) improve basic financial knowledge for a better and broader use of the remittances to the advantage of the communities (Bangladesh), and; (vi) support the relevant elements of and resulting from ongoing migration dialogues between the EU and Afghanistan, Pakistan, Bangladesh, Iran and Iraq. Target groups Actions under this measure will target all categories of 'people on the move', including refugees and IDPs who are assisted in voluntary repatriation as a durable solution or assisted in their host country through socio-economic inclusion to foster resilience and self-reliance; returning migrants (irregular migrants or failed asylum seekers who are returned as part of the immigration policy of receiving states); labour migrants; other categories or specific vulnerable groups in need of international protection (especially minors and women), as well as of return and reintegration assistance. Responses will be articulated taking into account context specificity, different types of returnee/refugee/IDP profiles and associated needs and aspirations, as well as specific vulnerabilities and capacities. The action will also target host/return communities and communities of high out-migration to favour social cohesion and promote stability in areas of high return/forced displacement. Communities will benefit from community-based projects leading to improved service delivery, sustainable livelihood opportunities, governance, stability, and cohesion. Community members will benefit from increased options/opportunities to stay in their community rather than migrate irregularly. [37] This action will provide support and capacity building to government authorities at national and local levels in origin/transit/destination countries who will benefit from improved capacities and expertise as well as strengthened cooperation networks to address migration, socio-economic inclusion of forcibly displaced populations and reintegration. Civil society organisations and social partners in both transit/destination and origin countries will benefit from improved capacities and strengthened cooperation networks among stakeholders engaged in migration management, including reintegration, and forced displacement. 4.2 Expected results 1. The resilience and self-reliance of returnees, refugees, IDPs and their host/return communities is strengthened through improved access to integrated service-delivery (including health, education and other services), and economic opportunities, including land tenure, housing and property rights, livelihood services and labour market access; 2. Returning migrants, refugees, IDPs and their host/return communities receive appropriate support to actively participate in the local economy; 3. The capacities of the different target groups are strengthened and sustainable employment opportunities for returnees, refugees, IDPs and their host/return communities are created and, where needed, legal frameworks are developed to ensure safe and dignified labour market access and prevent exploitation; 4. Human rights protection is enhanced for the different categories of 'people on the move' and their host/return communities; 5. The strategy of integrated service delivery and economic opportunities for the forcibly displaced and their host communities is included in national development plans. The capacities of national and local authorities in targeted countries are strengthened to provide access for forcibly displaced populations to integrated service-delivery and economic opportunities; 6. The capacities of national and local authorities in the targeted countries are strengthened to plan, manage and implement sustainable migration policies related to all areas of migration management at both central and local level, including reintegration of returnees. The expected areas of migration management could include in particular: trafficking in human beings and smuggling of migrants, integrated border management, awareness raising on both risks of irregular migration and safe legal channels, diaspora engagement/remittances (including financial literacy), labour migration and international protection that covers all refugee populations; 7. National migration data management systems are strengthened and the knowledge base on migration is improved; 8. Strengthened regional dialogue on migration, forced displacement, return and reintegration. 4.3 Main activities [38] All assistance efforts will need to be clearly linked to relevant national policies. The nexus between humanitarian and development assistance will need to ensure a smooth interaction between relief and development. Main activities across the countries may include the following: 1. Information, tracking and profiling: activities under this component are aimed at capturing population movements, routes and flows, and at the profiling of migrants, returnees, refugees and IDPs in order to design a better tailored response and include providing technical support and knowledge ***transfer*** on methods of collecting, producing, disseminating and analysing statistical data and supporting the establishment of a migration data management system. The expansion of tools like IOM’s Displacement Tracking Matrix (DTM) will be supported through this action. Vulnerability and needs assessment would be conducted to determine the right beneficiaries and the type of interventions; 2. Access to economic opportunities and integrated service-delivery in host countries and reintegration in countries of origin: improve the socio-economic condition of returnees, refugees, IDPs and displaced-hosting communities based on a market-system approach. It will consist of activities aimed to provide/develop: a. support documentation of refugees/returnees with identification as a critical means for access to services, and where appropriate, support migration management with a focus on mixed migration to promote mutually acceptable regimes for cross-border movements to seize development opportunities of mobility; b. support for integrated service-delivery systems targeting both forcibly displaced persons as well as their host/return communities; c. support for employment opportunities for refugees, IDPs and their host communities (requiring policy commitment for better regulatory environment for refugee employment), underpinned by labour market assessments, which include opportunities for self-employment; d. small grants mechanism for targeted high return areas for community-driven ***programming***; e. enhanced TVET and skills development opportunities to address specific needs of sustainable return, reintegration and socio-economic cohesion; f. information and legal counselling services on aspects related to forced displacement and return such as housing, land, property issues and management of potential debt arising from migration experience; g. reestablishment of networks and ties between communities of origin and forced displacement; h. support to community outreach activities to enhance trust and promote social cohesion at local level; [39] i. enhanced orientation and referral services for returnees (especially health – including immunisation campaigns with special attention to polio, education, etc.) and support to national delivery systems for both hosts, IDPs and refugee communities to facilitate access to basic services, like health an education; j. tailored individual or family-level assistance, where appropriate; k. support for land tenure to refugees/returnees/IDPs. 3. Protection and human rights, especially for vulnerable groups like women and unaccompanied minors, including activities like training of local actors on human rights protection, support to family tracing/reunification services, legal aid and counselling. All activities in the ***programme*** will be targeted based on vulnerability and needs. Considering the (pockets of) fragility and conflict in the targeted countries (Afghanistan, Iraq, Pakistan, Iran and Bangladesh), the ***programme*** will mainstream protection to ensure that access to ***programme*** activities/services is provided on a safe, equal and fair basis and to prevent, reduce/mitigate and respond to the risks and consequences of violence, coercion, deliberate deprivation and abuse, in line with the European Commission guidelines on protection in humanitarian crises. 4. Capacity building/empowerment of public authorities at national and local level: may include support to draft legislation and by-laws, support to the development of national strategies and action plans focusing specifically on dealing with socio-economic inclusion of forcibly displaced populations, gaps and needs assessment, trainings, study visits etc. Afghanistan Building on the EU support measures initiated in 2016 and guided by the Afghan Government’s migration action plan matrix, action should focus on: 1. Information, tracking and profiling 2. Access to economic opportunities and integrated service-delivery in host communities and reintegration in communities of origin – activities may include: a. Specific support to the Government's goal of providing all arrivals with immediate registration and proper documentation, and immediate assistance as needed; b. Building on the activities for technical and vocational training established under the 2016 package, support to sustainable livelihoods opportunities, employment and income generation. Support measures could include labour-intensive and productive public work schemes for implementing certain other goals of the Government's action matrix (e.g Citizens' charter ***programme***, regularisation of informal settlements and improved access to utilities, livelihood ***programmes***), as much as microfinance, support to self-employment and business start-ups. Actions will also include activities related to community empowerment, community and productive infrastructure development and cultural initiatives aimed to foster social cohesion and sustainable reintegration of displaced people/returnees in the recipient communities; [40] c. Specific support to the Government's goal of improving access to land and adequate housing, particularly in (urban and peri-urban) areas of high return, including measures dealing with affordable housing and regularisation of informal settlements; specific attention should be given to policies and regulatory framework for improved tenure security; d. In a context of high mobility, to avoid the disruption of services (notably education and health) and facilitate access to assistance, the focus should be on support for national social protection schemes to address forced displacement related challenges. Activities in the health sector may also include improved vaccine coverage and access to immunisation – with special attention to polio – for returnees and internally displaced people (especially children aged below five ***years***) at the point of entry or registration in Afghanistan, and/or at the places of (temporary) settlement. 3. Protection and human rights, especially for vulnerable groups like women and unaccompanied minors; 4. Capacity building/empowerment of public authorities at national and local level: direct budgetary assistance and technical support to the Government of Afghanistan's policies on migration and forced displacement, through a reinforcement of the 'incentive package' set up under the 2016 special measure on 'Improving reintegration of returnees in Afghanistan, Bangladesh and Pakistan'. Specific attention needs to be given to access to basic services (i.e education and health – including standard immunisations with special attention to polio) for returnees, IDPs and host communities; Particular attention needs to be given to young migrants, with regard to their employability and economic opportunities but also with regard to their social integration in host communities. Bangladesh 1. Information, tracking and profiling 2. Access to economic opportunities and integrated service-delivery in host countries and reintegration in countries of origin a. Building on the activities for skills development established under the Bangladesh Annual Action ***Programme*** 2015 “Skills 21 – Empowering citizens for inclusive and sustainable growth” (first migration window, targeting approximately 1000 returnees and their family members), activities may include TVET and skills development opportunities to address specific needs of sustainable return including from transit countries, reintegration and socio-economic cohesion. Complementing the intervention foreseen under Skills 21, the activities will target an additional 2000 returnees and their family members (1000). Specific training practices for returnees and family members will be offered in seven local development skills centres and will have, to the extent possible, a country-wide coverage. The vocational training activities, tailored to returnees, will take into account the main findings of the market needs analysis which will be previously undertaken at the local level, so as to better match the training to be provided with labour market [41] needs, in order to ensure their potential employability. Specific services will be offered tailored to returnees such as recognition of prior learning and knowledge acquired abroad. b. Remittances and development: reinforcement of access to financial literacy training and services for returnees and their family members, to complement the services already foreseen in the 2016 Special Measure. This activity consists of developing manuals and trainings modules on: a) entrepreneurships for developing new business; b) financial literacy on use and investment of remittances, better management of incomes, savings for the future, expenditure for education for children and health services, benefits of saving money in banks, reducing risks of ***transfer*** of remittances and increase use of the formal channels. 3. Capacity building of national authorities to develop and implement sustainable migration policies and migration management system: activities may include in particular actions aimed at fighting migrant smuggling and trafficking in human beings, diaspora investment/remittance and awareness-raising activities on the risks associated with irregular migration. The latter will be carried out at community level to make the potential migrant workers and their family members more aware of the risks associated with irregular migration and to promote safe migration through legal channels (legal opportunities, rights and benefits of regular migration). These activities will also help engage the stakeholders (community people, government officials, local elite e.g ) to promote safe migration from Bangladesh and progressively change community perceptions and behaviours about irregular migration. They may include, inter alia: a. Capacity building and resources development; b. Elaboration of Information, Education and Communication (IEC) material; c. Volunteer development and engaging volunteers in awareness campaigns; d. Revision of the National Communication Strategy on migration for enhanced efficiency and effectiveness of messaging/community outreach; e. Activities such as interactive popular theatre, street drama, community meetings, video shows in public places; media sensitisation and networking on migration issues; information sessions on the occasion of large community migrants’ fairs at district level such as the International Migrants Day which will be celebrated at the national, district and Upazila level to mobilise people and policy makers on safe migration. Awareness activities will be carried out at local level through local NGOs using a mix of different communication strategies, channels and tools. Iran 1. The component 'access to economic opportunities and integrated service-delivery in host countries and reintegration in countries of origin' may include: a. Supporting refugee registration, including ensuring personal data protection, as a critical means to access the national service delivery systems; [42] b. Supporting national (basic) service delivery systems for both refugees and their (vulnerable) host communities, including support to the development and/or strengthening of national social protection schemes (such as the Salamat (Health) Insurance ***Programme***) to ensure the inclusion of refugees on equal footing with nationals (including contributory schemes) by promoting social cohesion, as well as education for refugees in order to ensure their inclusion in the job market and overall employability; c. Supporting employment opportunities, based on a thorough analysis of labour market gaps/needs, and/or facilitating access to financial services to encourage entrepreneurship for refugees and (vulnerable) host communities, both requiring a policy commitment for further improving regulatory environment for refugee employment (e.g exploring value chain development) and collaboration with private sector actors at provincial/local level; d. Possibly: facilitating return of Afghans who would like to voluntarily return. 2. The component 'capacity building of national authorities to develop and implement sustainable migration policies and migration management system' may include increasing the knowledge base, data gathering and analysis, exchange of best practices and sharing of experience in particular on border management, document security, fighting migrant smuggling and trafficking in human beings, routes, flows and trends, where appropriate. Iraq More specifically, the intervention in Iraq will target the following components: 1. Information, tracking and profiling: Provision of accurate information to potential migrant and returnees in country and abroad. Activities could include the creation of 'migration resource centres' offering neutral space to obtain accurate information on legal migration procedures and documentation required, as well as the risks of irregular migration and information for returnees on their rights and potential opportunities for reintegration. 2. Access to economic opportunities and integrated service-delivery in host countries and reintegration in areas/communities of origin: a. Socio-economic (re)integration of IDPs and returnees, as well as vulnerable members of communities. Activities may include support for social-protection systems – including education and child-protection measures; livelihood and income generation; facilitation of employment opportunities matching labour demand and supply; access to more inclusive financial services to encourage entrepreneurship; self-reliance opportunities for displaced persons and host communities. This will be based on a thorough analysis of socio-economic needs and labour market gaps/needs and on existing and future assessment of current social safety nets in place and of the current labour policies so as to further improvement of the regulatory framework and address barriers faced by IDPs and returnees; [43] b. Reconstruction and revitalisation of communities: activities may include support to communities' economic and social infrastructure and rehabilitation of basic services; conflict prevention, reconciliation/reducing tension and strengthening social cohesion. 3. Capacity building of national authorities to develop and implement sustainable migration policies and migration management system: activities may include support to Iraqi Government to develop and implement sustainable migration policies, including providing assistance to migrants in need of international protection, with a more inclusive and less fragmented migration management system, including actions fighting trafficking in human beings and migrant smuggling, information and awareness-raising activities at national and international level, border management. Activities will also focus on legislations regulating the labour market, labour migration, housing, property and land rights and dispute resolution. Pakistan In addition to the activities foreseen above and building on the EU support measures initiated in 2016, specific activities in Pakistan should focus on: 1. Information, tracking and profiling: support analysis and monitoring of migrant flows; 2. Access to economic opportunities and integrated service-delivery in host communities and reintegration in communities of origin – activities may include: a. Actions aiming to enhance the resilience and self-reliance of the forcibly displaced, the returnees and their host / return communities and to ease social tensions; b. Building on the activities for technical and vocational training established under the 2016 package, providing TVET, skills development and business opportunities to returnees to facilitate reintegration in Punjab and in KP; supporting community development and empowerment as important elements to facilitate reintegration at local level. c. Providing TVET and skills development opportunities to Afghan refugees, to facilitate their reintegration once back in Afghanistan, and supporting documentation on undocumented Afghans in Pakistan with identification as a critical means to access services; 3. Capacity building/empowerment of public authorities at national and local level – activities may include: a. Strengthening of migration policies and management systems. In particular, supporting the planned New Refugee Law and its implementation and promoting mutually acceptable regimes for cross-border movements in order to seize development opportunities of mobility; b. Actions targeting the fight against smuggling and trafficking in human beings, including border management. [44] 4.4 Intervention logic The project is designed to address the challenges of irregular migration and forced displacement at different levels. On the macro-level the project activities are geared towards enhancing institutional frameworks and capacity of stakeholders to better address migration and forced displacement issues (including – inter alia – migration and asylum management systems, protection, socio-economic inclusion, return and reintegration). This is essential in order to have in place sustainable policies related to all areas of migration management and forced displacement at both central and local level to foster sustainability of the intervention. This entails also the capacities of national and local authorities providing access to integrated service-delivery and economic opportunities for returnees, forcibly displaced populations and host communities, which are key elements of responsible migration management and effective public service delivery. At micro-level, the intervention is designed to build the resilience and self-reliance of returnees, refugees, IDPs and their host/return communities to help beneficiaries to re-establish stable livelihoods and perspectives for the future and increase absorption capacity for returnees in their respective communities, thus helping to prevent further irregular migration and fostering social cohesion. 5. IMPLEMENTATION 5.1 Financing agreement In order to implement this action, it is foreseen to conclude financing agreements and/or addenda to existing ones with the partner countries for:  all the activities related to Pakistan and Iraq;  the component related to the World Bank, UNESCO and activities in direct management in Afghanistan. It is not foreseen to conclude a financing agreement in Afghanistan for the other components (i.e indirect management with IOM, UNHCR, UN-HABITAT, UNICEF/WHO);  the component related to the top-up of the Skills 21 ***programme*** (AAP 2015). It is not foreseen to conclude a financing agreement in Bangladesh for the other components (i.e actions in indirect management with IOM); It is not foreseen to conclude a financing agreement with the partner country in Iran. 5.2 Indicative implementation period The indicative operational implementation period of this action, during which the activities described in section 4.3 will be carried out and the corresponding contracts and agreements implemented, is a maximum of 60 months from the date of entry into force of the financing agreement in Afghanistan, Iraq and Pakistan and from the date of adoption by the Commission of this Action Document for Bangladesh and Iran and for the component not subject to financing agreement in Afghanistan. [45] Extensions of the implementation period may be agreed by the Commission’s authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014. 5.3 Implementation modalities Both in indirect and direct management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation 37. 5.3.1 Grants Call for proposals 1 – 'Sustainable (re)integration of returnees and displaced populations through skill development and improved employment opportunities' (direct management) – Afghanistan (a) Objectives of the grants, fields of intervention, priorities of the ***year*** and expected results  The objective of the call for proposals is to improve employment opportunities, especially for youth, through skills development and labour market access, thus favouring (re)integration and social cohesion in host communities;  The expected results of the action is to enhance skills (and thus employability) of Afghans, in particular the youth, in areas of high migration/return/forced displacement;  The main activities will build a basis for resilience through interventions in the areas of livelihoods, youth employment, skill enhancement, job-creation, reconstruction, social cohesion, rule of law and good governance. Activities will target both returnees/IDPs and host communities/communities of origin; (b) Eligibility conditions In order to be eligible for the grant, applicants must:  be legal persons and  be a member states agency, non-governmental organisation, civil society organisation, international research organisation, university or university related organisation or an international organisation as defined by Article 43 of the Rules of Application to the EU Financial Regulation38 and 37   [*https://eeas.europa.eu/sites/eeas/files/restrictive\_measures-2017-04-26-clean.pdf*](https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf) 38 International organisations are international public-sector organisations set up by intergovernmental agreements as well as specialised agencies set up by them; the International Committee of the Red Cross (ICRC) and the International Federation of National Red Cross and Red Crescent Societies, European Investment Bank (EIB) and European Investment Fund (EIF) are also recognised as international organisations. [46]  be established in39 a Member State of the EU or an eligible nation as per Article 9 (DCI) of the Regulation (EU) 236 / 2014 (CIR). This obligation does not apply to international organisations and  be directly responsible for the preparation and management of the action with the co-applicant(s) and affiliated entity(ies), not acting as an intermediary and  be operational in Afghanistan at the moment of the launch of the call for proposals. Subject to information to be published in the call for proposals, the indicative amount of the EU contribution per grant is EUR 3.5 million and the grants may be awarded to sole beneficiaries and to consortia of beneficiaries (coordinator and co-beneficiaries).The indicative duration of the grant (its implementation period) is 48 months (c) Essential selection and award criteria The essential selection criteria are financial and operational capacity of the applicant. The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action. (d) Maximum rate of co-financing The maximum possible rate of co-financing for grants under this call is 80%. In accordance with Articles 192 of Regulation (EU, Euratom) No 966/2012, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100%. The essentiality of full funding will be justified by the Commission’s authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management. (e) Indicative timing to launch the call First half 2018. Call for proposals 2 – 'Access to economic opportunities and integrated service-delivery for Afghan refugees/undocumented migrants and host communities in Iran' (direct management) – Iran (a) Objectives of the grants, fields of intervention, priorities of the ***year*** and expected results  The objective of the call for proposals is to improve livelihoods, skills and employability of Afghan refugees/undocumented migrants and their host communities, through improved access to national service delivery systems, skills development and labour market access, thus favouring integration and social cohesion in host communities; 39 To be determined on the basis of the organisation's statutes which should demonstrate that it has been established by an instrument governed by the national law of the country concerned. In this respect, any legal entity whose statutes have been established in another country cannot be considered an eligible local organisation, even if the statutes are registered locally or a “Memorandum of Understanding” has been concluded. [47]  The expected results of the action is to enhance livelihood, employability and inclusion of Afghans, in particular the youth, in areas of high migration /forced displacement and to favour social cohesion;  The main activities will build a basis for resilience through interventions in the areas of livelihoods, youth employment, skill enhancement, job-creation, reconstruction, social cohesion, rule of law and good governance. Activities will target both refugees/displaced people and host communities; (b) Eligibility conditions In order to be eligible for the grant, applicants must:  be legal persons and  be a member states agency, non-governmental organisation, civil society organisation, international research organisation, university or university related organisation or an international organisation as defined by Article 43 of the Rules of Application to the EU Financial Regulation40 and  be established in41 a Member State of the EU or an eligible nation as per Article 9 (DCI) of the Regulation (EU) 236 / 2014 (CIR). This obligation does not apply to international organisations and  be directly responsible for the preparation and management of the action with the co-applicant(s) and affiliated entity(ies), not acting as an intermediary and  be operational in Iran at the moment of the launch of the call for proposals. Subject to information to be published in the call for proposals, the indicative amount of the EU contribution per grant is EUR 3.5 million and the grants may be awarded to sole beneficiaries and to consortia of beneficiaries (coordinator and co-beneficiaries).The indicative duration of the grant (its implementation period) is 48 months (c) Essential selection and award criteria are the same as in the above mentioned call for proposal 1. (d) Maximum rate of co-financing is the same as in the above mentioned call for proposal 1. (e) Indicative timing to launch the call First half 2018. 40 International organisations are international public-sector organisations set up by intergovernmental agreements as well as specialised agencies set up by them; the International Committee of the Red Cross (ICRC) and the International Federation of National Red Cross and Red Crescent Societies, European Investment Bank (EIB) and European Investment Fund (EIF) are also recognised as international organisations. 41 To be determined on the basis of the organisation's statutes which should demonstrate that it has been established by an instrument governed by the national law of the country concerned. In this respect, any legal entity whose statutes have been established in another country cannot be considered an eligible local organisation, even if the statutes are registered locally or a “Memorandum of Understanding” has been concluded. [48] Grants: call for proposals 3 – 'Improving livelihood, employment opportunities and access to social protection schemes for IDPs and host communities / communities of origin in Iraq' - (direct management) – Iraq (a) Objectives of the grants, fields of intervention, priorities of the ***year*** and expected results  The objective of the call for proposals is to improve livelihoods and employment opportunities for IDPs, especially for youth and vulnerable groups;  The expected result of the action is for Iraqi IDPs and targeted communities to have increased livelihoods and job opportunities in Iraq through improved access to social protection schemes, including the provision of skills development and job placement services;  The main activities will build a basis for resilience through interventions in the areas of livelihoods, youth employment, skill enhancement, job-creation, reconstruction, social cohesion, rule of law and good governance. (b) Eligibility conditions In order to be eligible for the grant, applicants must:  be legal persons and  be a member states agency, non-governmental organisation, civil society organisation, international research organisation, university or university related organisation or an international organisation as defined by Article 43 of the Rules of Application to the EU Financial Regulation42 and  be established in43 a Member State of the EU or an eligible nation as per Article 9 (DCI) of the Regulation (EU) 236 / 2014 (CIR). This obligation does not apply to international organisations and  be directly responsible for the preparation and management of the action with the co-applicant(s) and affiliated entity(ies), not acting as an intermediary  be operational in Iraq at the moment of the launch of the call for proposals. Subject to information to be published in the call for proposals, the indicative amount of the EU contribution per grant is EUR 1 million and the grants may be awarded to sole beneficiaries and to consortia of beneficiaries (coordinator and co-beneficiaries).The indicative duration of the grant (its implementation period) is 48 months 42 International organisations are international public-sector organisations set up by intergovernmental agreements as well as specialised agencies set up by them; the International Committee of the Red Cross (ICRC) and the International Federation of National Red Cross and Red Crescent Societies, European Investment Bank (EIB) and European Investment Fund (EIF) are also recognised as international organisations. 43 To be determined on the basis of the organisation's statutes which should demonstrate that it has been established by an instrument governed by the national law of the country concerned. In this respect, any legal entity whose statutes have been established in another country cannot be considered an eligible local organisation, even if the statutes are registered locally or a “Memorandum of Understanding” has been concluded. [49] (c) Essential selection and award criteria are the same as in the above mentioned call for proposal 1. (d) Maximum rate of co-financing is the same as in the above mentioned call for proposal 1. (e) Indicative timing to launch the call First half 2018. 5.3.2 Procurement (direct management) See evaluation, audit and communication. 5.3.3 Indirect management with an International organisation. A part of this action may be implemented in indirect management by the international organisations mentioned below, in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012: Regional activities (in the five countries covered by the action)  United Nations Office for Drugs and Crime (UNODC, in partnership with and IOM), this implementation entails activities related to anti-smuggling and anti-trafficking in human beings. This implementation is justified because fight against human trafficking is part of its core business and because its experience and well stablished presence in the country;  IOM: this implementation entails activities aimed to capturing population movements and to profiling of migrants, returnees, refugees and IDPs through the expansion of IOM's Displacement Tracking Matrix (DTM). This implementation is justified because migration is part of IOM's core business and because its experience and well established presence in the country;  International Centre for Migration Policy Development (ICMPD): this implementation entails activities related to integrated border management. This implementation is justified because migration policies and border management are part of its core business and because its experience and well stablished presence in the country. Activities targeting Afghan refugees/undocumented/IDPs  UNHCR: this implementation entails regional activities in support of Afghan refugees/IDPs in Afghanistan, Iran and Pakistan and sustains the eventual return and (re)integration process. In particular, UNHCR will support the implementation of regional and national frameworks and policies for protection, return and forced displacement in coordination with the Governments, UN agencies and NGOs including through strengthened data collection, profiling and analysis. Community-based activity will also be launched to increase access to services and livelihoods that could be up scalable through the World Bank livelihood ***programme*** under preparation. These will be accompanied by income generating activities supporting joint-venture businesses through private sector inclusion and facilitating access to microfinance services. In Pakistan activities may also include provision of TVET and skills development opportunities to Afghan refugees, to [50] facilitate their reintegration once back in Afghanistan. Support to the New Refugee Law in Pakistan and to registration / documentation of refugees in both Pakistan and Iran may also be covered under this component. This implementation is justified because of UNHCR's well established presence in the countries and because it has refugees' international protection as its core business. UNHCR is a signatory to the Solution Strategy for Afghan Refugees alongside the Governments of the Islamic Republics of Afghanistan, Iran and Pakistan. UNHCR is mandated to protect and facilitate solutions for refugees, returnees and IDPs and has the necessary expertise in this regard. In this context, UNHCR supports the Government of Afghanistan in leading on policy development and implementation including on the Policy Framework for Return and Displacement and the National IDP Policy. UNHCR enjoys strong community acceptance in Afghanistan.  UNICEF: this implementation entails activities related to the care of refugees and young migrants (including unaccompanied minors), with regard to their protection, their education, their employability and economic opportunities but also with regard to their social integration in host communities. It may also cover, tentatively in partnership or co-delegation with the WHO, vaccination campaigns with special attention to polio and capacity building of local authorities for the management of supplementary immunisation campaigns. Activities will be implemented in Afghanistan and Iran. This implementation is justified because of UNICEF and WHO’s well established presence in the countries (Afghanistan and Iran) and because they have protection of children (UNICEF) and prevention of communicable diseases (WHO) among the areas of their core business. Afghanistan  IOM: this implementation entails activities related to return and sustainable (re)integration of returnees and IDPs to address the regional and international migration and forced displacement crisis, including support to registration and documentation, TVET for individual returnees, community development projects, creation and expansion of small businesses, technical support to the Ministry of Refugees and Repatriations (MoRR) to strengthen its secretarial role in support of the High-level Commission on Migration, its coordinating role also as co-chair of DiREC, developing provincial return and reintegration mechanisms and improving communication. This implementation is justified because migration is part of IOM's core business and because its experience and well established presence in the country.  UNESCO: this implementation entails activities in support to cultural initiatives for Afghan Returnees and IDPs, e.g : (i) the safeguarding of cultural heritage, (ii) the development of a network of cultural centres across the country to foster heritage education and awareness and (iii) the promotion of creative industry for employability and job creation. This implementation is justified because culture is part of UNESCO's core business and because of its experience and well established presence in the country.  UN-HABITAT: this implementation entails activities related to supporting the Government's goal of improving access to land, particularly in areas of high return, [51] including measures dealing with regularisation of informal settlements; specific attention should be given to policies and regulatory framework for improved tenure security as well as access to livelihood opportunities. This implementation is justified because of UN-HABITAT's well established presence in the country and because it has improved access to habitat as its core business.  World Bank: this implementation entails safeguarding and increasing the Government’s capacity for public service delivery including in the area of returns and reintegration both directly and through ***programmes*** like the Citizens' Charter and the Livelihood ***programme*** planned to start early 2018. This support will address the humanitarian development nexus and on longer term nationwide reintegration goals. This implementation is justified because the World Bank is the ARTF’s Administrator, the leading Trust Fund operating directly on the national budget and has long-standing experience in implementing development aid in Afghanistan. For the budget-implementation tasks not yet assessed, the World Bank is currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012. The Commission's authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002 and long-lasting problem-free cooperation, the international organisation can be entrusted with budget-implementation tasks under indirect management. Bangladesh  IOM: this implementation entails the top-up of the activities launched under the 2016 special measure 'Improving reintegration of returnees in Afghanistan, Bangladesh and Pakistan' related to the social reintegration of returnees (in particular remittances-related activities like financial literacy) and awareness raising and information activities at local level. This implementation is justified because of IOM’s well established presence in the country and because it has migration as its core business. If negotiations with the above-mentioned entrusted entity fail, the part of this action covering remittances-related activities may be implemented in indirect management with International Fund for ***Agricultural*** Development (IFAD). This implementation is justified because of IFAD's expertise on remittances and development, including promotion of diaspora engagement in their countries of origin.  ILO: this implementation entails the top-up of the Skills 21 ***programme*** (AAP 2015) as concerns activities related to skills development for returnees. This implementation is justified because skills development part of core business of ILO's and its well stablished presence in the country. Iran  ICMPD: this implementation entails activities related to the component 'capacity building of national authorities to develop and implement sustainable migration policies and migration management system'. This implementation is justified because of ICMPD’s well established presence in the country and because it has migration as its core business. [52] Activities supporting Afghan refugees/undocumented and young migrants in Iran will be covered by the actions implemented by UNHCR and UNICEF respectively, as previously mentioned under the section on activities targeting Afghan refugees/undocumented/IDPs. Iraq  IOM: this implementation entails activities related to the socio-economic reintegration of returnees and specific activities to improve migration management, through close involvement of the Government departments within the existing frameworks already developed with the country authorities. This implementation is justified because of IOM’s well established presence in the country and because it has migration as its core business. Pakistan  IOM: Building on the process and actions initiated through the 2016 Special Measure 'Improving reintegration of returnees in Afghanistan, Bangladesh and Pakistan', this implementation entails activities addressed to returnees, aspiring migrants and members of source/host communities to favour access to enhanced livelihood support, social and psychosocial counselling, skills development and TVET. Action will also focus on developing and delivering tailored initiatives that improve the reintegration support in Punjab and KP Provinces. This implementation is justified because of IOM’s well established presence in the country and because it has migration as its core business.  GIZ: this implementation entails the top-up of the ***programme*** 'Support to the Technical and Vocational Education and Training (TVET) Sector in Pakistan (TVET III)' (AAP 2015 – i.e creation of 'migration window') as concerns activities related to TVET and skills development of Afghan refugees to facilitate their reintegration once back in Afghanistan. This implementation is justified because of GIZ’s well established presence in the country and strong track record in the ongoing implementation of the above-mentioned ***programme***. If negotiations with the above-mentioned entrusted entity fail, this action may be implemented in indirect management with UNHCR under the regional component addressing the needs of Afghan refugees in Afghanistan, Pakistan and Iran. This implementation is justified because of UNHCR's well established presence in the countries and because it has refugees' international protection as its core business. In all cases of indirect management, the entrusted entities would carry out the following budget-implementation tasks to the extent of their pillar assessment status: launch calls for tenders and calls for proposals; define eligibility, selection and award criteria; evaluate tenders and proposals; award grants and contracts; act as contracting authority concluding and managing contracts, carrying out ***payments***, recovering moneys due and cancelling debts that cannot be recovered. Some of the entrusted international organisations and the alternative entrusted international organisation are currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012. The Commission’s authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, [53] Euratom) No 1605/2002 and long-lasting problem-free cooperation, the international organisation[s] can be entrusted with budget-implementation tasks under indirect management. 5.4 Scope of geographical eligibility for procurement and grants The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply. The Commission’s authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult. 5.5 Indicative budget EU contribution (amount in EUR) Thematic 21.020705 Asia 21.020200 Afghanistan 21.020500 Regional / Multi-country activities 36 000 000 Indirect management UNODC/IOM Anti-smuggling/anti-trafficking in human beings 12 000 000 Indirect management IOM Displacement Tracking Matrix (DTM) 12 000 000 Indirect management ICMPD Integrated border management 12 000 000 Activities targeting Afghan refugees/undocumented/IDPs 59 000 000 Indirect management with UNHCR Actions in Afghanistan, Iran and Pakistan and possible support to reintegration44. 34 000 00045 44 Activities may also include , support to:  Implementation of the regional and national frameworks and policies for return and forced displacement in coordination with the Government, UN agencies and NGOs including through strengthening data collection, profiling and analysis, supporting registration and documentation and relevant policy development.  Access to national (basic) service delivery systems for both refugees/returnees and their return/host communities, including support to national social protection schemes, and livelihoods through reinforced community social cohesion (i.e community participation and empowerment; community and productive infrastructure development as part of early recovery support) as a component of their regional approach up-scalable through the World Bank livelihood ***programme*** under preparation. [54] Indirect management with UNICEF and WHO Activities related to reinforce the care of refugees and young migrants (including unaccompanied minors)46. This component will cover actions in both Afghanistan and Iran. 25 000 00047 Afghanistan 65 700 000 Indirect management with IOM Top-up 2016 decision, i.e activities related to sustainable reintegration, including support to registration and documentation48 12 000 000 Indirect management with UN-HABITAT Activities related to support the Government's goal of improving access to land, particularly in areas of high return49 16 700 000 Indirect management with UNESCO Support to cultural initiatives for Afghan Returnees and IDPs 3 000 000\* Indirect management with World Bank Top-up 2016 decision (i.e Incentives Package, extension to Citizen's Charter/migration window and/or livelihood ***programme***) 27 000 000\* Direct management (call for proposals) 7 000 000  Sustainable income generating activities and facilitate joint-venture businesses through private sector inclusion and increased access to microfinance services. 45 Tentatively: EUR 19 million may be allocated to Afghanistan, EUR 10 million to Iran and EUR 5 million to Pakistan 46 Activities may also include protection, health, education, employability and economic opportunities but also with regard to social integration in host communities. It may also include, in partnership or co-delegation with the WHO, the vaccination campaigns with special attention to polio and capacity building of local authorities for the management of supplementary immunisation campaigns. 47 Tentatively, EUR 20 million may be allocated to Afghanistan – of which EUR 15 million for vaccination-related activities – and EUR 5 million to Iran) 48 Activities may also include TVET for individual returnees, community development projects, creation and expansion of small businesses, technical support to MoRR to strengthen its secretarial role in support of the High-level Commission on Migration, development of provincial return and reintegration mechanisms and improvement of communication. 49 Activities may also include measures dealing with regularisation of informal settlements; specific attention should be given to policies and regulatory framework for improved tenure security as well as access to livelihood opportunities. [55] TVET, skills development, labour market access Bangladesh 6 000 000 Indirect management with ILO Vocational training activities for returnees and related services. 3 000 000 Indirect management with IOM Awareness raising and information activities at local level. Remittances-related activities (e.g financial literacy). 3 000 000 Iran 10 000 000 Indirect management with ICMPD Capacity building of national authorities on sustainable migration policies and migration management system. 3 000 000 Direct management (call for proposals) Livelihood, access to economic opportunities and integrated service-delivery. 7 000 000 Iraq 10 000 000 Indirect management with IOM Socio-economic reintegration of returnees and activities to improve migration management. 6 000 000 Direct management (call for proposals) Livelihood and employment opportunities. 4 000 000 Pakistan 9 000 000 Indirect management IOM Reintegration and enhanced livelihood. 4 500 000 Indirect management GIZ TVET and skills development. 4 500 000 Total per budget line 90 000 000 40 000 000 65 700 000\* Total 195 700 000\* \* of which EUR 30 000 000 from budget 2018 5.6 Organisational set-up and responsibilities In order to ensure enough flexibility and prioritisation of needs in the fast-changing area of migration management and forced displacement, a strong coordination will be carried out by the European Commission (DG DEVCO, DG HOME, DG ECHO) and the EEAS. Meetings will be conducted on a quarterly basis. The Commission services will supervise the [56] implementation of project activities and their adaptation in function of the changing migratory patterns and political priorities. The Commission will work closely with the Governments and local authorities of the concerned beneficiary countries to ensure that the activities are in line with their national priorities. Afghanistan The National Steering Committee set up to ensure overall coherence and coordination of activities in Afghanistan launched through the 2016 special measure 'Improving reintegration of returnees in Afghanistan, Bangladesh and Pakistan' will also oversee the implementation of this action. It will comprise of representatives of the Office of the President, MoRR, MoLSAMD, other relevant Afghan entities, IOM, other implementing partners, and the EU Delegation. They will meet at least once per ***year***. The EU will extend / confirm the set of benchmarks for achievements under the incentives ***programme*** through a rider to the Financing Agreement related to the 2016 special measure. A common assessment that may include EU-procured external assessments of progress and achievements will inform the process on a regular basis and will establish the number of benchmarks achieved. The Government of Afghanistan will be informed in due course about the EU decision on the corresponding disbursement amount. Incentive ***payments*** will be released through an Administration Agreement signed with the World Bank and will be channelled through the ARTF ad hoc (bilateral) ***payment*** facility (AHP), reimbursing costs of activities under 4.3 above. Bangladesh The National Steering Committee set up to ensure overall coherence and coordination of activities in Bangladesh launched through the 2016 special measure will also oversee the implementation of this action. It includes representatives of relevant Ministries (MoFA, MoHA and MEWOE), the EU Delegation and representatives of Member States on behalf of ERIN. It will meet at least once per ***year*** to contribute to project implementation, taking stock of/reviewing progress made, providing strategic guidance and ensuring appropriate coordination among all the project stakeholders. The EU Delegation will be directly involved in the monitoring and steering of the action and will follow-up directly/establish links and synergies with the recently established EU-Bangladesh migration dialogue. Pakistan The National and Provincial (Punjab) Steering Committees set up to ensure overall coherence and coordination of activities in Pakistan launched through the 2016 special measure will also oversee the implementation of this action. It includes relevant Government departments at the national level and a representative of the EU Delegation in Pakistan. The provincial Steering Committee will include different provincial Government departments, representatives of the EU Delegation, and public and private service providers (including the Technical Education & Vocational Training Authority – TEVTA). It is proposed that the provincial Steering [57] Committee meetings are organised on a quarterly basis. The provincial Steering Committee will be tasked with finalising multiple criteria for selection of beneficiary communities and individuals for the proposed interventions, aided by the technical expertise of ICMPD and IOM and relevant evidence base established through inception phase of the ***programme***. The Steering Committees will contribute to Government-ownership at both national and provincial levels of various ***programme*** areas, accommodating different perspectives and also ensuring participatory monitoring of project progress. 5.7 Performance monitoring and reporting It is of vital importance that a sound reporting and monitoring system is put in place. The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner’s responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation. The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews). 5.8 Evaluation Having regard to the importance of the action, a mid-term and a final evaluation may be carried out for this action or its components via independent consultants contracted by the Commission. The mid-term and final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision). The Commission shall inform the implementing partner(s) at least one month in advance of the dates foreseen for the evaluation mission(s). The implementing partner(s) shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities. The evaluation report(s) shall be shared with the partner country and other key stakeholders. The implementing partner(s) and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project. [58] The financing of the evaluation(s) shall be covered by another measure constituting a financing decision. 5.9 Audit Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements. The financing of the audit shall be covered by another measure constituting a financing decision. 5.10 Communication and visibility Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above. In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements. The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations. Communication and visibility activities will be part of each contract that will be signed with the implementing partners under this decision. If additional communication and visibility activities covering the overall ***programme*** are deemed necessary during the course of implementation, these shall be covered by another measure constituting a financing decision. [59] APPENDIX - INDICATIVE LOGFRAME MATRIX The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Whenever appropriate, collected data should be disaggregated by gender, age and target group (i.e refugees, IDP’s, returnees, affected host/return communities) unless indicator is not beneficiary-based. Results chain Indicators Baselines (incl. reference ***year***) Targets (incl. reference ***year***) Sources and means of verification Assumptions Overall objective: Impact In line with the commitments undertaken by the Commission in the European Agenda on Migration and within the framework of the Sustainable Agenda 2030, the action primarily contributes to the progressive achievement of Goal 10.7 (SDG target 10), to facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed policies. % of persons of concern covered by the project Migration policies integrated into existing government mechanisms based on evidence generated; N/A TBD UNHCR, IOM and other implementing partners’ monitoring reports. Government reports, budget and national development plans (where applicable) Project reports Monitoring reports, surveys National and local governments remain committed to well-managed migration policies, including protection and sustainable (re)integration and inclusion. Political stability in the concerned countries Increased security issues and natural disasters do not divert the attention of national authorities [60] Specific objectives: Outcome(s) The resilience and self-reliance of the targeted beneficiaries50 is enhanced, as they are equipped with necessary skills, have access to required resources and opportunities and their protection is ensured. They benefit from improved access to social services and develop economic ties to build sustainable livelihoods, which should foster social cohesion and stability. Their financial knowledge for a broader use of remittances is improved, as well as their awareness of the risks of irregular migration and the systems in place for regular migration. At the government level, migration policies and management systems are improved and migration dialogue between the EU and its partner countries is supported. % of national population with access to basic services (education/health/water/ sanitation/energy) and legal identity (documentation and birth registration) compared to % targeted beneficiaries access levels and country-wide average (if available). % of national population with access to economic opportunities to secure sustainable livelihoods, including land tenure, housing and property rights, livelihood services and labour market access through provincial and national systems compared to % targeted beneficiaries access levels and country-wide average (if available). Number of policy reforms and strategies adopted by partner countries to enable access to services and economic opportunities for forcibly displaced persons and their host communities. N/A TBD UNHCR, IOM and other implementing partners’ monitoring reports. Government reports, budget and national development plans (where applicable) Project reports Monitoring reports, surveys Political commitment to and active engagement in the project by concerned countries Minimal staff turnover in relevant authorities/implementing partners Timely decisions made by senior officials of national authorities throughout project implementation Political commitment of the concerned countries to strengthen national migration management structures, ensure protection and promote sustainable (re)integration Outputs Result 1: The resilience and self-reliance of the targeted beneficiaries is improved through improved access to integrated service-delivery (including health, education and other services), and economic opportunities, including land tenure, housing and property rights, livelihood services Number of targeted beneficiaries, having received support from the ***programme***, including enhanced support for vulnerable cases, disaggregated by refugees, IDP’s, returnees, affected host communities. Number of targeted beneficiaries referred and assisted for civil documentation, legal awareness and N/A TBD UNHCR, IOM and other implementing partners’ monitoring reports. Government reports, budget and Partner country governments remain willing to engage with the issue of integration/reintegration of refugees, IDPs and returnees. 50 This Special Measure will target all categories of 'people on the move', including refugees and IDPs, returning migrants, labour migrants, or potential other categories or specific vulnerable groups in need of return and reintegration assistance. The action will also target host/return communities. [61] and labour market access. legal aid Number of targeted beneficiaries who report increased: - literacy rate and primary school completion rate; - knowledge and skills; - income; - land tenure, housing and property rights - labour market access. Number of targeted beneficiaries who enjoy the same access level as their host communities to: - primary education; - training and skills certification; - income generating activities; - health facilities. national development plans (where applicable) Project reports Monitoring reports, surveys Governance is sufficiently strong and coordinated with service providers. Partner governments do not change their policies towards refugees, returnees & IDPs in a detrimental way concerning their rights. Result 2: Returning migrants, refugees, IDPs and their host/return communities receive appropriate support to actively participate in the local economy. Number of skills assessments and labour market assessments conducted which feed into TVET and skills development ***programmes***. Number of targeted beneficiaries (of working age) employed or engaged in income generating activities after vocational/skills training received Number of targeted beneficiaries who have started their own businesses N/A TBD UNHCR, IOM and other implementing partners’ monitoring reports. Government reports, budget and national development plans (where applicable) The local economy in the host/return communities is sufficiently strong. Host/return communities and the individuals in these communities are supportive of reintegration policy. Result 3: The capacities of the different target groups are strengthened and sustainable employment opportunities for returnees, refugees, IDPs and their host/return communities are created and, where needed, legal frameworks are Number and percentage of targeted beneficiaries placed in employment. Number of targeted beneficiaries who report increased in training and skills certification; education; and income - attributable to the project, Number of support mechanisms such as start-up support, employment N/A TBD UNHCR, IOM and other implementing partners’ monitoring reports. Government The labour market in the host/return communities is sufficiently strong. Refugees, IDPs and returnees receive appropriate training. [62] developed to ensure safe and dignified labour market access and prevent exploitation. service centres, tools, internships, job placements and mentorships launched. Establishment of a coordination mechanism and regular interactions between governments and actors for education/skills promotion and recognition. Number of policy instruments responsive to safe and dignified labour market access, tailored for refugees, IDP’s, returnees, affected host communities’ specific needs. reports, budget and national development plans (where applicable) Attendance sheets, certificates. Result 4: Human rights protection is enhanced for the different categories of 'people on the move' and their host/return communities. Number of targeted beneficiaries having used legal aid support Number of vulnerable beneficiaries receiving enhanced individual support Number of family tracing/reunification successfully performed Number of governmental and non-governmental actors trained and/or aware of legal frameworks for migration, fundamental rights of migrants and prevention of abuses and risks. N/A TBD UNHCR, IOM and other implementing partners’ reports. Government reports. Governments support human rights for refugees, IDPs and returnees, and this is translated into national legislation and is effectively enforced by government officials and respected by individuals in communities. Result 5: The strategy of integrated service delivery and economic opportunities for the forcibly displaced and their host communities is included in national development plans. The capacities of national and local authorities in targeted countries are strengthened to provide access for forcibly displaced populations and their host communities to integrated service-delivery and economic Number of policy reforms and strategies adopted by partner countries, ensuring equal opportunity for refugees, IDP’s, returnees, affected host communities. Change of implemented methods in partner countries on migration-related matters, including in a regional and trans-regional context (Re)integration activities integrated into existing Government mechanisms N/A TBD Government reports, budget and national development plans (where applicable) Project reports and related monitoring reports Governments have a long-term developmental view on reintegration and this is effectively translated into national legislation and implemented at the grassroots level. Governments remain committed to sustainable migration policies, including [63] opportunities. based on evidence generated within 3 ***years***. Number of officials trained, who report using their new skills in providing service-delivery to forcibly displaced populations and their host communities reintegration. Local government and local government officers have sufficient resources and are committed to implementing central government migration policy. Result 6: The capacities of national and local authorities in the targeted countries are strengthened to plan, manage and implement sustainable migration policies related to all areas of migration management at both central and local level, including reintegration of returnees. The expected areas of migration management could include in particular: trafficking in human beings and smuggling of migrants, integrated border management, awareness raising on both risks of irregular migration and safe legal channels, diaspora engagement/remittances (including financial literacy), labour migration and international protection that covers all forcibly displaced populations. Number of capacity building initiatives and trainings implemented. Number of officials trained, who report using their training in the public service-delivery entities/areas targeted (i.e trafficking/smuggling/ border management/labour migration/ international protection). Number of information and outreach activities implemented Number of awareness-raising activities among migrants and aspirant migrants and their families on safe and legal migration initiated. Number of information exchange tools developed. N/A TBD Reports of capacity building initiatives and training ***programmes*** Implementing partners’ project monitoring reports. Information materials and products of awareness activities Meeting minutes Institutional settings remain the same and staff turnover is low Local government authorities have adequate absorption capacity (including sufficient qualified and experienced staff) to benefit from participation in ***programme*** activities and ultimately take over ownership National and provincial authorities continue to be committed to the promotion of sustainable reintegration, willing to engage in the implementation of the activities, and receptive to the recommendations provided Result 7: National migration data management systems are strengthened and the Number of officials trained and who report using their trainings in targeted public-service entity. N/A TBD Reports of capacity building initiatives and training Capacity building is sufficiently strong, staff [64] knowledge base on migration is improved. Number of mobility assessments, flow monitoring and surveys in communities carried out and report on use in public-service delivery; Number of target beneficiaries monitored per ***year*** (including for re-integration progress) Number of policy makers / public officials making effective use of information on migration and forced displacement Number of exchanges of good practices and lessons learnt on migration management from EU (including EU MS), regional partners and international organisations ***programmes*** Implementing partners’ project monitoring reports (in particular IOM) receives adequate training. Result 8: Strengthened regional dialogue on migration, forced displacement, return and reintegration. Number of intergovernmental meetings organised at a senior level. Number of regional collaboration measures on migration and mobility. N/A TBD Meeting reports Implementing partners’ project monitoring reports Political commitment of partner countries to strengthen regional dialogue and cooperation.

**Load-Date:** February 1, 2018

**End of Document**



[***Blockchain In Agribusiness: Plenty Of Benefits But Commercialisation A Few Years Away***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SXW-Y7P1-F0J5-80FJ-00000-00&context=1516831)

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**Highlight:** The agribusiness sector's interest in blockchain is growing rapidly with trial ***programmes*** multiplying and companies devoted to the technology emerging quickly. The benefits of blockchain for ***agriculture*** are extensive from farmers to trading and food companies, especially in terms of supply chain efficiency and product traceability. However, the technology remains immature at this stage and is still a few ***years*** away from feasibility at scale with considerable challenges to overcome to make it a reality.

**Body**

*Key View: The agribusiness sector's interest in blockchain is growing rapidly with trial* ***programmes*** *multiplying and companies devoted to the technology emerging quickly. The benefits of blockchain for* ***agriculture*** *are extensive from farmers to trading and food companies, especially in terms of supply chain efficiency and product traceability. However, the technology remains immature at this stage and is still a few* ***years*** *away from feasibility at scale with considerable challenges to overcome to make it a reality.* Discussions around the potential benefits of using the blockchain technology in agribusiness are growing, while actual trial and pilot ***programmes*** have started multiplying in recent quarters. As a result, in this article, we identify the benefits of such technology for the sector, have a look into ongoing or recent trials and highlight the challenges.Blockchain is a way of storing and sharing information on a distributed shared ledger, without the need for intermediaries or third parties to make transactions. Each transaction is unalterable, traceable and secure, with blockchain using a public/private key model of cryptography and allowing users to monitor all transactions in real time. On paper, the benefits of blockchain technology are decentralisation, cryptographic security, transparency, and immutability. Blockchain in agribusiness will also require the adoption of a number of other 'Agtech' components to allow for real-time traceability including, for example, IoT devices (satellite data analytics of plantation, sensors along the supply chain among others).We have identified four benefits that blockchain will bring to the agribusiness sector, and find significant overlap with the potential benefits to the Food & Drink sector ( *see 'Blockchain's Track And Trace Functionality Could Revolutionise F&D Industry', June 20*). Benefits for farmers: cost savings, faster ***payments***, direct access to consumers, clear land registry Benefits for commodity trading: drastic optimisation of international trade Benefits for the food sector: improved food traceability, product labelling and addressing rising consumer awareness Blockchain to help the fight against food waste and towards food security

**Benefits For Farmers: Cost Savings, Faster *Payments*, Direct Access To Consumers, Clear Land Registry** A more efficient and less costly management of livestock disease outbreaks and farm product contamination. Traceability features to support speciality food differentiation and profitability. Reduction in the number of intermediaries could help farmers receive a larger share of the sector's revenue. Blockchain could speed up ***payments*** to farmers and, therefore, reduce uncertainty. As a more distant benefit, blockchain could greatly improve land registry efficiency in developing markets, which would support access to credit and, therefore, farm investment. One of the most important features of blockchain for agribusiness is traceability and supply chain transparency, and it will impact the sector at the farm level, at the trading level, as well as downstream at the food distribution level. For farmers, traceability is likely to lead to cost reduction, as it could help improve the management of disease outbreak or food contamination at the farm level. The origin of a contaminated product could be quickly and precisely identified, and taken care of. This would avoid the mass recall and destruction of farm products and the mass culling of livestock which is currently being resorted to as a precautionary measure. **Increased traceability and a better trust in the origin of the product could also mean farmers of speciality products (organic *agriculture* among others) could be better remunerated.** In general, the reduction in the number of intermediaries and the development of farm-to-table and local sourcing initiatives enabled by blockchain could also increase farms' profits. FoodShed and GroceryX are startups building on blockchain to support farm-to-table products.Blockchain could also **speed up *payments*** to farmers and reduce ***payment*** uncertainty. Historically, growers have carried the burden of counterparty risk and a lack of ***payment*** security when making a delivery to a buyer or storage site. Blockchain could help change this dynamic and instead match the ***transfer*** of title to the ***payment***.A more distant yet potentially high-impact benefit of blockchain for farmers in developing countries could be the **development of a fully transparent land registry**. Unclear, customary land records in developing countries are a key issue and greatly hinder access to credit and farm investment. The creation of a transparent land registry would greatly improve much-needed farm financing and, in turn, investment and yields. However, this would require a mass and global adoption of blockchain which is a distant prospect. **Commodities Trading: Optimising International Trade, Reducing Processing Time And Costs** Commodities trading involves very complex administrative tasks and a large number of players, including suppliers, trading companies, customs administrations, food producers, shipping companies and banks. Blockchain transactions for commodities with transparent and immutable digital contracts could help reduce many shortcomings and inefficiencies in the sector, as it could lead to enhanced information for the players involved, greater traceability and proof of origin, improved stock management, certainty around the conditions of the contract, less paperwork and reduced transaction risks and uncertainty.

**Examples Of *Agricultural* Commodity Trades Conducted With Blockchain**

|  |  |  |
| --- | --- | --- |
| **Blockchain-based Commodity Trade Trials/ *Programmes*** | **Companies Involved** | **Details Of The Trade** |
| **Shipping 17 tonnes of almonds from Melbourne, Australia to Hamburg, Germany** | Commonwealth Bank of Australia, Pacific National, Olam Richards Australia Pty Ltd, CL Limited, Patrick Terminals and LX Group. | 2018. An experiment that combined a custom private blockchain, smart contracts and a geotracking IoT framework to facilitate end-to-end movement of the almonds. Using the information provided by four IoT devices inside the container, transaction partners could track cargo location in real time and view real-time cargo data (temperature, humidity, etc). The information was accessed through the blockchain platform, making it impervious to manipulation. |
| **Tracking, delivery and *payment* of a batch of oats within Australia** | CBH Group, AgriDigital | 2017. The companies ran two tests, one to make delivery and ***payment*** of oats, and the other to track the movement of organic oats from farmgate to the retail consumer. The digital title that was generated for the transaction was developed on a private Quorum network based on AgriDigital's DLT solution. The companies hope to launch a commercial solution in 2019. |
| **Selling 60,000 tonnes of US soybean to the Chinese government** | Louis Dreyfus Commodities, Shandong Bohi Industry Co, ABN AMRO, ING and Societe Generale | 2017. The trade - done via the Easy Trading Connect (ETC) blockchain prototype - included a full set of digitalised documents (sales contract, letter of credit, certificates) and automatic data-matching, thus avoiding task duplication and manual checks. Participants claim time spent on processing documents and data was reduced fivefold. Other benefits include the ability to monitor the operation's progress in real time, data verification, reduced risk of fraud, and a shorter cash cycle. |
| **Shipping cotton from Texas, USA to Qingdao, China** | Brighann Cotton, Commonwealth Bank of Australia, Wells Fargo | 2016. Private blockchain and smart contracts enabled with IoT geolocation technology. The trade involved an open account transaction, mirroring a Letter of Credit, executed through a collaborative workflow on a privately distributed ledger between the seller (Brighann Cotton (US)); the buyer (Brighann Cotton Marketing Australia); and their respective banks. |

Source: Fitch Solutions **Benefits For The Food Sector: Improved Traceability, Product Labelling And Addressing Rising Consumer Demands** The transparency allowed by blockchain will help food companies address rising consumer awareness and demand for higher quality and sustainable products. The technology can be used for improved labelling of products, with more information available to consumers, allowing consumers to check if products labelled as organic, locally sourced, cruelty-free and sustainable are, in fact, what they claim.Currently, validating these claims is left up to companies such as **Fair Trade** or **Where Food Comes From**, who verify all aspects of products from the beginning of the lifecycle. Blockchain would add to this by amplifying good behaviour of ethical companies and removing those making false claims through the tracking systems. This will increase trust among consumers if they are able to trace every step of the supply chain through a blockchain that cannot be tampered with and would offer more accuracy than the third-party verification. Blockchain will also help to fight against food fraud, as mislabelled food is still an ongoing problem in the industry. **Reducing Food Waste And Improving Global Food Security** Blockchain could also help reduce food waste, an endemic issue which is receiving increasing regulatory and public attention. A 2015 study by the FAO found that globally, 1.3bn tonnes of food is lost or wasted every ***year***, amounting to about one-third of all food produced for human consumption. Given the overall consumer trends towards sustainable food and concern about overuse of resources increasing greenhouse gas emissions, reducing waste will be an ongoing theme over the coming decade in our view.The development of a direct farm-consumer relationship, the reduction of supply chain processing time, real-time tracking of product conditions would help to mitigate some of this wastage. These efficiency gains would go hand-in-hand with ongoing yield growth and will become necessary in the future to maintain a satisfactory level of food security at a time when expanding the arable land is facing clear constraints.

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| --- |
| Blockchain Could Help Reduce Global Waste |
| Global - Food Waste By Commodity Per ***Year*** (% of quantity produced, 2015) |
|  |
| *Source: FAO* |

**Blockchain Is Still At Trial Stage, Commercialisation A Few *Years* Away** Overall, blockchain remains a rather immature technology and it is generally considered that it is still three to five ***years*** away from feasibility at scale. Moreover, the strategic case for agribusiness players to invest in the technology in order to profit from it has not been proven yet. We note that most of the applications performed by established agribusiness and food companies over the past couple of ***year*** were trials or are still at the stage of pilot ***programmes***. A number of startups have emerged around the world in this space and certain key industry players have also conducted trials and invested in the technology ( *see table below*). Most of the trials have been limited in scope, and only involved performing the transactions for an individual contract across borders, or for one individual commodity at the national level ( *see table above*).

**Blockchain For Agribusiness And Food - Players Involved**

|  |  |
| --- | --- |
| **Established agribusiness and food companies that are experimenting with blockchain** | **Startups using blockchain in the agribusiness and food sectors** |
| **Food producers**: Tyson Food, Nestle, Danone, Unilever | AgriDigital, AgriLedger, Agunity, Arc-Net, Blockgrain, Block Commodities, FarmShare, FoodCoin, FoodLogiQ, GroceryX, INS Ecosystem, Ositrade, Pavo, Provenance, Ripe.io, The Seam, ZhongAn Online |
| **Trading companies**: Louis Dreyfus Commodities, Cargill, Graincorp, CBH, Olam International |  |
| **Food retailers**: Walmart |  |

Note: This list is not exhaustive and is meant to present examples of companies involved in Agribusiness and Food blockchain initiatives. Source: Fitch Solutions **Plenty Of Challenges To Overcome Before Blockchain Becomes RealityToo Complex To Implement?** - The most important barrier preventing blockchain technology from flourishing is that it requires the participation of all actors in the supply chain for it to work. Every transaction needs to be registered from farmers to distributors, packagers, producers, grocery stores and restaurants, in order to facilitate the advanced tracking and transparency features that will transform the industry. If one of these actors does not participate, then the system cannot fully develop. **Is The Technology Scalable?** - A blockchain transaction may be relatively simple to execute, but implementing millions of them could become much more costly or time-consuming than previously anticipated. The computing power to do so would also be phenomenal and would take up huge amounts of energy, potentially making the whole enterprise more expensive than it is worth to track a head of lettuce that retails for a few dollars. The scalability of this technology is a few ***years*** away at present, so it will be some time before we see blockchain rolled out. **Greater Transparency Means Greater Scrutiny** - While higher transparency will help to improve production processes, agribusiness and food players are also likely to face greater scrutiny. Disclosing production and supply chain details of food products is likely to bring more profits for higher-end products, but the push towards greater transparency enabled by blockchain and other Agtech may backfire for mid-range or lower-range products which strike a delicate balance between cost-control, product affordability and poorer producing processes in terms of animal welfare, and use of chemicals, antibiotics, growth hormones or pesticides. **The Question Of Trust And Security** - For blockchain to be effective, it still relies on the accuracy of information entered into the system, at a farm level and throughout the value chain. The necessary input of data will, therefore, always raise the issue of trust. Connecting and securing physical goods to a blockchain also requires enabling technologies like IoT. This raises questions around security as while the blockchain record might be immutable, IoT devises can still be tampered with. **Competing Blockchain Technologies** - Adding further complexity to this will be the competing types of blockchain technology and platforms that are trying to make this a reality. If platforms do not interact with competing platforms, this may require each supplier to have multiple blockchain systems for different clients, creating confusion and increasing the risk of error. **Absence Of Regulation** - Given the early stage of development, it is impossible to predict what the most useful information will be to store on a blockchain ledger and how this might evolve over time. For smallholder farmers in remote regions, choosing between a myriad of competing platforms that boast different benefits and standards will be a serious challenge. This will be complicated for all the other actors in the supply chain too, given the relative unfamiliarity with blockchain at present.

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**End of Document**



[***DIANA E. MURPHY UNITED STATES COURTHOUSE (House of Representatives - September 13, 2018)***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5S9B-DPJ1-JDG9-Y30D-00000-00&context=1516831)

Impact News Service

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**Body**

Washington: The Library of Congress, The Government of USA has issued the following house proceeding:

 General Leave Mr. SHUSTER. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days in which to revise and extend their remarks and include extraneous materials on S. 3021. [[Page H8185]] The SPEAKER pro tempore. Is there objection to the request of the gentleman from Pennsylvania? There was no objection. Mr. SHUSTER.

Mr. Speaker, I move to suspend the rules and pass the bill (S. 3021) to designate the United States courthouse located at 300 South Fourth Street in Minneapolis, Minnesota, as the ``Diana E. Murphy United States Courthouse'', as amended. The Clerk read the title of the bill. The text of the bill is as follows: S. 3021 Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, SECTION 1. SHORT TITLE; TABLE OF CONTENTS. (a) Short Title.--This Act may be cited as ``America's Water Infrastructure Act of 2018''. (b) Table of Contents.--The table of contents for this Act is as follows: Sec. 1. Short title; table of contents. TITLE I--WATER RESOURCES DEVELOPMENT Sec. 101. Short title. Sec. 102. Secretary defined. Subtitle A--General Provisions Sec. 1101. Sense of Congress regarding water resources development bills. Sec. 1102. Study of the future of the United States Army Corps of Engineers. Sec. 1103. Study on economic and budgetary analyses. Sec. 1104. Dissemination of information. Sec. 1105. Non-Federal engagement and review. Sec. 1106. Lake Okeechobee regulation schedule review. Sec. 1107. Access to real estate data. Sec. 1108. Aquatic invasive species research. Sec. 1109. Harmful algal bloom technology demonstration. Sec. 1110. Bubbly Creek, Chicago ecosystem restoration. Sec. 1111. Dredge pilot ***program***. Sec. 1112. Hurricane and storm damage protection ***program***. Sec. 1113. Operation and maintenance of existing infrastructure. Sec. 1114. Assistance relating to water supply. Sec. 1115. Property acquisition. Sec. 1116. Dredged material management plans. Sec. 1117. Inclusion of project or facility in Corps of Engineers workplan. Sec. 1118. Geomatic data. Sec. 1119. Local government reservoir permit review. Sec. 1120. Transparency and accountability in cost sharing for water resources development projects. Sec. 1121. Upper Missouri Mainstem Reservoir water withdrawal intake easement review. Sec. 1122. Limitation on contract execution. Sec. 1123. Certain levee improvements. Sec. 1124. Cost-share ***payment*** for certain projects. Sec. 1125. Locks on Allegheny River. Sec. 1126. Purpose and need. Sec. 1127. Prior project authorization. Sec. 1128. Mississippi River and Tributaries Project. Sec. 1129. Inclusion of Tribal interests in project consultations. Sec. 1130. Beneficial use of dredged material. Sec. 1131. Ice jam prevention and mitigation. Sec. 1132. Rehabilitation of Corps of Engineers constructed dams. Sec. 1133. Columbia River. Sec. 1134. Missouri River Reservoir sediment management. Sec. 1135. Reauthorization of lock operations pilot ***program***. Sec. 1136. Credit or reimbursement. Sec. 1137. Non-Federal implementation pilot ***program***. Sec. 1138. Surplus water contracts and water storage agreements. Sec. 1139. Post-disaster watershed assessments in territories of the United States. Sec. 1140. Expedited consideration. Sec. 1141. Project studies subject to independent peer review. Sec. 1142. Feasibility of Chicago Sanitary and Ship Canal Dispersal Barriers Project, Illinois. Sec. 1143. Acknowledgment of credit. Sec. 1144. Levee safety initiative reauthorization. Sec. 1145. Funding to process permits. Sec. 1146. Reservoir sediment. Sec. 1147. Clarification for integral determination. Sec. 1148. Beneficial use of dredged sediment. Sec. 1149. Inclusion of alternative measures for aquatic ecosystem restoration. Sec. 1150. Regional sediment management. Sec. 1151. Operation and maintenance of navigation and hydroelectric facilities. Sec. 1152. Study of water resources development projects by non-Federal interests. Sec. 1153. Construction of water resources development projects by non- Federal interests. Sec. 1154. Corps budgeting; project deauthorizations; comprehensive backlog report. Sec. 1155. Indian Tribes. Sec. 1156. Inflation adjustment of cost-sharing provisions for territories and Indian Tribes. Sec. 1157. Corps of Engineers continuing authorities ***program***. Sec. 1158. Hurricane and storm damage reduction. Sec. 1159. Regional coalitions and higher education. Sec. 1160. Emergency response to natural disasters. Sec. 1161. Cost and benefit feasibility assessment. Sec. 1162. Extended community assistance by the Corps of Engineers. Sec. 1163. Dam safety. Sec. 1164. Local government water management plans. Sec. 1165. Structures and facilities constructed by Secretary. Sec. 1166. Advanced funds for water resources development studies and projects. Sec. 1167. Costs in excess of Federal participation limit. Sec. 1168. Disposition of projects. Sec. 1169. Contributed funds for non-Federal reservoir operations. Sec. 1170. Watercraft inspection stations. Sec. 1171. Restricted areas at Corps of Engineers dams. Sec. 1172. Coastal erosion. Sec. 1173. Prohibition on surplus water fees, Lake Cumberland Watershed, Kentucky and Tennessee. Sec. 1174. Middle Rio Grande peak flow restoration. Sec. 1175. Prohibition of administrative fees in implementing Rough River Lake Flowage Easement Encroachment Resolution Plan. Sec. 1176. Preconstruction engineering design demonstration ***program***. Subtitle B--Studies and Reports Sec. 1201. Authorization of proposed feasibility studies. Sec. 1202. Additional studies. Sec. 1203. Expedited completion. Sec. 1204. GAO study on benefit-cost analysis reforms. Sec. 1205. Harbor Maintenance Trust Fund report. Sec. 1206. Identification of nonpowered dams for hydropower development. Sec. 1207. Study on innovative ports for offshore wind development. Sec. 1208. Innovative materials and advanced technologies report. Sec. 1209. Study and report on expediting certain waiver processes. Sec. 1210. Report on debris removal. Sec. 1211. Corps flood policy within urban areas. Sec. 1212. Feasibility studies for mitigation of damage. Sec. 1213. Applications of military leasing authorities. Sec. 1214. Community engagement. Sec. 1215. Transparency in administrative expenses. Sec. 1216. Assessment of harbors and inland harbors. Sec. 1217. Maintenance of high-risk flood control projects. Sec. 1218. North Atlantic Division report on hurricane barriers and harbors of refuge. Sec. 1219. Great Lakes coastal resiliency study. Sec. 1220. McMicken Dam, Arizona, and Muddy River, Massachusetts. Sec. 1221. Table Rock Lake, Arkansas and Missouri. Sec. 1222. Forecast-informed reservoir operations. Sec. 1223. Cedar River, Iowa. Sec. 1224. Old River control structure, Louisiana. Sec. 1225. Upper Mississippi River protection. Sec. 1226. Missouri River. Sec. 1227. Lower Missouri River bank stabilization and navigation. Sec. 1228. Coastal Texas study. Sec. 1229. Report on water supply contract, Wright Patman Lake, Texas. 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TITLE II--DRINKING WATER SYSTEM IMPROVEMENT Sec. 2001. Indian reservation drinking water ***program***. Sec. 2002. Clean, safe, reliable water infrastructure. Sec. 2003. Study on intractable water systems. Sec. 2004. Sense of Congress relating to access to nonpotable water. Sec. 2005. Drinking water infrastructure resilience and sustainability. Sec. 2006. Voluntary school and child care ***program*** lead testing grant ***program*** enhancement. Sec. 2007. Innovative water technology grant ***program***. Sec. 2008. Improved consumer confidence reports. Sec. 2009. Contractual agreements. Sec. 2010. Additional considerations for compliance. Sec. 2011. Improved accuracy and availability of compliance monitoring data. Sec. 2012. Asset management. Sec. 2013. Community water system risk and resilience. Sec. 2014. Authorization for grants for State ***programs***. Sec. 2015. State revolving loan funds. Sec. 2016. Authorization for source water petition ***programs***. Sec. 2017. 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TITLE IV--OTHER MATTERS Subtitle A--Clean Water Sec. 4101. Stormwater infrastructure funding task force. Sec. 4102. Wastewater technology clearinghouse. Sec. 4103. Technical assistance for treatment works. Sec. 4104. Amendments to Long Island Sound ***programs***. Sec. 4105. Authorization of appropriations for Columbia river basin restoration. Sec. 4106. Sewer overflow control grants. Sec. 4107. Assistance for individual household decentralized wastewater systems of individuals with low or moderate income. Subtitle B--WIFIA Reauthorization and Innovative Financing for State Loan Funds Sec. 4201. WIFIA reauthorization and innovative financing for State loan funds. Subtitle C--Miscellaneous Sec. 4301. Agreement with Commissioner of Reclamation. Sec. 4302. Snake River Basin flood prevention action plan. Sec. 4303. GAO audit of contracts and Tainter gate repairs of Harlan County Dam. Sec. 4304. Water infrastructure and workforce investment. Sec. 4305. Regional liaisons for minority, Tribal, and low-income communities. Sec. 4306. WaterSense. Sec. 4307. Predatory and other wild animals. Sec. 4308. Klamath project water and power. Sec. 4309. Certain Bureau of Reclamation dikes. Sec. 4310. Authority to make entire active capacity of Fontenelle Reservoir available for use. Sec. 4311. Blackfeet water rights settlement. Sec. 4312. Indian irrigation fund reauthorization. Sec. 4313. Reauthorization of repair, replacement, and maintenance of certain Indian irrigation projects. Sec. 4314. Indian dam safety reauthorization. Sec. 4315. Diana E. Murphy United States Courthouse. TITLE I--WATER RESOURCES DEVELOPMENT SEC. 101. SHORT TITLE. This title may be cited as the ``Water Resources Development Act of 2018''. SEC. 102. SECRETARY DEFINED. In this title, the term ``Secretary'' means the Secretary of the Army. Subtitle A--General Provisions SEC. 1101. SENSE OF CONGRESS REGARDING WATER RESOURCES DEVELOPMENT BILLS. It is the sense of Congress that, because the missions of the Corps of Engineers for navigation, flood control, beach erosion control and shoreline protection, hydroelectric power, recreation, water supply, environmental protection, restoration, and enhancement, and fish and wildlife mitigation benefit all Americans, and because water resources development projects are critical to maintaining the country's economic prosperity, national security, and environmental protection, Congress should consider a water resources development bill not less often than once every Congress. SEC. 1102. STUDY OF THE FUTURE OF THE UNITED STATES ARMY CORPS OF ENGINEERS. (a) In General.--The Secretary shall enter into an agreement with the National Academy of Sciences to convene a committee of experts to carry out a comprehensive study on-- (1) the ability of the Corps of Engineers to carry out its statutory missions and responsibilities, and the potential effects of ***transferring*** the functions (including regulatory obligations), personnel, assets, and civilian staff responsibilities of the Secretary relating to civil works from the Department of Defense to a new or existing agency or subagency of the Federal Government, including how such a ***transfer*** might affect the Federal Government's ability to meet the current statutory missions and responsibilities of the Corps of Engineers; and (2) improving the Corps of Engineers' project delivery processes, including recommendations for such improvements, taking into account factors including-- (A) the effect of the annual appropriations process on the ability of the Corps of Engineers to efficiently secure and carry out contracts for water resources development projects and perform regulatory obligations; (B) the effect that the current Corps of Engineers leadership and geographic structure at the division and district levels has on its ability to carry out its missions in a cost-effective manner; and (C) the effect of the frequency of rotations of senior leaders of the Corps of Engineers and how such frequency affects the function of the district. (b) Considerations.--The study carried out under subsection (a) shall include consideration of-- (1) effects on the national security of the United States; (2) the ability of the Corps of Engineers to maintain sufficient engineering capability and capacity to assist ongoing and future operations of the United States armed services; (3) emergency and natural disaster response obligations of the Federal Government that are carried out by the Corps of Engineers; and (4) the ability of the Corps of Engineers to increase efficiency, coordination, transparency, and cost savings of the project delivery process. (c) Submission to Congress.--The Secretary shall submit the final report of the National Academy containing the findings of the study carried out under subsection (a) to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate not later than 2 ***years*** after the date of enactment of this Act. (d) Congressional Approval.--The Secretary may not implement the findings of the study carried out under subsection (a) unless expressly authorized by Congress. SEC. 1103. STUDY ON ECONOMIC AND BUDGETARY ANALYSES. (a) In General.--Not later than 180 days after the date of enactment of this Act, the Secretary shall enter into an agreement with the National Academy of Sciences to-- (1) carry out a study on the economic principles and analytical methodologies currently used by or applied to the Corps of Engineers to formulate, evaluate, and budget [[Page H8187]] for water resources development projects; and (2) make recommendations to Congress on potential changes to such principles and methodologies to improve transparency, return on Federal investment, cost savings, and prioritization, in the formulation, evaluation, and budgeting of such projects. (b) Considerations.--The study under subsection (a) shall include-- (1) an analysis of the current economic principles and analytical methodologies used by or applied to the Corps of Engineers in determining the total benefits and total costs during the formulation of, and plan selection for, a water resources development project; (2) an analysis of improvements or alternatives to how the Corps of Engineers utilizes the National Economic Development, Regional Economic Development, Environmental Quality, and Other Social Effects accounts developed by the Institute for Water Resources of the Corps of Engineers in the formulation of, and plan selection for, such projects; (3) an analysis of whether such principles and methodologies fully account for all of the potential benefits of project alternatives, including any reasonably associated benefits of such alternatives that are not contrary to law, Federal policy, or sound water resources management; (4) an analysis of whether such principles and methodologies fully account for all of the costs of project alternatives, including potential societal costs, such as lost ecosystem services, and full lifecycle costs for such alternatives; (5) an analysis of the methodologies utilized by the Federal Government in setting and applying discount rates for benefit-cost analyses used in the formulation, evaluation, and budgeting of Corps of Engineers water resources development projects; (6) an analysis of whether or not the Corps of Engineers-- (A) considers cumulative benefits of locally developed projects, including Master Plans approved by the Corps; and (B) uses the benefits referred to in subparagraph (A) for purposes of benefit-cost analysis for project justification for potential projects within such Master Plans; and (7) consideration of the report submitted under section 1204, if that report is submitted prior to completion of the study under this section. (c) Publication.--The agreement entered into under subsection (a) shall require the National Academy of Sciences to, not later than 30 days after the completion of the study-- (1) submit a report containing the results of the study and the recommendations to the Committee on Environment and Public Works of the Senate and the Committee on Transportation and Infrastructure of the House of Representatives; and (2) make a copy of such report available on a publicly accessible website. SEC. 1104. DISSEMINATION OF INFORMATION. (a) Findings.--Congress finds the following: (1) Congress plays a central role in identifying, prioritizing, and authorizing vital water resources infrastructure activities throughout the United States. (2) The Water Resources Reform and Development Act of 2014 (Public Law 113-121) established a new and transparent process to review and prioritize the water resources development activities of the Corps of Engineers with strong congressional oversight. (3) Section 7001 of the Water Resources Reform and Development Act of 2014 (33 U.S.C 2282d) requires the Secretary to develop and submit to Congress each ***year*** a Report to Congress on Future Water Resources Development and, as part of the annual report process, to-- (A) publish a notice in the Federal Register that requests from non-Federal interests proposed feasibility studies and proposed modifications to authorized water resources development projects and feasibility studies for inclusion in the report; and (B) review the proposals submitted and include in the report those proposed feasibility studies and proposed modifications that meet the criteria for inclusion established under such section 7001. (4) Congress will use the information provided in the annual Report to Congress on Future Water Resources Development to determine authorization needs and priorities for purposes of water resources development legislation. (5) To ensure that Congress can gain a thorough understanding of the water resources development needs and priorities of the United States, it is important that the Secretary take sufficient steps to ensure that non-Federal interests are made aware of the new annual report process, including the need for non-Federal interests to submit proposals during the Secretary's annual request for proposals in order for such proposals to be eligible for consideration by Congress. (b) Dissemination of Process Information.--The Secretary shall develop, support, and implement education and awareness efforts for non-Federal interests with respect to the annual Report to Congress on Future Water Resources Development required under section 7001 of the Water Resources Reform and Development Act of 2014 (33 U.S.C 2282d), including efforts to-- (1) develop and disseminate technical assistance materials, seminars, and guidance on the annual process as it relates to non-Federal interests; (2) provide written notice to local elected officials and previous and potential non-Federal interests on the annual process and on opportunities to address local water resources challenges through the missions and authorities of the Corps of Engineers; (3) issue guidance for non-Federal interests to assist such interests in developing proposals for water resources development projects that satisfy the requirements of such section 7001; and (4) provide, at the request of a non-Federal interest, assistance with researching and identifying existing project authorizations and Corps of Engineers decision documents. SEC. 1105. NON-FEDERAL ENGAGEMENT AND REVIEW. (a) Issuance.--The Secretary shall expeditiously issue guidance to implement each covered provision of law in accordance with this section. (b) Public Notice.-- (1) In general.--Prior to developing and issuing any new or revised implementation guidance for a covered water resources development law, the Secretary shall issue a public notice that-- (A) informs potentially interested non-Federal stakeholders of the Secretary's intent to develop and issue such guidance; and (B) provides an opportunity for interested non-Federal stakeholders to engage with, and provide input and recommendations to, the Secretary on the development and issuance of such guidance. (2) Issuance of notice.--The Secretary shall issue the notice under paragraph (1) through a posting on a publicly accessible website dedicated to providing notice on the development and issuance of implementation guidance for a covered water resources development law. (c) Stakeholder Engagement.-- (1) Input.--The Secretary shall allow a minimum of 60 days after issuance of the public notice under subsection (b) for non-Federal stakeholders to provide input and recommendations to the Secretary, prior to finalizing implementation guidance for a covered water resources development law. (2) Outreach.--The Secretary may, as appropriate (as determined by the Secretary), reach out to non-Federal stakeholders and circulate drafts of implementation guidance for a covered water resources development law for informal input and recommendations. (d) Submission.--The Secretary shall submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate a copy of all input and recommendations received pursuant to subsection (c) and a description of any consideration of such input and recommendations. (e) Development of Guidance.--When developing implementation guidance for a covered water resources development law, the Secretary shall take into consideration the input and recommendations received from non-Federal stakeholders, and make the final guidance available to the public on the publicly accessible website described in subsection (b)(2). (f) Definitions.--In this section: (1) Covered provision of law.--The term ``covered provision of law'' means a provision of law under the jurisdiction of the Secretary contained in, or amended by, a covered water resources development law, with respect to which-- (A) the Secretary determines guidance is necessary in order to implement the provision; and (B) no such guidance has been issued as of the date of enactment of this Act. (2) Covered water resources development law.--The term ``covered water resources development law'' means-- (A) the Water Resources Reform and Development Act of 2014; (B) the Water Resources Development Act of 2016; (C) this Act; and (D) any Federal water resources development law enacted after the date of enactment of this Act. SEC. 1106. LAKE OKEECHOBEE REGULATION SCHEDULE REVIEW. The Secretary shall expedite completion of the Lake Okeechobee regulation schedule to coincide with the completion of the Herbert Hoover Dike project, and may consider all relevant aspects of the Comprehensive Everglades Restoration Plan described in section 601 of the Water Resources Development Act of 2000 (114 Stat. 2680). SEC. 1107. ACCESS TO REAL ESTATE DATA. (a) In General.--Using available funds, the Secretary shall make publicly available, including on a publicly accessible website, information on all Federal real estate assets in the United States that are owned, operated, or managed by, or in the custody of, the Corps of Engineers. (b) Requirements.-- (1) In general.--The real estate information made available under subsection (a) shall include-- (A) existing standardized real estate plat descriptions of assets described in subsection (a); and (B) existing geographic information systems and geospatial information associated with such assets. (2) Collaboration.--In making information available under subsection (a), the Secretary shall consult with the Administrator of General Services. Such information may [[Page H8188]] be made available, in whole or in part, in the Federal real property database published under section 21 of the Federal Assets Sale and ***Transfer*** Act of 2016 (Public Law 114-287), as determined appropriate by the Administrator of General Services. Nothing in this paragraph shall be construed as requiring the Administrator of General Services to add additional data elements or features to such Federal real property database if such additions are impractical or would add additional costs to such database. (c) Limitation.--Nothing in this section shall compel or authorize the disclosure of data or other information determined by the Secretary to be confidential, privileged, national security information, personal information, or information the disclosure of which is otherwise prohibited by law. (d) Timing.--The Secretary shall ensure that the implementation of subsection (a) occurs as soon as practicable. (e) Effect on Other Laws.--Nothing in this section shall be construed as modifying, or exempting the Corps of Engineers from, the requirements of the Federal real property database published under section 21 of the Federal Assets Sale and ***Transfer*** Act of 2016 (Public Law 114-287). SEC. 1108. AQUATIC INVASIVE SPECIES RESEARCH. (a) In General.--As part of the ongoing activities of the Engineer Research and Development Center to address the spread and impacts of aquatic invasive species, the Secretary shall undertake research on the management and eradication of aquatic invasive species, including Asian carp and zebra mussels. (b) Locations.--In carrying out subsection (a), the Secretary shall work with Corps of Engineers district offices representing diverse geographical regions of the continental United States that are impacted by aquatic invasive species, such as the Atlantic, Pacific, and Gulf coasts and the Great Lakes. (c) Report.--Not later than 180 days after the date of enactment of this section, the Secretary shall submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate a report recommending a plan to address the spread and impacts of aquatic invasive species. SEC. 1109. HARMFUL ALGAL BLOOM TECHNOLOGY DEMONSTRATION. (a) In General.--The Secretary, acting through the Engineer Research and Development Center, shall implement a 5-***year*** harmful algal bloom technology development demonstration ***program*** under the Aquatic Nuisance Research ***Program***. To the extent practicable, the Secretary shall support research that will identify and develop improved strategies for early detection, prevention, and management techniques and procedures to reduce the occurrence and effects of harmful algal blooms in the Nation's water resources. (b) Scalability Requirement.--The Secretary shall ensure that technologies identified, tested, and deployed under the harmful algal bloom technology development demonstration ***program*** have the ability to scale up to meet the needs of harmful-algal-bloom-related events. SEC. 1110. BUBBLY CREEK, CHICAGO ECOSYSTEM RESTORATION. The Secretary shall enter into a memorandum of understanding with the Administrator of the Environmental Protection Agency to facilitate ecosystem restoration activities at the South Fork of the South Branch of the Chicago River (commonly known as Bubbly Creek). SEC. 1111. DREDGE PILOT ***PROGRAM***. (a) In General.--The Secretary is authorized to carry out a pilot ***program*** to award contracts with a duration of up to five ***years*** for the operation and maintenance of harbors and inland harbors referred to in section 210(a)(2) of the Water Resources Development Act of 1986 (33 U.S.C 2238(a)(2)). (b) Scope.--In carrying out the pilot ***program*** under subsection (a), the Secretary may award a contract described in such subsection, which may address one or more harbors or inland harbors in a geographical region, if the Secretary determines that the contract provides cost savings compared to the awarding of such work on an annual basis or on a project-by-project basis. (c) Report to Congress.--Not later than one ***year*** after the date on which the first contract is awarded pursuant to the pilot ***program*** carried out under subsection (a), the Secretary shall submit to Congress a report evaluating, with respect to the pilot ***program*** and any contracts awarded under the pilot ***program***-- (1) cost effectiveness; (2) reliability and performance; (3) cost savings attributable to mobilization and demobilization of dredge equipment; and (4) response times to address navigational impediments. (d) Sunset.--The authority of the Secretary to enter into contracts pursuant to the pilot ***program*** carried out under subsection (a), shall expire on the date that is 10 ***years*** after the date of enactment of this Act. SEC. 1112. HURRICANE AND STORM DAMAGE PROTECTION ***PROGRAM***. (a) In General.--The Secretary is authorized to carry out a pilot ***program*** to award single contracts for more than one authorized hurricane and storm damage reduction project in a geographical region, including projects across more than one Corps of Engineers district, if the Secretary determines that the contract provides cost savings compared to the awarding of such work on a project-by-project basis. (b) Project Selection.--In carrying out the pilot ***program*** under subsection (a), the Secretary shall consult with relevant State agencies in selecting projects. (c) Criteria.--In carrying out the pilot ***program*** under subsection (a), the Secretary shall establish criteria and other considerations that-- (1) foster Federal, State, and local collaboration; (2) evaluate the performance of projects being carried out under a single contract with respect to whether such projects yield any regional or multi-district benefits; and (3) include other criteria and considerations that the Secretary determines to be appropriate. (d) Report.--Not later than 1 ***year*** after the date of enactment of this Act, and annually thereafter, the Secretary shall submit to the Committee on Environment and Public Works of the Senate and the Committee on Transportation and Infrastructure of the House of Representatives a report that includes findings and recommendations of the Secretary with respect to the projects completed under the pilot ***program*** carried out under subsection (a). (e) Authorization of Appropriations.--There is authorized to be appropriated to carry out this section $75,000,000. (f) Termination.--The authority of the Secretary to enter into contracts pursuant to the pilot ***program*** carried out under subsection (a) shall expire on the date that is 10 ***years*** after the date of enactment of this Act. SEC. 1113. OPERATION AND MAINTENANCE OF EXISTING INFRASTRUCTURE. The Secretary shall improve the reliability, and operation and maintenance of, existing infrastructure of the Corps of Engineers, and, as necessary, improve its resilience to cyber-related threats. SEC. 1114. ASSISTANCE RELATING TO WATER SUPPLY. The Secretary may provide assistance to municipalities the water supply of which is adversely affected by construction carried out by the Corps of Engineers. SEC. 1115. PROPERTY ACQUISITION. (a) In General.--In acquiring an interest in land, or requiring a non-Federal interest to acquire an interest in land, the Secretary shall, in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, first consider the minimum interest in real property necessary to support the water resources development project for which such interest is acquired. (b) Determination.--In determining an interest in land under subsection (a), the Secretary shall first consider a temporary easement or other interest designed to reduce the overall cost of the water resources development project for which such interest is acquired, reduce the time to complete such project, and minimize conflict with property owners related to such project. (c) Procedures Used in State.--In carrying out subsection (a), the Secretary shall consider, with respect to a State, the procedures that the State uses to acquire, or require the acquisition of, interests in land, to the extent that such procedures are generally consistent with the goals of a project or action. SEC. 1116. DREDGED MATERIAL MANAGEMENT PLANS. (a) In General.--For purposes of dredged material management plans initiated after the date of enactment of this Act, the Secretary shall expedite the dredged material management plan process in order that such plans make maximum use of existing information, studies, and innovative dredged material management practices, and avoid any redundant information collection and studies. (b) Report.--Not later than 60 days after the date of enactment of this Act, the Secretary shall submit to Congress a report on how the Corps of Engineers intends to meet the requirements of subsection (a). SEC. 1117. INCLUSION OF PROJECT OR FACILITY IN CORPS OF ENGINEERS WORKPLAN. (a) In General.--The Secretary shall, to the maximum extent practicable, include in the future workplan of the Corps any authorized project or facility of the Corps of Engineers-- (1) that the Secretary has studied for disposition under an existing authority, including by carrying out a disposition study under section 216 of the Flood Control Act of 1970 (33 U.S.C 549a); and (2) for which a final report by the Director of Civil Works has been completed. (b) Notification to Committees.--Upon completion of a final report referred to in subsection (a), the Secretary shall transmit a copy of the report to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate. SEC. 1118. GEOMATIC DATA. (a) In General.--The Secretary shall develop guidance for the acceptance and use of information obtained from a non- Federal interest through geomatic techniques, including remote sensing and land surveying, cartography, geographic information systems, global navigation satellite systems, photogrammetry, or other remote means, in carrying out any authority of the Secretary. (b) Considerations.--In carrying out this section, the Secretary shall ensure that use [[Page H8189]] of information described in subsection (a) meets the data quality and operational requirements of the Secretary. (c) Savings Clause.--Nothing in this section-- (1) requires the Secretary to accept information that the Secretary determines does not meet the guidance developed under this section; or (2) changes the current statutory or regulatory requirements of the Corps of Engineers. SEC. 1119. LOCAL GOVERNMENT RESERVOIR PERMIT REVIEW. (a) In General.--During the 10-***year*** period after the date of enactment of this section, the Secretary shall expedite review of applications for covered permits, if the permit applicant is a local governmental entity with jurisdiction over an area for which-- (1) any portion of the water resources available to the area served by the local governmental entity is polluted by chemicals used at a formerly used defense site under the jurisdiction of the Department of Defense that is undergoing (or is scheduled to undergo) environmental restoration under chapter 160 of title 10, United States Code; and (2) mitigation of the pollution described in paragraph (1) is ongoing. (b) Covered Permit Defined.--In this section, the term ``covered permit'' means a permit to be issued by the Secretary to modify a reservoir owned or operated by the Secretary, with respect to which not less than 80 percent of the water rights are held for drinking water supplies, in order to accommodate projected water supply needs of an area with a population of less than 80,000. (c) Limitations.--Nothing in this section affects any obligation to comply with the provisions of any Federal law, including-- (1) the National Environmental Policy Act of 1969 (42 U.S.C 4321 et seq.); and (2) the Federal Water Pollution Control Act (33 U.S.C 1251 et seq.). SEC. 1120. TRANSPARENCY AND ACCOUNTABILITY IN COST SHARING FOR WATER RESOURCES DEVELOPMENT PROJECTS. (a) Definition of Balance Sheet.--In this section, the term ``balance sheet'' means a document that describes-- (1) the funds provided by each Federal and non-Federal interest for a water resources development project; and (2) the status of those funds. (b) Establishment of Balance Sheet.--Each district of the Corps of Engineers shall, using the authority of the Secretary under section 10 of the Water Resources Development Act of 1988 (33 U.S.C 2315)-- (1) maintain a balance sheet for each water resources development project carried out by the Secretary for which a non-Federal cost share is required; and (2) on request of a non-Federal interest that provided funds for the project, provide to the non-Federal interest a copy of the balance sheet. (c) Under-Budget Projects.--In the case of a water resources development project carried out by the Secretary that is completed at a cost less than the estimated cost, the Secretary shall ***transfer*** any excess non-Federal funds to the non-Federal interest in accordance with the cost-share requirement applicable to the project. SEC. 1121. UPPER MISSOURI MAINSTEM RESERVOIR WATER WITHDRAWAL INTAKE EASEMENT REVIEW. (a) In General.--During the 10-***year*** period beginning on the date of enactment of this Act, the Secretary shall, to the maximum extent practicable, expedite the review of applications for a covered easement. (b) Process.--In carrying out this section, the Secretary shall develop an application to obtain a covered easement that requires an applicant for a covered easement to submit information that includes-- (1) all permissible locations for the proposed easement; (2) the corresponding dimensions of the proposed easement; (3) the methods of installation of the water withdrawal intakes; and (4) any other information that the Secretary may require to complete the review. (c) Response.--Not later than 30 days after the date on which the Secretary receives an application under subsection (b), the Secretary shall seek to provide to the applicant a written notification that states-- (1) whether the application is complete; and (2) if the application is not complete, what information is needed for the application to be complete. (d) Determination.--To the maximum extent practicable, not later than 120 days after the date on which the Secretary receives a complete application for a covered easement, the Secretary shall approve or deny the application for the covered easement. (e) Covered Easement Defined.--In this section, the term ``covered easement'' means an easement necessary to access Federal land under the control of the Secretary for the placement of water withdrawal intakes in the Upper Missouri Mainstem Reservoirs that does not otherwise involve the alteration or modification of any structures or facilities located on that Federal land, other than those owned by the non-Federal interest. (f) Limitations.--Nothing in this section affects any obligation to comply with the provisions of any Federal law, including-- (1) the National Environmental Policy Act of 1969 (42 U.S.C 4321 et seq.); and (2) the Federal Water Pollution Control Act (33 U.S.C 1251 et seq.). SEC. 1122. LIMITATION ON CONTRACT EXECUTION. (a) Limitation.--For any new covered contract entered into during the period beginning on the date of enactment of this Act and ending on December 31, 2020, any local governmental entity that is a party to a covered contract entered into before such period shall be required to pay not more than 110 percent of the contractual rate per acre-foot in effect under the most recent such covered contract. (b) Covered Contract.--In this section, the term ``covered contract'' means a contract between a local governmental entity and the Secretary for water supply storage in a nonhydropower lake within the Verdigris River Basin. SEC. 1123. CERTAIN LEVEE IMPROVEMENTS. (a) In General.--Notwithstanding section 211 of the Water Resources Development Act of 2000 (31 U.S.C 6505 note), the Secretary, at the request of a local government, is authorized to provide technical services, on a reimbursable basis, to the local government to assess the reasons a federally constructed levee owned or operated by the local government is not accredited by the Federal Emergency Management Agency. (b) Federal Levees.--In carrying out this section, in a case in which a levee owned and operated by the Secretary is hydraulically tied to a levee described in subsection (a), the Secretary is encouraged to cooperate, to the maximum extent practicable, with the relevant local governmental entities in assessing the reasons the levee described in subsection (a) is not accredited. (c) Limitation.--Nothing in this section-- (1) affects the responsibilities of a local government to operate and maintain its flood control infrastructure; or (2) obligates the Secretary to expend additional Federal resources on levees owned and operated by the Secretary. SEC. 1124. COST-SHARE ***PAYMENT*** FOR CERTAIN PROJECTS. The Secretary shall, subject to the availability of appropriations, pay the outstanding balance of the Federal cost share for any project carried out under section 593 of the Water Resources Development Act of 1999 (113 Stat. 380). SEC. 1125. LOCKS ON ALLEGHENY RIVER. The Corps of Engineers may consider, in making funding determinations with respect to the operation and maintenance of locks on the Allegheny River-- (1) recreational boat traffic levels; and (2) related economic benefits. SEC. 1126. PURPOSE AND NEED. (a) Purpose and Need Statements.-- (1) In general.--Not later than 90 days after the date of receipt of a complete application for a water storage project, the District Engineer shall develop and provide to the applicant a purpose and need statement that describes-- (A) whether the District Engineer concurs with the assessment of the purpose of and need for the water storage project proposed by the applicant; and (B) in any case in which the District Engineer does not concur as described in subparagraph (A), an assessment by the District Engineer of the purpose of and need for the project. (2) Effect on environmental impact statements.--No environmental impact statement or environmental assessment required under the National Environmental Policy Act of 1969 (42 U.S.C 4321 et seq.) shall substantially commence with respect to a water storage project until the date on which the District Engineer provides to the applicant a purpose and need statement as required under paragraph (1). (b) Appeals Request.--A non-Federal interest may use the administrative appeals process described in part 331 of title 33, Code of Federal Regulations (or any succeeding regulation), in relation to a decision of the Secretary related to an application for a water storage project. SEC. 1127. PRIOR PROJECT AUTHORIZATION. In any case in which a project under the jurisdiction of the Secretary is budgeted under a different business line than the business line under which the project was originally authorized, the Secretary shall ensure that the project is carried out in accordance with any requirements that apply to the business line under which the project was originally authorized. SEC. 1128. MISSISSIPPI RIVER AND TRIBUTARIES PROJECT. (a) In General.--After any flood event requiring operation or activation of any floodway or backwater feature within the Mississippi River and Tributaries Project through natural overtopping of a Federal levee or artificial crevassing of a Federal levee to relieve pressure on the levees elsewhere in the system, the Secretary shall expeditiously reset and restore the damaged floodway's levees. (b) Consultation.--In carrying out subsection (a), the Secretary shall provide an opportunity for consultation with affected communities. (c) Mississippi River and Tributaries Project.--The term ``Mississippi River and Tributaries Project'' means the Mississippi River and Tributaries project authorized by the Act of May 15, 1928 (Chap. 569; 45 Stat. 534). SEC. 1129. INCLUSION OF TRIBAL INTERESTS IN PROJECT CONSULTATIONS. (a) Report Required.--As soon as practicable following the date of enactment of [[Page H8190]] this Act, the Secretary shall submit the report required under section 1120(a)(3) of the Water Resources Development Act of 2016 (130 Stat. 1643). (b) Consultation.--The Secretary shall ensure that all existing Tribal consultation policies, regulations, and guidance continue to be implemented, and that consultations with Federal and State agencies and Indian Tribes required for a water resources development project are carried out. SEC. 1130. BENEFICIAL USE OF DREDGED MATERIAL. Section 1122 of the Water Resources Development Act of 2016 (33 U.S.C 2326 note) is amended-- (1) in subsection (b)(1), by striking ``10'' and inserting ``20''; and (2) in subsection (g), by striking ``10'' and inserting ``20''. SEC. 1131. ICE JAM PREVENTION AND MITIGATION. Section 1150(c) of the Water Resources Development Act of 2016 (33 U.S.C 701s note) is amended-- (1) in paragraph (1)-- (A) by striking ``During fiscal ***years*** 2017 through 2022, the Secretary'' and inserting ``The Secretary''; and (B) by striking ``10 projects'' and inserting ``20 projects''; and (2) in paragraph (2)-- (A) by striking ``shall ensure'' and inserting the following : ``shall-- ``(A) ensure''; (B) by striking the period at the end and inserting ``; and''; and (C) by adding at the end the following: ``(B) select not fewer than 1 project to be carried out on a reservation (as defined in section 3 of the Indian Financing Act of 1974) that serves more than 1 Indian tribe (as defined in section 4 of the Indian Self-Determination and Education Assistance Act).''. SEC. 1132. REHABILITATION OF CORPS OF ENGINEERS CONSTRUCTED DAMS. Section 1177 of the Water Resources Development Act of 2016 (33 U.S.C 467f-2 note) is amended-- (1) in subsection (e), by striking ``$10,000,000'' and inserting ``$40,000,000''; and (2) in subsection (f), by striking ``$10,000,000'' and inserting ``$40,000,000''. SEC. 1133. COLUMBIA RIVER. (a) Bonneville Dam, Oregon.-- (1) In general.--The Secretary, in consultation with the Secretary of the Interior, shall examine and assess the extent to which Indians (as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C 5304)) have been displaced as a result of the construction of the Bonneville Dam, Oregon, as authorized by the first section of the Act of August 30, 1935 (49 Stat. 1032) and the first section and section 2(a) of the Act of August 20, 1937 (16 U.S.C 832, 832a(a)). (2) Inclusion.--The examination and assessment under paragraph (1) may include assessments relating to housing and related facilities. (3) Assistance.--If the Secretary determines, based on the examination and assessment under paragraph (1), that assistance is required or needed, the Secretary may use all existing authorities of the Secretary, including under this Act, to provide assistance to Indians who have been displaced as a result of the construction of the Bonneville Dam, Oregon. (4) Tribal assistance.--Section 1178(c)(1)(A) of the Water Resources Development Act of 2016 (130 Stat. 1675) is amended by striking ``Upon the request of the Secretary of the Interior, the Secretary may provide assistance'' and inserting ``The Secretary, in consultation with the Secretary of the Interior, may provide assistance''. (b) John Day Dam, Washington and Oregon.-- (1) In general.--The Secretary, in consultation with the Secretary of the Interior, shall examine and assess the extent to which Indians (as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C 5304)) have been displaced as a result of the construction of the John Day Dam, Oregon, as authorized by section 204 of the Flood Control Act of 1950 (64 Stat. 179). (2) Inclusion.--The examination and assessment under paragraph (1) may include-- (A) assessments relating to housing and related facilities; and (B) the study required by section 1178(c)(2) of the Water Resources Development Act of 2016 (130 Stat. 1675). (3) Assistance.--If the Secretary determines, based on the examination and assessment under paragraph (1), that assistance is required or needed, the Secretary may use all existing authorities of the Secretary, including under this Act, to provide assistance to Indians who have been displaced as a result of the construction of the John Day Dam, Oregon. (c) Dalles Dam, Washington and Oregon.-- (1) In general.--The Secretary, in consultation with the Secretary of the Interior, shall complete and carry out a village development plan for any Indian village submerged as a result of the construction of the Dalles Dam, Columbia River, Washington and Oregon, as authorized by section 204 of the Flood Control Act of 1950 (64 Stat. 179). (2) Assistance.--The Secretary may acquire land from willing land owners in carrying out a village development plan under paragraph (1). (3) Requirements.--A village development plan completed under paragraph (1) shall include, at a minimum, an estimated cost and tentative schedule for the construction of a replacement village. SEC. 1134. MISSOURI RIVER RESERVOIR SEDIMENT MANAGEMENT. Section 1179(a) of the Water Resources Development Act of 2016 (130 Stat. 1675) is amended-- (1) by redesignating paragraphs (4) through (8) as paragraphs (5) through (9), respectively; (2) by inserting after paragraph (3) the following: ``(4) Prioritization of sediment management plans.--In carrying out the pilot project under this subsection, the Secretary shall give priority to developing and implementing sediment management plans that affect reservoirs that cross State lines.''; and (3) in paragraph (8) (as so redesignated)-- (A) by redesignating subparagraph (B) as subparagraph (D); and (B) by striking subparagraph (A) and inserting the following: ``(A) In general.--The Secretary shall carry out the pilot ***program*** established under this subsection in partnership with the Secretary of the Interior, and the ***program*** shall apply to reservoirs managed or owned by the Bureau of Reclamation. ``(B) Memorandum of agreement.--For sediment management plans that apply to a reservoir managed or owned by the Bureau of Reclamation under subparagraph (A), the Secretary and the Secretary of the Interior shall execute a memorandum of agreement establishing the framework for a partnership and the terms and conditions for sharing expertise and resources. ``(C) ***Payments***.--The Secretary is authorized to accept and expend funds from the Secretary of the Interior to complete any work under this paragraph at a reservoir managed or owned by the Bureau of Reclamation.''. SEC. 1135. REAUTHORIZATION OF LOCK OPERATIONS PILOT ***PROGRAM***. Section 1017(f) of the Water Resources Reform and Development Act of 2014 (33 U.S.C 2212 note) is amended by striking ``5 ***years***'' and inserting ``10 ***years***''. SEC. 1136. CREDIT OR REIMBURSEMENT. (a) In General.--Section 1022 of the Water Resources Reform and Development Act of 2014 (33 U.S.C 2225) is amended to read as follows: ``SEC. 1022. CREDIT OR REIMBURSEMENT. ``(a) Requests for Credits.--With respect to an authorized flood damage reduction project, or separable element thereof, that has been constructed by a non-Federal interest under section 211 of the Water Resources Development Act of 1996 (33 U.S.C 701b-13), or an authorized coastal navigation project that has been constructed by the Corps of Engineers pursuant to section 11 of the Act of March 3, 1925, before the date of enactment of the Water Resources Development Act of 2018, the Secretary may provide to the non-Federal interest, at the request of the non-Federal interest, a credit in an amount equal to the estimated Federal share of the cost of the project or separable element, in lieu of providing to the non-Federal interest a reimbursement in that amount or reimbursement of funds of an equivalent amount, subject to the availability of appropriations. ``(b) Application of Credits.--At the request of the non- Federal interest, the Secretary may apply all or a portion of such credit to the share of the cost of the non-Federal interest of carrying out other flood damage reduction and coastal navigation projects or studies. ``(c) Application of Reimbursement.--At the request of the non-Federal interest, the Secretary may apply such funds, subject to the availability of appropriations, equal to the share of the cost of the non-Federal interest of carrying out other flood damage reduction and coastal navigation projects or studies.''. (b) Clerical Amendment.--The table of contents contained in section 1(b) of the Water Resources Reform and Development Act of 2014 (128 Stat. 1193) is amended by striking the item relating to section 1022 and inserting the following: ``Sec. 1022. Credit or reimbursement.''. SEC. 1137. NON-FEDERAL IMPLEMENTATION PILOT ***PROGRAM***. Section 1043(b) of the Water Resources Reform and Development Act of 2014 (33 U.S.C 2201 note) is amended-- (1) in paragraph (3)(A)(i)-- (A) in the matter preceding subclause (I)-- (i) by striking ``15'' and inserting ``20''; and (ii) by striking ``prior to the date of enactment of this Act''; (B) in subclause (I)-- (i) in the matter preceding item (aa), by inserting ``that have been authorized for construction prior to the date of enactment of this Act and'' after ``not more than 12 projects''; and (ii) in item (bb), by striking ``; and'' and inserting a semicolon; (C) in subclause (II)-- (i) by inserting ``that have been authorized for construction prior to the date of enactment of this Act and'' after ``not more than 3 projects''; and (ii) by striking the semicolon and inserting ``; and''; and (D) by adding at the end the following: ``(III) not more than 5 projects that have been authorized for construction, but did not receive the authorization prior to the date of enactment of this Act;''; and [[Page H8191]] (2) in paragraph (8), by striking ``2015 through 2019'' and inserting ``2019 through 2023''. SEC. 1138. SURPLUS WATER CONTRACTS AND WATER STORAGE AGREEMENTS. Section 1046(c) of the Water Resources Reform and Development Act of 2014 (128 Stat. 1254) is amended-- (1) in paragraph (1)-- (A) by striking ``shall not charge a fee'' and inserting the following: ``shall not-- ``(A) charge a fee''; (B) by striking ``Reservoirs.'' and inserting ``Reservoirs; or''; and (C) by adding at the end the following: ``(B) assess a water storage fee with respect to any water storage in the Upper Missouri Mainstem Reservoirs.''; and (2) in paragraph (3), by striking ``10'' and inserting ``12''. SEC. 1139. POST-DISASTER WATERSHED ASSESSMENTS IN TERRITORIES OF THE UNITED STATES. Section 3025 of the Water Resources Reform and Development Act of 2014 (33 U.S.C 2267b) is amended by adding at the end the following: ``(e) Assessments in Territories of the United States.-- ``(1) In general.--For any major disaster declared in a territory of the United States before the date of enactment of this subsection, all activities in the territory carried out or undertaken pursuant to the authorities described in this section shall be conducted at full Federal expense unless the President determines that the territory has the ability to pay the cost share for an assessment under this section without the use of loans. ``(2) Territory defined.--In this subsection, the term `territory of the United States' means an insular area specified in section 1156(a)(1) of the Water Resources Development Act of 1986 (33 U.S.C 2310(a)(1)).''. SEC. 1140. EXPEDITED CONSIDERATION. Section 7004(b)(4) of the Water Resources Reform and Development Act of 2014 (128 Stat. 1374) is amended by striking ``December 31, 2018'' and inserting ``December 31, 2024''. SEC. 1141. PROJECT STUDIES SUBJECT TO INDEPENDENT PEER REVIEW. Section 2034(h)(2) of the Water Resources Development Act of 2007 (33 U.S.C 2343(h)(2)) is amended by striking ``12 ***years***'' and inserting ``17 ***years***''. SEC. 1142. FEASIBILITY OF CHICAGO SANITARY AND SHIP CANAL DISPERSAL BARRIERS PROJECT, ILLINOIS. Section 3061(d) of the Water Resources Development Act of 2007 (Public Law 110-114; 121 Stat. 1121) is amended-- (1) by striking ``The Secretary'' and inserting the following: ``(1) In general.--The Secretary''; and (2) by adding at the end the following: ``(2) Operation and maintenance.--Operation and maintenance of any project authorized to be carried out pursuant to the feasibility study identified in paragraph (1) shall be carried out at 80 percent Federal expense and 20 percent non- Federal expense. ``(3) Consultation.--After construction of any project authorized to be carried out pursuant to the feasibility study identified in paragraph (1), the Secretary shall consult with the Governor of the State in which the project is constructed before any control technologies not included in the Chief's Report are implemented.''. SEC. 1143. ACKNOWLEDGMENT OF CREDIT. Section 7007(a) of the Water Resources Development Act of 2007 (121 Stat. 1277; 128 Stat. 1226) is amended by adding at the end the following: ``Notwithstanding section 221(a)(4)(C)(i) of the Flood Control Act of 1970 (42 U.S.C 1962d-5b(a)(4)(C)(i)), the Secretary may provide credit for work carried out during the period beginning on November 8, 2007, and ending on the date of enactment of the Water Resources Development Act of 2018 by the non-Federal interest for a project under this title if the Secretary determines that the work is integral to the project and was carried out in accordance with the requirements of subchapter 4 of chapter 31, and chapter 37, of title 40, United States Code.''. SEC. 1144. LEVEE SAFETY INITIATIVE REAUTHORIZATION. Title IX of the Water Resources Development Act of 2007 (33 U.S.C 3301 et seq.) is amended-- (1) in section 9005(g)(2)(E)(i), by striking ``2015 through 2019'' and inserting ``2019 through 2023''; and (2) in section 9008, by striking ``2015 through 2019'' each place it appears and inserting ``2019 through 2023''. SEC. 1145. FUNDING TO PROCESS PERMITS. Section 214(a) of the Water Resources Development Act of 2000 (33 U.S.C 2352(a)) is amended-- (1) by striking paragraph (3) and redesignating paragraphs (4) and (5) as paragraphs (3) and (4), respectively; and (2) in paragraph (4), as so redesignated-- (A) by striking ``4 ***years*** after the date of enactment of this paragraph'' and inserting ``December 31, 2022''; and (B) by striking ``carry out a study'' and inserting ``carry out a followup study''. SEC. 1146. RESERVOIR SEDIMENT. Section 215 of the Water Resources Development Act of 2000 (33 U.S.C 2326c) is amended-- (1) in subsection (a)-- (A) by striking ``the date of enactment of the Water Resources Development Act of 2016'' and inserting ``the date of enactment of the Water Resources Development Act of 2018''; and (B) by striking ``shall establish, using available funds, a pilot ***program*** to accept'' and inserting ``shall, using available funds, accept''; (2) in subsection (b)-- (A) in paragraph (2), by adding ``and'' at the end; (B) in paragraph (3), by striking ``; and'' at the end and inserting a period; and (C) by striking paragraph (4); and (3) by striking subsection (f) and inserting the following: ``(f) Report to Congress.--Not later than 3 ***years*** after the date of enactment of the Water Resources Development Act of 2018, the Secretary shall submit to the Committee on Environment and Public Works of the Senate and the Committee on Transportation and Infrastructure of the House of Representatives a report describing the results of the ***program*** under this section.''. SEC. 1147. CLARIFICATION FOR INTEGRAL DETERMINATION. Section 601(e)(5) of the Water Resources Development Act of 2000 (Public Law 106-541) is amended-- (1) in subparagraph (B)(i)-- (A) in subclause (II), by striking ``; or'' and inserting a semicolon; and (B) by inserting after subclause (III) the following: ``(IV) the credit is provided for work carried out by the non-Federal sponsor in the implementation of an authorized project implementation report, and such work was defined in an agreement between the Secretary and the non-Federal sponsor prior to the execution of such work; or ``(V) the credit is provided for any work carried out by the non-Federal sponsor, as agreed to by the District Commander and non-Federal sponsor in a written agreement (which may include an electronic agreement) prior to such work being carried out by the non-Federal sponsor;''; (2) in subparagraph (B), by amending clause (iii) to read as follows: ``(iii) the Secretary determines that the work performed by the non-Federal sponsor-- ``(I) is integral to the project; and ``(II) was carried out in accordance with the requirements of subchapter 4 of chapter 31, and chapter 37, of title 40, United States Code.''; (3) by redesignating subparagraphs (C) through (E) as subparagraphs (D) through (F), respectively; and (4) by inserting after subparagraph (B) the following: ``(C) Timing.--In any case in which the Secretary approves credit under subparagraph (B), in a written agreement (which may include an electronic agreement) with the non-Federal sponsor, the Secretary shall provide such credit for work completed under an agreement that prescribes the terms and conditions for the in-kind contributions.''. SEC. 1148. BENEFICIAL USE OF DREDGED SEDIMENT. (a) In General.--In carrying out a project for the beneficial reuse of sediment to reduce storm damage to property under section 204 of the Water Resources Development Act of 1992 (33 U.S.C 2326) that involves only a single application of sediment, the Secretary may grant a temporary easement necessary to facilitate the placement of sediment, if the Secretary determines that granting a temporary easement is in the interest of the United States. (b) Limitation.--If the Secretary grants a temporary easement under subsection (a) with respect to a project, that project shall no longer be eligible for future placement of sediment under section 204 of the Water Resources Development Act of 1992 (33 U.S.C 2326). SEC. 1149. INCLUSION OF ALTERNATIVE MEASURES FOR AQUATIC ECOSYSTEM RESTORATION. (a) Inclusion of Alterative Measures for Aquatic Ecosystem Restoration.--Section 206 of the Water Resources Development Act of 1996 (33 U.S.C 2230) is amended-- (1) by redesignating subsection (e) as subsection (f); and (2) by inserting after subsection (d) the following: ``(e) Use of Natural and Nature-based Features.--In carrying out a project to restore and protect an aquatic ecosystem or estuary under subsection (a), the Secretary shall consider, and may include, with the consent of the non- Federal interest, a natural feature or nature-based feature, as such terms are defined in section 1184 of the Water Resources Development Act of 2016, if the Secretary determines that inclusion of such features is consistent with the requirements of subsection (a).''. (b) Amendment to Definition.--Section 1184(a)(2) of the Water Resources Development Act of 2016 (33 U.S.C 2289a(a)(2)) is amended by striking ``in coastal areas''. (c) Natural Infrastructure.--In carrying out a feasibility report developed under section 905 of the Water Resources Development Act of 1986 (33 U.S.C 2282) for a project for flood risk management or hurricane and storm damage risk reduction, the Secretary shall consider the use of both traditional and natural infrastructure alternatives, alone or in conjunction with each other, if those alternatives are practicable. SEC. 1150. REGIONAL SEDIMENT MANAGEMENT. Section 204(a)(1)(A) of the Water Resources Development Act of 1992 (33 U.S.C [[Page H8192]] 2326(a)(1)(A)) is amended by inserting ``including a project authorized for flood control,'' after ``an authorized Federal water resources project,''. SEC. 1151. OPERATION AND MAINTENANCE OF NAVIGATION AND HYDROELECTRIC FACILITIES. (a) In General.--Section 314 of the Water Resources Development Act of 1990 (33 U.S.C 2321) is amended-- (1) in the heading by inserting ``navigation and'' before ``hydroelectric facilities''; (2) in the first sentence, by striking ``Activities currently performed'' and inserting the following: ``(a) In General.--Activities currently performed''; (3) in subsection (a) (as designated by paragraph (2)), by inserting ``navigation or'' before ``hydroelectric''; (4) in the second sentence, by striking ``This section'' and inserting the following: ``(b) Major Maintenance Contracts Allowed.--This section''; and (5) by adding at the end the following: ``(c) Exclusion.--This section does not-- ``(1) apply to a navigation facility that was under contract on or before the date of enactment of this subsection with a non-Federal interest to perform operations or maintenance; and ``(2) prohibit the Secretary from contracting out commercial activities after the date of enactment of this subsection at a navigation facility.''. (b) Clerical Amendment.--The table of contents contained in section 1(b) of the Water Resources Development Act of 1990 (104 Stat. 4604) is amended by striking the item relating to section 314 and inserting the following: ``Sec. 314. Operation and maintenance of navigation and hydroelectric facilities.''. SEC. 1152. STUDY OF WATER RESOURCES DEVELOPMENT PROJECTS BY NON-FEDERAL INTERESTS. Section 203 of the Water Resources Development Act of 1986 (33 U.S.C 2231) is amended-- (1) in subsection (a)(1), by inserting ``federally authorized'' before ``feasibility study''; (2) by amending subsection (c) to read as follows: ``(c) Submission to Congress.-- ``(1) Review and submission of studies to congress.--Not later than 180 days after the date of receipt of a feasibility study of a project under subsection (a)(1), the Secretary shall submit to the Committee on Environment and Public Works of the Senate and the Committee on Transportation and Infrastructure of the House of Representatives a report that describes-- ``(A) the results of the Secretary's review of the study under subsection (b), including a determination of whether the project is feasible; ``(B) any recommendations the Secretary may have concerning the plan or design of the project; and ``(C) any conditions the Secretary may require for construction of the project. ``(2) Limitation.--The completion of the review by the Secretary of a feasibility study that has been submitted under subsection (a)(1) may not be delayed as a result of consideration being given to changes in policy or priority with respect to project consideration.''; and (3) by amending subsection (e) to read as follows: ``(e) Review and Technical Assistance.-- ``(1) Review.--The Secretary may accept and expend funds provided by non-Federal interests to undertake reviews, inspections, certifications, and other activities that are the responsibility of the Secretary in carrying out this section. ``(2) Technical assistance.--At the request of a non- Federal interest, the Secretary shall provide to the non- Federal interest technical assistance relating to any aspect of a feasibility study if the non-Federal interest contracts with the Secretary to pay all costs of providing such technical assistance. ``(3) Limitation.--Funds provided by non-Federal interests under this subsection shall not be eligible for credit under subsection (d) or reimbursement. ``(4) Impartial decisionmaking.--In carrying out this section, the Secretary shall ensure that the use of funds accepted from a non-Federal interest will not affect the impartial decisionmaking of the Secretary, either substantively or procedurally. ``(5) Savings provision.--The provision of technical assistance by the Secretary under paragraph (2)-- ``(A) shall not be considered to be an approval or endorsement of the feasibility study; and ``(B) shall not affect the responsibilities of the Secretary under subsections (b) and (c).''. SEC. 1153. CONSTRUCTION OF WATER RESOURCES DEVELOPMENT PROJECTS BY NON-FEDERAL INTERESTS. Section 204 of the Water Resources Development Act of 1986 (33 U.S.C 2232) is amended-- (1) in subsection (b)-- (A) in paragraph (1), in the matter preceding subparagraph (A), by inserting ``federally authorized'' before ``water resources development project''; (B) in paragraph (2)(A), by inserting ``, except as provided in paragraph (3)'' before the semicolon; and (C) by adding at the end the following: ``(3) Permit exception.-- ``(A) In general.--For a project described in subsection (a)(1) or subsection (a)(3), or a separable element thereof, with respect to which a written agreement described in subparagraph (B) has been entered into, a non-Federal interest that carries out a project under this section shall not be required to obtain any Federal permits or approvals that would not be required if the Secretary carried out the project or separable element unless significant new circumstances or information relevant to environmental concerns or compliance have arisen since development of the project recommendation. ``(B) Written agreement.--For purposes of this paragraph, a written agreement shall provide that the non-Federal interest shall comply with the same legal and technical requirements that would apply if the project or separable element were carried out by the Secretary, including all mitigation required to offset environmental impacts of the project or separable element as determined by the Secretary. ``(C) Certifications.--Notwithstanding subparagraph (A), if a non-Federal interest carrying out a project under this section would, in the absence of a written agreement entered into under this paragraph, be required to obtain a certification from a State under Federal law to carry out the project, such certification shall still be required if a written agreement is entered into with respect to the project under this paragraph. ``(4) Data sharing.-- ``(A) In general.--If a non-Federal interest for a water resources development project begins to carry out that water resources development project under this section, the non- Federal interest may request that the Secretary ***transfer*** to the non-Federal interest all relevant data and documentation under the control of the Secretary with respect to that water resources development project. ``(B) Deadline.--Except as provided in subparagraph (C), the Secretary shall ***transfer*** the data and documentation requested by a non-Federal interest under subparagraph (A) not later than the date that is 90 days after the date on which the non-Federal interest so requests such data and documentation. ``(C) Limitation.--Nothing in this paragraph obligates the Secretary to share any data or documentation that the Secretary considers to be proprietary information.''; (2) by amending subsection (c) to read as follows: ``(c) Studies and Engineering.-- ``(1) In general.--When requested by an appropriate non- Federal interest, the Secretary shall undertake all necessary studies, engineering, and technical assistance on construction for any project to be undertaken under subsection (b), and provide technical assistance in obtaining all necessary permits for the construction, if the non- Federal interest contracts with the Secretary to furnish the United States funds for the studies, engineering, or technical assistance on construction in the period during which the studies, engineering, or technical assistance on construction are being conducted. ``(2) No waiver.--Nothing in this section may be construed to waive any requirement of section 3142 of title 40, United States Code. ``(3) Limitation.--Funds provided by non-Federal interests under this subsection shall not be eligible for credit or reimbursement under subsection (d). ``(4) Impartial decisionmaking.--In carrying out this section, the Secretary shall ensure that the use of funds accepted from a non-Federal interest will not affect the impartial decisionmaking of the Secretary, either substantively or procedurally.''; and (3) in subsection (d)-- (A) in paragraph (3)-- (i) in subparagraph (A), by striking ``; and'' and inserting a semicolon; (ii) in subparagraph (B)(ii), by striking the period at the end and inserting ``; and''; and (iii) by adding at the end the following: ``(C) in the case of reimbursement, appropriations are provided by Congress for such purpose.''; and (B) in paragraph (5)-- (i) by striking ``flood damage reduction'' each place it appears and inserting ``water resources development''; (ii) in subparagraph (A), by striking ``for a discrete segment of a'' and inserting ``for carrying out a discrete segment of a federally authorized''; and (iii) in subparagraph (D), in the matter preceding clause (i), by inserting ``to be carried out'' after ``project''. SEC. 1154. CORPS BUDGETING; PROJECT DEAUTHORIZATIONS; COMPREHENSIVE BACKLOG REPORT. (a) In General.--Section 1001 of the Water Resources Development Act of 1986 (33 U.S.C 579a) is amended-- (1) by striking the section designator and all that follows through ``Any project'' and inserting the following: ``SEC. 1001. CORPS BUDGETING; PROJECT DEAUTHORIZATIONS; COMPREHENSIVE BACKLOG REPORT. ``(a) Any project''; and (2) in subsection (b), by striking paragraphs (3) and (4) and inserting the following: ``(3) Comprehensive construction backlog and operation and maintenance report.-- ``(A) In general.--The Secretary, once every 2 ***years***, shall compile and publish-- ``(i) a complete list of all projects and separable elements of projects of the Corps of Engineers that are authorized for construction but have not been completed; [[Page H8193]] ``(ii) a complete list of all feasibility studies of the Corps of Engineers that Congress has authorized the Secretary to carry out for which a Report of the Chief of Engineers has not been issued; ``(iii) a complete list of all environmental infrastructure projects authorized by Congress under section 219 of the Water Resources Development Act of 1992 (106 Stat. 4835); and ``(iv) a list of major Federal operation and maintenance needs of projects and properties under the control of the Corps of Engineers. ``(B) Required information.--The Secretary shall include on each list developed under clause (i), (ii), or (iii) of subparagraph (A) for each feasibility study, project, and separable element on that list-- ``(i) the date of authorization of the feasibility study, project, or separable element, including any subsequent modifications to the original authorization; ``(ii) the original budget authority for the feasibility study, project, or separable element; ``(iii) a brief description of the feasibility study, project, or separable element; ``(iv) the estimated date of completion of the feasibility study, project, or separable element, assuming all capability is fully funded; ``(v) the estimated total cost of completion of the feasibility study, project, or separable element; ``(vi) the amount of funds spent on the feasibility study, project, or separable element, including Federal and non- Federal funds; ``(vii) the amount of appropriations estimated to be required in each fiscal ***year*** during the period of construction to complete the project or separable element by the date specified under clause (iv); ``(viii) the location of the feasibility study, project, or separable element; ``(ix) a statement from the non-Federal interest for the project or separable element indicating the non-Federal interest's capability to provide the required local cooperation estimated to be required for the project or separable element in each fiscal ***year*** during the period of construction; ``(x) the benefit-cost ratio of the project or separable element, calculated using the discount rate specified by the Office of Management and Budget for purposes of preparing the President's budget pursuant to chapter 11 of title 31, United States Code; ``(xi) the benefit-cost ratio of the project or separable element, calculated using the discount rate utilized by the Corps of Engineers for water resources development project planning pursuant to section 80 of the Water Resources Development Act of 1974 (42 U.S.C 1962d-17); and ``(xii) the last fiscal ***year*** in which the project or separable element incurred obligations. ``(C) Required operation and maintenance information.--The Secretary shall include on the list developed under subparagraph (A)(iv), for each project and property under the control of the Corps of Engineers on that list-- ``(i) the authority under which the project was authorized or the property was acquired by the Corps of Engineers; ``(ii) a brief description of the project or property; ``(iii) an estimate of the Federal costs to meet the major operation and maintenance needs at the project or property; and ``(iv) an estimate of unmet or deferred operation and maintenance needs at the project or property. ``(D) Publication.-- ``(i) In general.--For fiscal ***year*** 2020, and once every 2 ***years*** thereafter, in conjunction with the President's annual budget submission to Congress under section 1105(a) of title 31, United States Code, the Secretary shall submit a copy of the lists developed under subparagraph (A) to-- ``(I) the Committee on Environment and Public Works and the Committee on Appropriations of the Senate and the Committee on Transportation and Infrastructure and the Committee on Appropriations of the House of Representatives; and ``(II) the Director of the Office of Management and Budget. ``(ii) Public availability.--The Secretary shall make a copy of the lists available on a publicly accessible website site in a manner that is downloadable, searchable, and sortable.''. (b) Budgetary Evaluation Metrics and Transparency.-- Beginning in fiscal ***year*** 2020, in the formulation of the annual budget request for the U.S Army Corps of Engineers (Civil Works) pursuant to section 1105(a) of title 31, United States Code, the President shall ensure that such budget request-- (1) aligns the assessment of the potential benefit-cost ratio for budgeting water resources development projects with that used by the Corps of Engineers during project plan formulation and evaluation pursuant to section 80 of the Water Resources Development Act of 1974 (42 U.S.C 1962d-17); and (2) demonstrates the transparent criteria and metrics utilized by the President in the evaluation and selection of water resources development projects included in such budget request. (c) Public Participation.--In the development of, or any proposed major substantive modification to, a proposed budget for water resources development projects, the Secretary, through each District shall, not less frequently than annually-- (1) provide to non-Federal interests and other interested stakeholders information on the proposed budget for projects or substantive modifications to project budgets within each District's jurisdiction; (2) hold multiple public meetings to discuss the budget for projects within each District's jurisdiction; and (3) provide to non-Federal interests the opportunity to collaborate with District personnel for projects within each District's jurisdiction-- (A) to support information sharing; and (B) to the maximum extent practicable, to share in concept development and decisionmaking to achieve complementary or integrated solutions to problems. SEC. 1155. INDIAN TRIBES. (a) Cost Sharing Provisions for Territories and Indian Tribes.--Section 1156(a)(2) of the Water Resources Development Act of 1986 (33 U.S.C 2310(a)(2)) is amended by striking ``(as defined'' and all that follows through the period at the end and inserting ``or tribal organization (as those terms are defined in section 4 of the Indian Self- Determination and Education Assistance Act (25 U.S.C 5304)).''. (b) Written Agreement Requirement for Water Resources Projects.--Section 221(b)(1) of the Flood Control Act of 1970 (42 U.S.C 1962d-5b(b)(1)) is amended by striking ``(including a'' and all that follows through ``; or'' at the end and inserting ``(including an Indian tribe and a tribal organization (as those terms are defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C 5304)); or''. SEC. 1156. INFLATION ADJUSTMENT OF COST-SHARING PROVISIONS FOR TERRITORIES AND INDIAN TRIBES. Section 1156(b) of the Water Resources Development Act of 1986 (33 U.S.C 2310(b)) is amended by striking ``the date of enactment of this subsection'' and inserting ``the date of enactment of the Water Resources Development Act of 2018''. SEC. 1157. CORPS OF ENGINEERS CONTINUING AUTHORITIES ***PROGRAM***. (a) Storm and Hurricane Restoration and Impact Minimization ***Program***.--Section 3(c)(1) of the Act of August 13, 1946 (33 U.S.C 426g(c)(1)) is amended by striking ``$30,000,000'' and inserting ``$37,500,000''. (b) Small River and Harbor Improvement Projects.--Section 107(a) of the River and Harbor Act of 1960 (33 U.S.C 577(a)) is amended by striking ``$50,000,000'' and inserting ``$62,500,000''. (c) Shore Damage Prevention or Mitigation.--Section 111(c) of the River and Harbor Act of 1968 (33 U.S.C 426i(c)) is amended by striking ``$10,000,000'' and inserting ``$12,500,000''. (d) Regional Sediment Management.--Section 204(g) of the Water Resources Development Act of 1992 (33 U.S.C 2326(g)) is amended in the first sentence by striking ``$50,000,000'' and inserting ``$62,500,000''. (e) Small Flood Control Projects.--Section 205 of the Flood Control Act of 1948 (33 U.S.C 701s) is amended in the first sentence by striking ``$55,000,000'' and inserting ``$68,750,000''. (f) Aquatic Ecosystem Restoration.--Section 206(f) of the Water Resources Development Act of 1996 (as redesignated by section 1149) is amended by striking ``$50,000,000'' and inserting ``$62,500,000''. (g) Project Modifications for Improvement of Environment.-- Section 1135(h) of the Water Resources Development Act of 1986 (33 U.S.C 2309a(h)) is amended by striking ``$40,000,000'' and inserting ``$50,000,000''. (h) Emergency Streambank and Shoreline Protection.--Section 14 of the Flood Control Act of 1946 (33 U.S.C 701r) is amended by striking ``$20,000,000'' and inserting ``$25,000,000''. (i) Tribal Partnership ***Program***.--Section 203(b)(4) of the Water Resources Development Act of 2000 (33 U.S.C 2269) is amended to read as follows: ``(4) Design and construction.-- ``(A) In general.--The Secretary may carry out the design and construction of a water resources development project, or separable element of a project, described in paragraph (1) that the Secretary determines is feasible if the Federal share of the cost of the project or separable element is not more than $12,500,000. ``(B) Specific authorization.--If the Federal share of the cost of the project or separable element described in subparagraph (A) is more than $12,500,000, the Secretary may only carry out the project or separable element if Congress enacts a law authorizing the Secretary to carry out the project or separable element.''. SEC. 1158. HURRICANE AND STORM DAMAGE REDUCTION. Section 156 of the Water Resources Development Act of 1976 (42 U.S.C 1962d-5f) is amended-- (1) in subsection (b)-- (A) by striking ``Notwithstanding'' and inserting the following: ``(1) In general.--Notwithstanding''; and (B) by adding at the end the following: ``(2) Timing.--The 15 additional ***years*** provided under paragraph (1) shall begin on the date of initiation of construction of congressionally authorized nourishment.''; and (2) in subsection (e), by striking ``5 ***year***-period'' and inserting ``10-***year*** period''. SEC. 1159. REGIONAL COALITIONS AND HIGHER EDUCATION. Section 22(a) of the Water Resources Development Act of 1974 (42 U.S.C 1962d-16(a)) is amended-- (1) by amending paragraph (1) to read as follows: [[Page H8194]] ``(1) Comprehensive plans.--The Secretary of the Army, acting through the Chief of Engineers, is authorized to cooperate with any State, group of States, non-Federal interest working with a State or group of States, or regional coalition of governmental entities in the preparation of comprehensive plans for the development, utilization, and conservation of the water and related resources of drainage basins, watersheds, or ecosystems located within the boundaries of such State, interest, or entity, including plans to comprehensively address water resources challenges, and to submit to Congress reports and recommendations with respect to appropriate Federal participation in carrying out such plans.''; and (2) by adding at the end the following: ``(3) Institution of higher education.--Notwithstanding section 236 of title 10, United States Code, in carrying out this subsection, the Secretary may work with an institution of higher education, as determined appropriate by the Secretary.''. SEC. 1160. EMERGENCY RESPONSE TO NATURAL DISASTERS. Section 5(a)(1) of the Act of August 18, 1941 (33 U.S.C 701n(a)(1)) is amended in the first sentence-- (1) by striking ``strengthening, raising, extending, or other modification thereof'' and inserting ``strengthening, raising, extending, realigning, or other modification thereof''; and (2) by striking ``structure or project damaged or destroyed by wind, wave, or water action of other than an ordinary nature to the design level of protection when, in the discretion of the Chief of Engineers,'' and inserting ``structure or project damaged or destroyed by wind, wave, or water action of other than an ordinary nature to either the pre-storm level or the design level of protection, whichever provides greater protection, when, in the discretion of the Chief of Engineers,''. SEC. 1161. COST AND BENEFIT FEASIBILITY ASSESSMENT. (a) Cost Benefit and Special Conditions.--Section 5(a) of the Act of August 18, 1941 (33 U.S.C 701n(a)), as amended by this Act, is further amended by striking paragraph (2) and inserting the following: ``(2) Cost and benefit feasibility assessment.-- ``(A) Consideration of benefits.--In preparing a cost and benefit feasibility assessment for any emergency project described in paragraph (1), the Chief of Engineers shall consider the benefits to be gained by such project for the protection of-- ``(i) residential establishments; ``(ii) commercial establishments, including the protection of inventory; and ``(iii) ***agricultural*** establishments, including the protection of crops. ``(B) Special conditions.-- ``(i) Authority to carry out work.--The Chief of Engineers may carry out repair or restoration work described in paragraph (1) that does not produce benefits greater than the cost if-- ``(I) the non-Federal sponsor agrees to pay an amount sufficient to make the remaining costs of the project equal to the estimated value of the benefits of the repair or restoration work; and ``(II) the Secretary determines that-- ``(aa) the damage to the structure was not a result of negligent operation or maintenance; and ``(bb) repair of the project could benefit another Corps project. ``(ii) Treatment of ***payments***.--Non-Federal ***payments*** pursuant to clause (i) shall be in addition to any non- Federal ***payments*** required by the Chief of Engineers that are applicable to the remaining costs of the repair or restoration work.''. (b) Continued Eligibility.--Notwithstanding a non-Federal flood control work's status in the Rehabilitation and Inspection ***Program*** carried out pursuant to section 5 of the Act of August 18, 1941 (33 U.S.C 701n), any unconstructed emergency project for the non-Federal flood control work that was formulated during the three fiscal ***years*** preceding the fiscal ***year*** in which this Act was enacted but that was determined to not produce benefits greater than costs shall remain eligible for assistance under such section 5 until the last day of the third fiscal ***year*** following the fiscal ***year*** in which this Act was enacted if-- (1) the non-Federal sponsor agrees, in accordance with such section 5, as amended by this Act, to pay an amount sufficient to make the remaining costs of the project equal to the estimated value of the benefits of the repair or restoration work; and (2) the Secretary determines that-- (A) the damage to the structure was not as a result of negligent operation or maintenance; and (B) repair of the project could benefit another Corps project. SEC. 1162. EXTENDED COMMUNITY ASSISTANCE BY THE CORPS OF ENGINEERS. Section 5(a) of the Act of August 18, 1941 (33 U.S.C 701n(a)), as amended by this Act, is further amended-- (1) by redesignating paragraph (3) as paragraph (4); and (2) by inserting after paragraph (2) the following: ``(3) Extended assistance.--Upon request by a locality receiving assistance under the fourth sentence of paragraph (1), the Secretary shall, subject to the availability of appropriations, enter into an agreement with the locality to provide such assistance beyond the time period otherwise provided for by the Secretary under such sentence.''. SEC. 1163. DAM SAFETY. Section 14 of the National Dam Safety ***Program*** Act (33 U.S.C 467j) is amended by striking ``2015 through 2019'' each place it appears and inserting ``2019 through 2023''. SEC. 1164. LOCAL GOVERNMENT WATER MANAGEMENT PLANS. With the consent of the non-Federal interest for a feasibility study for a water resources development project, the Secretary may enter into a written agreement under section 221(a) of the Flood Control Act of 1970, with a unit of local government in the watershed that has adopted a local or regional water management plan, to allow the unit of local government to participate in the feasibility study to determine if there is an opportunity to include additional feasible elements in the project in order to help achieve the purposes identified in the local or regional water management plan. SEC. 1165. STRUCTURES AND FACILITIES CONSTRUCTED BY SECRETARY. Section 14 of the Act of March 3, 1899 (33 U.S.C 408) is amended by adding at the end the following: ``(d) Work Defined.--For the purposes of this section, the term `work' shall not include unimproved real estate owned or operated by the Secretary as part of a water resources development project if the Secretary determines that modification of such real estate would not affect the function and usefulness of the project.''. SEC. 1166. ADVANCED FUNDS FOR WATER RESOURCES DEVELOPMENT STUDIES AND PROJECTS. (a) Contributions by States and Political Subdivisions for Immediate Use on Authorized Flood-Control Work; Repayment.-- The Act of October 15, 1940 (33 U.S.C 701h-1) is amended-- (1) by striking ``a flood-control project duly adopted and authorized by law'' and inserting ``a federally authorized water resources development project,''; (2) by striking ``such work'' and inserting ``such project''; (3) by striking ``from appropriations which may be provided by Congress for flood-control work'' and inserting ``if appropriations are provided by Congress for such purpose''; and (4) by adding at the end the following: ``For purposes of this Act, the term `State' means the several States, the District of Columbia, the commonwealths, territories, and possessions of the United States, and Indian tribes (as defined in section 4(e) of the Indian Self-Determination and Education Assistance Act (25 U.S.C 5304(e))).''. (b) No Adverse Effect on Processes.--In implementing any provision of law that authorizes a non-Federal interest to provide, advance, or contribute funds to the Secretary for the development or implementation of a water resources development project (including sections 203 and 204 of the Water Resources Development Act of 1986 (33 U.S.C 2231, 2232), section 5 of the Act of June 22, 1936 (33 U.S.C 701h), and the Act of October 15, 1940 (33 U.S.C 701h-1)), the Secretary shall ensure, to the maximum extent practicable, that the use by a non-Federal interest of such authorities does not adversely affect-- (1) the process or timeline for development and implementation of other water resources development projects by other non-Federal entities that do not use such authorities; or (2) the process for including such projects in the President's annual budget submission to Congress under section 1105(a) of title 31, United States Code. (c) Advances by Private Parties; Repayment.--Section 11 of the Act of March 3, 1925 (Chapter 467; 33 U.S.C 561) is repealed. SEC. 1167. COSTS IN EXCESS OF FEDERAL PARTICIPATION LIMIT. Section 14 of the Flood Control Act of 1946 (33 U.S.C 701r), as amended by this Act, is further amended by inserting ``, and if such amount is not sufficient to cover the costs included in the Federal cost share for a project, as determined by the Secretary, the non-Federal interest shall be responsible for any such costs that exceed such amount'' before the period at the end. SEC. 1168. DISPOSITION OF PROJECTS. (a) In General.--In carrying out a disposition study for a project of the Corps of Engineers, or a separable element of such a project, including a disposition study under section 216 of the Flood Control Act of 1970 (33 U.S.C 549a), the Secretary shall consider modifications that would improve the overall quality of the environment in the public interest, including removal of the project or separable element of a project. (b) Disposition Study Transparency.--The Secretary shall carry out disposition studies described in subsection (a) in a transparent manner, including by-- (1) providing opportunities for public input; and (2) publishing the final disposition studies. (c) Removal of Infrastructure.--For disposition studies described in subsection (a) in which the Secretary determines that a Federal interest no longer exists, and makes a recommendation of removal of the project or separable element of a project, the Secretary is authorized, using existing authorities, to pursue removal of the project or separable element of a project in partnership with other Federal agencies and non-Federal entities with appropriate capabilities to undertake infrastructure removal. [[Page H8195]] SEC. 1169. CONTRIBUTED FUNDS FOR NON-FEDERAL RESERVOIR OPERATIONS. Section 5 of the Act of June 22, 1936 (33 U.S.C 701h), is amended by inserting after ``authorized purposes of the project:'' the following: ``Provided further, That the Secretary is authorized to receive and expend funds from an owner of a non-Federal reservoir to formulate, review, or revise operational documents for any non-Federal reservoir for which the Secretary is authorized to prescribe regulations for the use of storage allocated for flood control or navigation pursuant to section 7 of the Act of December 22, 1944 (33 U.S.C 709):''. SEC. 1170. WATERCRAFT INSPECTION STATIONS. Section 104 of the River and Harbor Act of 1958 (33 U.S.C 610) is amended-- (1) by amending subsection (b) to read as follows: ``(b) Authorization of Appropriations.-- ``(1) In general.--There is authorized to be appropriated to carry out this section $110,000,000 for each fiscal ***year***, of which-- ``(A) $30,000,000 shall be made available to carry out subsection (d)(1)(A)(i); ``(B) $30,000,000 shall be made available to carry out subsection (d)(1)(A)(ii); and ``(C) $30,000,000 shall be made available to carry out subsection (d)(1)(A)(iii). ``(2) Control operations.--Any funds made available under paragraph (1) to be used for control operations shall be allocated by the Chief of Engineers on a priority basis, based on the urgency and need of each area and the availability of local funds.''; and (2) in subsection (d)-- (A) by amending paragraph (1) to read as follows: ``(1) In general.-- ``(A) Watercraft inspection stations.--In carrying out this section, the Secretary shall establish (as applicable), operate, and maintain new or existing watercraft inspection stations-- ``(i) to protect the Columbia River Basin; ``(ii) to protect the Upper Missouri River Basin; and ``(iii) to protect the Upper Colorado River Basin and the South Platte and Arizona River Basins. ``(B) Locations.--The Secretary shall establish watercraft inspection stations under subparagraph (A) at locations with the highest likelihood of preventing the spread of aquatic invasive species at reservoirs operated and maintained by the Secretary, as determined by the Secretary in consultation with States within the areas described in subparagraph (A). ``(C) Rapid response.--The Secretary shall assist States within the areas described in subparagraph (A) with rapid response to any aquatic invasive species, including quagga or zebra mussel, infestation.''; and (B) by amending paragraph (3)(A) to read as follows: ``(A) the Governors of the States within the areas described in each of clauses (i) through (iii) of paragraph (1)(A), as applicable;''. SEC. 1171. RESTRICTED AREAS AT CORPS OF ENGINEERS DAMS. Section 2 of the Freedom to Fish Act (Public Law 113-13; 127 Stat. 449, 128 Stat. 1271) is amended by striking ``4 ***years*** after the date of enactment of the Water Resources Reform and Development Act of 2014'' each place it appears and inserting ``5 ***years*** after the date of enactment of the Water Resources Development Act of 2018''. SEC. 1172. COASTAL EROSION. (a) In General.--Pursuant to section 111 of the River and Harbor Act of 1968 (33 U.S.C 426i), the Secretary shall, to the maximum extent practicable, complete operation and maintenance renourishment to mitigate coastal erosion attributed to Federal project structures in the upper northeast United States. (b) Project Selection.--In carrying out the work under subsection (a), the Secretary shall-- (1) identify and carry out not more than 5 projects-- (A) located in any of the States of Maine, New Hampshire, Massachusetts, Connecticut, Rhode Island, or New York; and (B) for which a feasibility study has been completed by December 31, 2019, that includes findings that a Federal project structure is interrupting the natural flow of sediment and causing coastal erosion; and (2) consult with relevant State agencies in selecting projects. SEC. 1173. PROHIBITION ON SURPLUS WATER FEES, LAKE CUMBERLAND WATERSHED, KENTUCKY AND TENNESSEE. (a) In General.--The Secretary shall not charge a fee for surplus water under a contract entered into pursuant to section 6 of the Act of December 22, 1944 (33 U.S.C 708), if the contract is for surplus water stored in the Lake Cumberland Watershed, Kentucky and Tennessee. (b) Termination.--The limitation under subsection (a) shall expire on the date that is 2 ***years*** after the date of enactment of this Act. (c) Applicability.--Nothing in this section-- (1) affects the authority of the Secretary under section 2695 of title 10, United States Code, to accept funds or to cover the administrative expenses relating to certain real property transactions; (2) affects the application of section 6 of the Act of December 22, 1944 (33 U.S.C 708) or section 301 of the Water Supply Act of 1958 (43 U.S.C 390b) to surplus water stored outside of the Lake Cumberland Watershed, Kentucky and Tennessee; or (3) affects the authority of the Secretary to accept funds under section 216(c) of the Water Resources Development Act of 1996 (33 U.S.C 2321a(c)). SEC. 1174. MIDDLE RIO GRANDE PEAK FLOW RESTORATION. (a) Restarting of Temporary Deviation.--Subject to subsection (b), the Secretary shall restart the temporary deviation in the operation of Cochiti Lake and Jemez Canyon Dam, that was initiated in 2009 and terminated in 2013, to continue to evaluate the effects of the deviation. (b) Approval and Consultation.--Before restarting the temporary deviation under subsection (a), the Secretary shall, as required under the applicable water control manuals-- (1) first obtain approval from-- (A) Pueblo de Cochiti; (B) Pueblo of Santa Ana; and (C) the Rio Grande Compact Commission established by the compact approved by Congress under the Act of May 31, 1939 (53 Stat. 785, chapter 155); and (2) to the maximum extent practicable, consult with the existing Cochiti Lake Environmental Resources Team, which includes other Federal agencies and landowners in the region. (c) Sunset.--The authority to conduct the temporary deviation described in subsection (a) shall terminate on the date that is 5 ***years*** after the date on which the Secretary restarts the temporary deviation under such subsection. SEC. 1175. PROHIBITION OF ADMINISTRATIVE FEES IN IMPLEMENTING ROUGH RIVER LAKE FLOWAGE EASEMENT ENCROACHMENT RESOLUTION PLAN. (a) Definitions.--In this section: (1) Eligible property owner.--The term ``eligible property owner'' means the owner of a property-- (A)(i) described in Scenario A, B, C, or D in the Plan; or (ii) that consists of vacant land located above 534 feet mean sea level that is encumbered by a Rough River Lake flowage easement; and (B) for which the Rough River Lake flowage easement is not required to address backwater effects. (2) Plan.--The term ``Plan'' means the Rough River Lake Flowage Easement Encroachment Resolution Plan of the Corps of Engineers, dated January 2017. (b) Prohibition on Assessing Administrative Fees.-- Notwithstanding any other provision of law, in carrying out the Plan, the Secretary may not impose on or collect from any eligible property owner any administrative fee, including-- (1) a fee to pay the costs to the Corps of Engineers of processing requests to resolve encroachments under the Plan; (2) fees for deed drafting and surveying; and (3) any other administrative cost incurred by the Corps of Engineers in implementing the Plan. (c) Refund of Administrative Fees.--In the case of an eligible property owner who has paid any administrative fees described in paragraphs (1) through (3) of subsection (b) to the Corps of Engineers, the Corps of Engineers shall refund those fees on request of the eligible property owner. (d) Savings Provision.--Nothing in this section affects the responsibility or authority of the Secretary to continue carrying out the Plan, including any work necessary to extinguish the flowage easement of the United States with respect to the property of any eligible property owner. SEC. 1176. PRECONSTRUCTION ENGINEERING DESIGN DEMONSTRATION ***PROGRAM***. (a) Definition of Environmental Impact Statement.--In this section, the term ``environmental impact statement'' means the detailed written statement required under section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C 4332(2)(C)). (b) Demonstration ***Program***.--The Secretary shall establish a demonstration ***program*** to allow a project authorized to execute pursuant to section 211 of the Water Resources Development Act of 1996 (33 U.S.C 701b-13) (as in effect on the day before the date of enactment of the Water Resources Reform and Development Act of 2014 (128 Stat. 1193)) to begin preconstruction engineering and design on a determination by the Secretary that the project is technically feasible, economically justified, and environmentally acceptable. (c) Requirements.--For each project authorized to begin preconstruction engineering and design under subsection (b)-- (1) the project shall conform to the feasibility study and the environmental impact statement approved by the Secretary; and (2) the Secretary and the non-Federal sponsor shall jointly agree to the construction design of the project. (d) Secretary Review of Potential Adverse Impacts.--When reviewing the feasibility study and the environmental impact statement for a project under subsection (b), the Secretary shall follow current USACE Policy, Regulations, and Guidance, to assess potential adverse downstream impacts to the Pearl River Basin. Upon completion of the Secretary's determination under subsection (b), the non-Federal sponsor shall design the project in a manner that addresses any potential adverse impacts or that provides mitigation in accordance with section 906 of the Water Resources Development Act of 1986 (33 U.S.C 2283). [[Page H8196]] (e) Sunset.--The authority to carry out the demonstration ***program*** under this section shall terminate on the date that is 5 ***years*** after the date of enactment of this Act. (f) Savings Provision.--Nothing in this section supersedes, precludes, or affects any applicable requirements for a project under subsection (b) under-- (1) section 906 of the Water Resources Development Act of 1986 (33 U.S.C 2283); or (2) the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C 9601 et seq.). Subtitle B--Studies and Reports SEC. 1201. AUTHORIZATION OF PROPOSED FEASIBILITY STUDIES. The Secretary is authorized to conduct a feasibility study for the following projects for water resources development and conservation and other purposes, as identified in the reports titled ``Report to Congress on Future Water Resources Development'' submitted to Congress on March 17, 2017, and February 5, 2018, respectively, pursuant to section 7001 of the Water Resources Reform and Development Act of 2014 (33 U.S.C 2282d) or otherwise reviewed by Congress: (1) Cave buttes dam, arizona.--Project for flood risk management, Phoenix, Arizona. (2) San diego river, california.--Project for flood risk management, navigation, and ecosystem restoration, San Diego, California. (3) J. bennett johnston waterway, louisiana.--Project for navigation, J. Bennett Johnston Waterway, Louisiana. (4) Northshore, louisiana.--Project for flood risk management, St. Tammany Parish, Louisiana. (5) Ouachita-black rivers, louisiana.--Project for navigation, Little River, Louisiana. (6) Chautauqua lake, new york.--Project for ecosystem restoration and flood risk management, Chautauqua, New York. (7) Trinity river and tributaries, texas.--Project for navigation, Liberty, Texas. (8) West cell levee, texas.--Project for flood risk management, Irving, Texas. (9) Coastal virginia, virginia.--Project for flood risk management, ecosystem restoration, and navigation, Coastal Virginia. (10) Tangier island, virginia.--Project for flood risk management and ecosystem restoration, Tangier Island, Virginia. SEC. 1202. ADDITIONAL STUDIES. (a) Lower Mississippi River; Missouri, Kentucky, Tennessee, Arkansas, Mississippi, and Louisiana.-- (1) In general.--The Secretary is authorized to carry out studies to determine the feasibility of habitat restoration for each of the eight reaches identified as priorities in the report prepared by the Secretary pursuant to section 402 of the Water Resources Development Act of 2000, titled ``Lower Mississippi River Resource Assessment; Final Assessment In Response to Section 402 of WRDA 2000'' and dated July 2015. (2) Consultation.--The Secretary shall consult with the Lower Mississippi River Conservation Committee during each feasibility study carried out under paragraph (1). (b) St. Louis Riverfront, Meramec River Basin, Missouri and Illinois.-- (1) In general.--The Secretary is authorized to carry out studies to determine the feasibility of a project for ecosystem restoration and flood risk management in Madison, St. Clair, and Monroe Counties, Illinois, St. Louis City, and St. Louis, Jefferson, Franklin, Gasconade, Maries, Phelps, Crawford, Dent, Washington, Iron, St. Francois, St. Genevieve, Osage, Reynolds, and Texas Counties, Missouri. (2) Continuation of existing study.--Any study carried out under paragraph (1) shall be considered a continuation of the study being carried out under Committee Resolution 2642 of the Committee on Transportation and Infrastructure of the House of Representatives, adopted June 21, 2000. SEC. 1203. EXPEDITED COMPLETION. (a) Feasibility Reports.--The Secretary shall expedite the completion of a feasibility study for each of the following projects, and if the Secretary determines that the project is justified in a completed report, may proceed directly to preconstruction planning, engineering, and design of the project: (1) Project for riverbank stabilization, Selma, Alabama. (2) Project for ecosystem restoration, Three Mile Creek, Alabama. (3) Project for navigation, Nome, Alaska. (4) Project for flood diversion, Seward, Alaska. (5) Project for flood control, water conservation, and related purposes, Coyote Valley Dam, California. (6) Project for flood risk management, Lower Cache Creek, California. (7) Project for flood risk management, Lower San Joaquin River, California, as described in section 1322(b)(2)(F) of the Water Resources Development Act of 2016 (130 Stat. 1707) (second phase of feasibility study). (8) Project for flood risk management, South San Francisco, California. (9) Project for flood risk management and ecosystem restoration, Tijuana River, California. (10) Project for flood damage reduction, Westminster-East Garden Grove, California. (11) Project for flood risk management in East Hartford, Connecticut. (12) Project for flood risk management in Hartford, Connecticut. (13) Projects under the Comprehensive Flood Mitigation Study for the Delaware River Basin. (14) Project for ecosystem restoration, Lake Apopka, Florida. (15) Project for ecosystem restoration, Kansas River Weir, Kansas. (16) Project for navigation and channel deepening, Baptiste Collette Bayou, Louisiana, under section 203 of the Water Resources Development Act of 1986 (33 U.S.C 2231). (17) Project for navigation and channel deepening, Houma Navigation Canal, Louisiana, under section 203 of the Water Resources Development Act of 1986 (33 U.S.C 2231). (18) Project for navigation and channel deepening, Bayou Lafourche, Louisiana, under section 203 of the Water Resources Development Act of 1986 (33 U.S.C 2231). (19) Project for flood damage reduction and ecosystem restoration, St. Tammany Parish, Louisiana. (20) Project for ecosystem restoration, Warren Glen Dam Removal, Musconetcong River, New Jersey. (21) Project for flood risk management, Rahway River Basin, New Jersey. (22) The Hudson-Raritan Estuary Comprehensive Restoration Project, New Jersey and New York. (23) Project for flood control and water supply, Abiquiu Dam, New Mexico. (24) Project for reformulation, East Rockaway Inlet to Rockaway Inlet and Jamaica Bay, Queens, New York. (25) Project for navigation, New York-New Jersey Harbor and Tributaries Focus Area. (26) Project for water resource improvements, Willamette River Basin, Fern Ridge, Oregon. (27) Project for coastal storm risk management, Pawcatuck River, Rhode Island. (28) Project for the Rhode Island historical structure flood hazard vulnerability assessment. (29) Project for coastal storm risk management, Norfolk, Virginia. (30) Project for navigation, Tacoma Harbor, Washington. (b) Lower San Joaquin River, California.--In expediting completion of the second phase of the Lower San Joaquin River feasibility study under subsection (a)(7), the Secretary shall review and give priority to any plans and designs requested by non-Federal interests and incorporate such plans and designs into the Federal study if the Secretary determines that such plans and designs are consistent with Federal standards. (c) Hudson-Raritan Estuary Comprehensive Restoration Project, New Jersey and New York.--In the case of a recommendation for restoration activities within the Jamaica Bay Unit of the Hudson-Raritan Estuary Comprehensive Restoration Project, New Jersey and New York, under subsection (a)(22), which are to protect property under the jurisdiction of the National Park Service, the Secretary may recommend to Congress that the Secretary accept and expend funds from the National Park Service to carry out such activities. (d) Post-Authorization Change Report.--The Secretary shall expedite completion of a post-authorization change report for the project for flood risk management, San Luis Rey River Flood Control Protection Project, California. (e) Huntingdon County, Pennsylvania.-- (1) In general.--The Secretary shall expedite the updating of the master plan for the Juniata River and tributaries project, Huntingdon County, Pennsylvania, authorized by section 203 of the Flood Control Act of 1962 (Public Law 87- 874; 76 Stat. 1182). (2) Process.--In carrying out subsection (a), the Secretary shall update the master plan in accordance with section 1309(a)(2) of the Water Resources Development Act of 2016 (Public Law 114-322; 130 Stat. 1693). (f) Upper Missouri River Basin Flood and Drought Monitoring.--The Secretary shall expedite activities authorized under section 4003(a) of the Water Resources Reform and Development Act of 2014 (128 Stat. 1311, 130 Stat. 1677). (g) Project Modifications for Improvement of Environment.-- For fiscal ***years*** 2019 and 2020, the Secretary shall give priority to projects that restore degraded ecosystems through modification of existing flood risk management projects for projects-- (1) authorized under section 1135 of the Water Resources Development Act of 1986 (33 U.S.C 2309a); and (2) located within the Upper Missouri River Basin. (h) Expedited Completion of Certain Projects.--It is the sense of Congress that the Secretary should provide funding for, and expedite the completion of, the following projects: (1) West Haven, Connecticut, as authorized by section 101 of the River and Harbor Act of 1954 (68 Stat. 1254) and section 3 of the Act of August 13, 1946 (60 Stat. 1056, chapter 960; 33 U.S.C 426g). (2) Providence River, Rhode Island, as authorized by the first section of the Act of August 26, 1937 (50 Stat. 845, chapter 832) and section 301 of the River and Harbor Act of 1965 (79 Stat. 1089). (3) Morganza to the Gulf, Louisiana, as authorized by section 7002(3) of the Water Resources Reform and Development Act of 2014 (128 Stat. 1368). (4) Louisiana Coastal Area, Louisiana, as authorized by section 7002(5) of the Water Resources Reform and Development Act of 2014 (128 Stat. 1369). [[Page H8197]] (5) Louisiana Coastal Area-Barataria Basin Barrier, Louisiana, as authorized by section 7002(5) of the Water Resources Reform and Development Act of 2014 (128 Stat. 1370). (6) West Shore Lake Pontchartrain, Louisiana, as authorized by section 1401(3) of the Water Resources Development Act of 2016 (130 Stat. 1712). (7) Southwest Coastal Louisiana, Louisiana, as authorized by section 1401(8) of the Water Resources Development Act of 2016 (130 Stat. 1715). (8) West Thompson Lake, Connecticut, as authorized by section 203 of the Flood Control Act of 1960 (74 Stat. 489). SEC. 1204. GAO STUDY ON BENEFIT-COST ANALYSIS REFORMS. Not later than 1 ***year*** after the date of enactment of this Act, the Comptroller General of the United States shall-- (1) conduct a study on the benefit-cost procedures of the Secretary and the Director of the Office of Management and Budget (referred to in this section as the ``Director''), including-- (A) an examination of the benefits and costs that the Secretary and the Director do and do not include in the benefit-cost calculation, including, at a minimum, local and regional economic benefits; and (B) a review of the calculation, if any, of navigation benefits used in a benefit-cost calculation for a non- commercial harbor that is used by a State maritime academy (as defined in section 51102 of title 46, United States Code) for military training purposes; and (2) submit to Congress a report that-- (A) describes the results of the study under paragraph (1); and (B) includes recommendations for legislative or regulatory changes to improve the benefit-cost analysis procedures of the Secretary and the Director. SEC. 1205. HARBOR MAINTENANCE TRUST FUND REPORT. (a) Deadline.--Not later than 180 days after enactment of this Act, the Secretary shall submit reports under section 210(e)(3) of the Water Resources Development Act of 1986 (33 U.S.C 2238(e)(3)) and section 330 of the Water Resources Development Act of 1992 (26 U.S.C 9505 note; Public Law 102- 580) to the Committee on Transportation and Infrastructure of the House of Representatives and to the Committee on Environment and Public Works of the Senate. (b) Additional Information.--For each report described in subsection (a) that is submitted after the date of enactment of this Act, the Secretary shall include, on a project-by- project basis, additional information identifying-- (1) the most recent fiscal ***year*** for which operations and maintenance activities have been carried out and the cost of those activities; and (2) the operations and maintenance activities that were performed through either a recommendation from Congress or unspecified funds made available for ongoing work. (c) Availability.--The Secretary shall make publicly available all reports described in subsection (a) submitted before, on, or after the date of enactment of this Act. SEC. 1206. IDENTIFICATION OF NONPOWERED DAMS FOR HYDROPOWER DEVELOPMENT. (a) In General.--Not later than 18 months after the date of enactment of this section, the Secretary shall develop a list of existing nonpowered dams owned and operated by the Corps of Engineers that have the greatest potential for hydropower development. (b) Considerations.--In developing the list under subsection (a), the Secretary may consider the following: (1) The compatibility of hydropower generation with existing purposes of the dam. (2) The proximity of the dam to existing transmission resources. (3) The existence of studies to characterize environmental, cultural, and historic resources relating to the dam. (4) Whether hydropower is an authorized purpose of the dam. (c) Availability.--The Secretary shall provide the list developed under subsection (a) to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate, and make such list available to the public. SEC. 1207. STUDY ON INNOVATIVE PORTS FOR OFFSHORE WIND DEVELOPMENT. (a) Definition of Innovative Port for Offshore Wind Development.--In this section, the term ``innovative port for offshore wind development'' includes any federally authorized port or harbor that can accommodate (including through retrofitting)-- (1) the upright assembly of the majority of an offshore wind facility, including the foundation, tower, turbine, blade, and electrical components; (2) an assembly area, ground-bearing pressure, and overhead clearance for the assembly of offshore wind facility turbines, which each have a capacity of up to 20 megawatts; (3) a heavy-lift quay and not less than 25 acres of port storage; (4) innovative offshore wind facility and vessel technologies that allow for the rapid installation of an offshore wind facility; and (5) any other innovative offshore wind facility technology, as determined by the Secretary. (b) Study and Report.-- (1) In general.--Not later than 1 ***year*** after the date of enactment of this Act, the Secretary shall-- (A) in consultation with the all appropriate Federal agencies, carry out a study of all federally authorized ports and harbors, including in the Mid-Atlantic, Gulf Coast, West Coast, Great Lakes, and New England regions of the United States, to identify-- (i) not less than 3 suitable federally authorized ports and harbors in those regions that could become innovative ports for offshore wind development; (ii) barriers to the development of innovative ports for offshore wind development; (iii) the Federal and State actions, including dredging and construction of supporting infrastructure, needed to facilitate the development of the federally authorized ports and harbors identified under clause (i) to become innovative ports for offshore wind development; and (iv) recommendations on any further research needed to improve federally authorized ports and harbors in the United States for offshore wind facility development and deployment; and (B) submit to Congress a report describing the results of the study under subparagraph (A). (2) Consultation.--In carrying out the study under paragraph (1), the Secretary shall consult with, at a minimum-- (A) the Governor of each State in which a port or harbor was identified; (B) affected port authorities; (C) units of local government; and (D) relevant experts in engineering, environment, and industry considerations. SEC. 1208. INNOVATIVE MATERIALS AND ADVANCED TECHNOLOGIES REPORT. Not later than 1 ***year*** after the date of enactment of this Act, the Secretary shall submit to Congress a report that-- (1) describes activities conducted by the Corps of Engineers at centers of expertise, technology centers, technical centers, research and development centers, and similar facilities and organizations relating to the testing, research, development, identification, and recommended uses for innovative materials and advanced technologies, including construction management technologies, in water resources development projects; and (2) provides recommendations for types of water resources development projects in which innovative materials and advanced technologies should be used. SEC. 1209. STUDY AND REPORT ON EXPEDITING CERTAIN WAIVER PROCESSES. Not later than 1 ***year*** after the date of enactment of this Act, the Secretary shall complete and submit to the Committee on Environment and Public Works of the Senate and the Committee on Transportation and Infrastructure of the House of Representatives a report based on the results of a study on the best options available to the Secretary to implement the waiver process for the non-Federal cost share under section 116 of the Energy and Water Development and Related Agencies Appropriations Act, 2010 (Public Law 111-85; 123 Stat. 2851). SEC. 1210. REPORT ON DEBRIS REMOVAL. Not later than 180 days after the date of enactment of this Act, the Secretary shall submit to Congress and make publicly available a report that describes-- (1) the extent to which the Secretary has carried out section 3 of the Act of March 2, 1945 (33 U.S.C 603a); and (2) how the Secretary has evaluated potential work to be carried out under that section. SEC. 1211. CORPS FLOOD POLICY WITHIN URBAN AREAS. Not later than 1 ***year*** after the date of enactment of this Act, the Secretary shall report to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate on-- (1) flooding within urban floodplains; and (2) the Federal policy constraints on the ability of the Secretary to address urban flooding, including the regulations under part 238 of title 33, Code of Federal Regulations (as in effect on the date of enactment of this Act) (including the limitation under section 238.7(a)(1) of that title that allows the Secretary to provide assistance only where the flood discharge of a stream or waterway within an urban area is greater than 800 cubic feet per second for the 10-percent flood). SEC. 1212. FEASIBILITY STUDIES FOR MITIGATION OF DAMAGE. Not later than one ***year*** after the date of enactment of this Act, the Secretary shall submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate a report that identifies-- (1) feasibility studies that are incomplete as of the date of enactment of this Act for a project for mitigation of damage to an area affected by weather or other events for which-- (A) during the 8-***year*** period ending on the date of enactment of this Act-- (i) the Secretary provided emergency response under section 5 of the Act of August 18, 1941 (33 U.S.C 701n); or (ii) the area received assistance under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C 5121 et seq.); and (B) there is significant risk for future similar events (as determined by the Secretary); and (2) for each feasibility study identified under paragraph (1), impediments to completing the study. [[Page H8198]] SEC. 1213. APPLICATIONS OF MILITARY LEASING AUTHORITIES. Not later than 2 ***years*** after the date of enactment of this Act, the Secretary shall-- (1) complete a study on the application of section 2667 of title 10, United States Code, enhanced use leasing authorities, and other military leasing authorities to the civil works ***program*** of the Secretary; and (2) submit to Congress a report on the results of the study under paragraph (1), including a description of the obstacles that must be removed so that the Assistant Secretary of the Army for Civil Works may implement the authorities. SEC. 1214. COMMUNITY ENGAGEMENT. (a) Report.--Not later than two ***years*** after the date of enactment of this section, the Secretary shall submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate a report on any potential disproportionate and adverse health or environmental effects of ***programs***, policies, and activities of the Corps of Engineers related to water resources development projects on minority communities, low-income communities, rural communities, and Indian Tribes. (b) Consultation.--In preparing the report under subsection (a), the Secretary shall provide public and private meetings with representatives of minority communities, low-income communities, rural communities, and Indian Tribes, as well as representatives of State and local governments, and shall ensure that sufficient meetings are held in different geographic regions of the United States to ensure that a diversity of views are obtained. (c) Recommendations.--The report submitted under subsection (a) shall include-- (1) the identification of any disproportionate and adverse health or environmental effects to the communities and Tribes; and (2) any recommendations of the Secretary for addressing such effects, including recommended changes to the statutory or regulatory authorities of the Corps of Engineers, or changes to the policies or guidance of the Corps of Engineers. SEC. 1215. TRANSPARENCY IN ADMINISTRATIVE EXPENSES. Section 1012(b)(1) of the Water Resources Reform and Development Act of 2014 (33 U.S.C 2315a(b)(1)) is amended by striking ``The Secretary'' and inserting ``Not later than 1 ***year*** after the date of enactment of the Water Resources Development Act of 2018, the Secretary''. SEC. 1216. ASSESSMENT OF HARBORS AND INLAND HARBORS. Section 210(e) of the Water Resources Development Act of 1986 (33 U.S.C 2238) is amended-- (1) in paragraph (1), by striking ``shall assess the'' and inserting ``shall assess, and issue a report to Congress on, the''; and (2) in paragraph (2), by adding at the end the following: ``(C) Opportunities for beneficial use of dredged materials.--In carrying out paragraph (1), the Secretary shall identify potential opportunities for the beneficial use of dredged materials obtained from harbors and inland harbors referred to in subsection (a)(2), including projects eligible under section 1122 of the Water Resources Development Act of 2016 (130 Stat. 1645; 33 U.S.C 2326 note).''. SEC. 1217. MAINTENANCE OF HIGH-RISK FLOOD CONTROL PROJECTS. (a) Assessment.--With respect to each project classified as class III under the Dam Safety Action Classification of the Corps of Engineers for which the Secretary has assumed responsibility for maintenance as of the date of enactment of this Act, the Secretary shall assess-- (1) the anticipated effects of the Secretary continuing to be responsible for the maintenance of the project during the period that ends 15 ***years*** after the date of enactment of this Act, including the benefits to the State and local community; and (2) the anticipated effects of the Secretary not continuing to be responsible for the maintenance of the project during such 15-***year*** period, including the costs to the State and local community. (b) Report.--Not later than 90 days after completion of the assessment under subsection (a), the Secretary shall submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate a report summarizing the results of the assessment. SEC. 1218. NORTH ATLANTIC DIVISION REPORT ON HURRICANE BARRIERS AND HARBORS OF REFUGE. Not later than 1 ***year*** after the date of enactment of this Act, the Secretary, in consultation with State and local experts in the North Atlantic Division of the Corps of Engineers, shall submit to Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate a report on the durability and resiliency of existing hurricane barriers and harbors of refuge in the North Atlantic Division, giving particular consideration as to how such barriers and harbors will survive and fully serve their planned levels of protection under current, near, and longer term future predicted sea levels, storm surges, and storm strengths. SEC. 1219. GREAT LAKES COASTAL RESILIENCY STUDY. (a) In General.--The Secretary shall carry out a comprehensive assessment of the water resources needs of the Great Lakes System under section 729 of the Water Resources Development Act of 1986 (33 U.S.C 2267a). (b) Cooperation.--In carrying out the assessment pursuant to subsection (a), the Secretary shall cooperate with stakeholders and coordinate with all ongoing ***programs*** and projects of the Great Lakes Restoration Initiative under section 118(c)(7) of the Federal Water Pollution Control Act (33 U.S.C 1268). (c) Definitions.--The term ``Great Lakes System'' has the meaning given such term in section 118(a) of the Federal Water Pollution Control Act (33 U.S.C 1268(a)). SEC. 1220. MCMICKEN DAM, ARIZONA, AND MUDDY RIVER, MASSACHUSETTS. (a) Report.--The Secretary shall submit a report to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment on Public Works of the Senate on the status of-- (1) the project at McMicken Dam, Arizona, authorized by section 304 of the Act of August 7, 1953 (67 Stat. 450); and (2) the project for flood damage reduction and environmental restoration, Muddy River, Brookline and Boston, Massachusetts, authorized by section 522 of the Water Resources Development Act of 2000 (114 Stat. 2656). (b) Requirements.--The report under subsection (a) shall include a description of the reasons of the Secretary for deauthorizing the projects described in subsection (a). SEC. 1221. TABLE ROCK LAKE, ARKANSAS AND MISSOURI. Not later than 120 days after the date of enactment of this Act, the Secretary shall submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate a report on the implementation of section 1185(c) of the Water Resources Development Act of 2016 (130 Stat. 1680). SEC. 1222. FORECAST-INFORMED RESERVOIR OPERATIONS. (a) Report on Forecast-Informed Reservoir Operations.--Not later than one ***year*** after the date of completion of the forecast-informed reservoir operations research study pilot ***program*** at Coyote Valley Dam, Russian River Basin, California (authorized by the River and Harbor Act of 1950 (64 Stat. 177)), the Secretary shall issue a report to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate on the results of the study pilot ***program***. (b) Contents of Report.--The Secretary shall include in the report issued under subsection (a)-- (1) an analysis of the use of forecast-informed reservoir operations at Coyote Valley Dam, California; (2) an assessment of the viability of using forecast- informed reservoir operations at other dams owned or operated by the Secretary; (3) an identification of other dams owned or operated by the Secretary where forecast-informed reservoir operations may assist the Secretary in the optimization of future reservoir operations; and (4) any additional areas for future study of forecast- informed reservoir operations. SEC. 1223. CEDAR RIVER, IOWA. Not later than 90 days after the date of enactment of this Act, the Secretary shall complete and submit to the Committee on Environment and Public Works of the Senate and the Committee on Transportation and Infrastructure of the House of Representatives a report summarizing the path forward and timeline to implement the project for flood risk management at Cedar River, Cedar Rapids, Iowa, authorized by section 7002(2) of the Water Resources Reform and Development Act of 2014 (128 Stat. 1366). SEC. 1224. OLD RIVER CONTROL STRUCTURE, LOUISIANA. (a) In General.--Not later than 180 days after the date of enactment of this Act, the Secretary shall submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate a report on the structure and operations plan for the Old River control structure authorized by the Flood Control Act of 1954 (68 Stat. 1258), based on the best available science, improved monitoring capabilities, and other factors as determined by the Secretary, including consideration of-- (1) flood control; (2) navigational conditions; (3) water supply; (4) ecosystem restoration and ecological productivity; and (5) hydroelectric production. (b) Public Participation.--In developing the report required by subsection (a), the Secretary shall provide opportunity for public input and stakeholder engagement, including public meetings. SEC. 1225. UPPER MISSISSIPPI RIVER PROTECTION. Section 2010 of the Water Resources Reform and Development Act of 2014 (128 Stat. 1270) is amended by adding at the end the following: ``(d) Considerations.--In carrying out a disposition study with respect to the Upper St. Anthony Falls Lock and Dam, including a disposition study under section 216 of the Flood Control Act of 1970 (33 U.S.C 549a), the Secretary shall expedite completion of such [[Page H8199]] study and shall produce a report on the Upper St. Anthony Falls Lock and Dam that is separate from any report on any other lock or dam included in such study that includes plans for-- ``(1) carrying out modifications to the Upper St. Anthony Falls Lock and Dam to-- ``(A) preserve and enhance recreational opportunities and the health of the ecosystem; and ``(B) maintain the benefits to the natural ecosystem and human environment; ``(2) a partial disposition of the Upper St. Anthony Falls Lock and Dam facility and surrounding real property that preserves any portion of the Upper St. Anthony Falls Lock and Dam necessary to maintain flood control; and ``(3) expediting the disposition described in this subsection. ``(e) Contributed Funds.--The Secretary shall accept and expend funds to carry out the study described in subsection (d) that are contributed by a State or a political subdivision of a State under the Act of October 15, 1940 (33 U.S.C 701h-1).''. SEC. 1226. MISSOURI RIVER. (a) IRC Report.--Not later than 18 months after the date of enactment of this Act, the Secretary shall submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate a report regarding the impacts of interception-rearing complex construction on the navigation, flood control, and other authorized purposes set forth in the Missouri River Master Manual, and on the population recovery of the pallid sturgeon. (b) No Additional IRC Construction.--Until the report under subsection (a) is submitted, no additional interception- rearing complex construction is authorized. SEC. 1227. LOWER MISSOURI RIVER BANK STABILIZATION AND NAVIGATION. (a) In General.--Not later than 180 days after the date of enactment of this Act, the Secretary shall submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate a report on the function and reliability of the Lower Missouri River bank stabilization and navigation project, authorized by the first section of the Act of July 25, 1912 (37 Stat. 219, chapter 253). (b) Considerations and Coordination.--In developing the report required under subsection (a), the Secretary shall-- (1) consider recommended improvements to the project described in such subsection and current and future flood risks; and (2) coordinate with State and local governments and affected stakeholders. SEC. 1228. COASTAL TEXAS STUDY. The Secretary shall expedite the completion of studies for flood damage reduction, hurricane and storm damage reduction, and ecosystem restoration in the coastal areas of Texas that are identified in the interim report due to be published in 2018 that describes the tentatively selected plan developed in accordance with section 4091 of the Water Resources Development Act of 2007 (121 Stat. 1187). SEC. 1229. REPORT ON WATER SUPPLY CONTRACT, WRIGHT PATMAN LAKE, TEXAS. Not later than June 30, 2019, the Secretary shall submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate a report on the status of the implementation of the water supply contract, Department of the Army, Civil Works Contract No. 29-68-A-0130, at Wright Patman Lake, Texas, that-- (1) describes the implementation of that contract at Wright Patman Lake; and (2) identifies-- (A) the activities that the Secretary expects to be necessary to complete the execution of the contract; (B) the expected completion date for each activity identified under subparagraph (A); and (C) the expected date of completion of the execution of the contract. Subtitle C--Deauthorizations, Modifications, and Related Provisions SEC. 1301. DEAUTHORIZATION OF INACTIVE PROJECTS. (a) Purposes.--The purposes of this section are-- (1) to identify $4,000,000,000 in water resources development projects authorized by Congress that are no longer viable for construction due to-- (A) a lack of local support; (B) a lack of available Federal or non-Federal resources; or (C) an authorizing purpose that is no longer relevant or feasible; (2) to create an expedited and definitive process for Congress to deauthorize water resources development projects that are no longer viable for construction; and (3) to allow the continued authorization of water resources development projects that are viable for construction. (b) Interim Deauthorization List.-- (1) In general.--The Secretary shall develop an interim deauthorization list that identifies-- (A) each water resources development project, or separable element of a project, authorized for construction before November 8, 2007, for which-- (i) planning, design, or construction was not initiated before the date of enactment of this Act; or (ii) planning, design, or construction was initiated before the date of enactment of this Act, but for which no funds, Federal or non-Federal, were obligated for planning, design, or construction of the project or separable element of the project during the current fiscal ***year*** or any of the 6 preceding fiscal ***years***; (B) each project or separable element of a project identified and included on a list to Congress for deauthorization pursuant to section 1001(b)(2) of the Water Resources Development Act of 1986 (33 U.S.C 579a(b)(2)); and (C) any project or separable element of a project for which the non-Federal sponsor of such project or separable element submits a request for inclusion on the list. (2) Public comment and consultation.-- (A) In general.--The Secretary shall solicit comments from the public and the Governors of each applicable State on the interim deauthorization list developed under paragraph (1). (B) Comment period.--The public comment period shall be 90 days. (3) Submission to congress; publication.--Not later than 90 days after the date of the close of the comment period under paragraph (2), the Secretary shall-- (A) submit a revised interim deauthorization list to the Committee on Environment and Public Works of the Senate and the Committee on Transportation and Infrastructure of the House of Representatives; and (B) publish the revised interim deauthorization list in the Federal Register. (c) Final Deauthorization List.-- (1) In general.--The Secretary shall develop a final deauthorization list of water resources development projects, or separable elements of projects, from the revised interim deauthorization list described in subsection (b)(3). (2) Deauthorization amount.-- (A) Proposed final list.--The Secretary shall prepare a proposed final deauthorization list of projects and separable elements of projects that have, in the aggregate, an estimated Federal cost to complete that is at least $4,000,000,000. (B) Determination of federal cost to complete.--For purposes of subparagraph (A), the Federal cost to complete shall take into account any allowances authorized by section 902 of the Water Resources Development Act of 1986 (33 U.S.C 2280), as applied to the most recent project schedule and cost estimate. (3) Identification of projects.-- (A) Sequencing of projects.-- (i) In general.--The Secretary shall identify projects and separable elements of projects for inclusion on the proposed final deauthorization list according to the order in which the projects and separable elements of the projects were authorized, beginning with the earliest authorized projects and separable elements of projects and ending with the latest project or separable element of a project necessary to meet the aggregate amount under paragraph (2)(A). (ii) Factors to consider.--The Secretary may identify projects and separable elements of projects in an order other than that established by clause (i) if the Secretary determines, on a case-by-case basis, that a project or separable element of a project is critical for interests of the United States, based on the possible impact of the project or separable element of the project on public health and safety, the national economy, or the environment. (iii) Consideration of public comments.--In making determinations under clause (ii), the Secretary shall consider any comments received under subsection (b)(2). (B) Appendix.--The Secretary shall include as part of the proposed final deauthorization list an appendix that-- (i) identifies each project or separable element of a project on the interim deauthorization list developed under subsection (b) that is not included on the proposed final deauthorization list; and (ii) describes the reasons why the project or separable element is not included on the proposed final list. (4) Public comment and consultation.-- (A) In general.--The Secretary shall solicit comments from the public and the Governor of each applicable State on the proposed final deauthorization list and appendix developed under paragraphs (2) and (3). (B) Comment period.--The public comment period shall be 90 days. (5) Submission of final list to congress; publication.--Not later than 120 days after the date of the close of the comment period under paragraph (4), the Secretary shall-- (A) submit a final deauthorization list and an appendix to the final deauthorization list in a report to the Committee on Environment and Public Works of the Senate and the Committee on Transportation and Infrastructure of the House of Representatives; and (B) publish the final deauthorization list and the appendix to the final deauthorization list in the Federal Register. (d) Deauthorization; Congressional Review.-- (1) In general.--After the expiration of the 180-day period beginning on the date of submission of the final deauthorization list and appendix under subsection (c), a project or separable element of a project identified in the final deauthorization list is hereby deauthorized, unless Congress passes a joint [[Page H8200]] resolution disapproving the final deauthorization list prior to the end of such period. (2) Non-federal contributions.-- (A) In general.--A project or separable element of a project identified in the final deauthorization list under subsection (c) shall not be deauthorized under this subsection if, before the expiration of the 180-day period referred to in paragraph (1), the non-Federal interest for the project or separable element of the project provides sufficient funds to complete the project or separable element of the project. (B) Treatment of projects.--Notwithstanding subparagraph (A), each project and separable element of a project identified in the final deauthorization list shall be treated as deauthorized for purposes of the aggregate deauthorization amount specified in subsection (c)(2)(A). (3) Projects identified in appendix.--A project or separable element of a project identified in the appendix to the final deauthorization list shall remain subject to future deauthorization by Congress. (e) Special Rule for Projects Receiving Funds for Post- authorization Study.--A project or separable element of a project may not be identified on the interim deauthorization list developed under subsection (b), or the final deauthorization list developed under subsection (c), if the project or separable element received funding for a post- authorization study during the current fiscal ***year*** or any of the 6 preceding fiscal ***years***. (f) General Provisions.-- (1) Definitions.--In this section, the following definitions apply: (A) Post-authorization study.--The term ``post- authorization study'' means-- (i) a feasibility report developed under section 905 of the Water Resources Development Act of 1986 (33 U.S.C 2282); (ii) a feasibility study, as defined in section 105(d) of the Water Resources Development Act of 1986 (33 U.S.C 2215(d)); or (iii) a review conducted under section 216 of the Flood Control Act of 1970 (33 U.S.C 549a), including an initial appraisal that-- (I) demonstrates a Federal interest; and (II) requires additional analysis for the project or separable element. (B) Water resources development project.--The term ``water resources development project'' includes an environmental infrastructure assistance project or ***program*** of the Corps of Engineers. (2) Treatment of project modifications.--For purposes of this section, if an authorized water resources development project or separable element of the project has been modified by an Act of Congress, the date of the authorization of the project or separable element shall be deemed to be the date of the most recent modification. SEC. 1302. BACKLOG PREVENTION. (a) Project Deauthorization.-- (1) In general.--A water resources development project authorized for construction by this Act shall not be authorized after the last day of the 10-***year*** period beginning on the date of enactment of this Act unless-- (A) funds have been obligated for construction of, or a post-authorization study for, such project or such separable element during such period; or (B) a subsequent Act of Congress modifies the authorization contained in this Act. (2) Identification of projects.--Not later than 60 days after the expiration of the 10-***year*** period described in paragraph (1), the Secretary shall submit to the Committee on Environment and Public Works of the Senate and the Committee on Transportation and Infrastructure of the House of Representatives a report that identifies the projects deauthorized under paragraph (1). (b) Report to Congress.--Not later than 60 days after the expiration of the 12-***year*** period beginning on the date of enactment of this Act, the Secretary shall submit to the Committee on Environment and Public Works of the Senate and the Committee on Transportation and Infrastructure of the House of Representatives, and make available to the public, a report that contains-- (1) a list of any water resources development projects authorized by this Act for which construction has not been completed; (2) a description of the reasons each project was not completed; (3) a schedule for the completion of the projects based on expected levels of appropriations; (4) a 5-***year*** and 10-***year*** projection of construction backlog; and (5) any recommendations to Congress regarding how to mitigate the backlog. SEC. 1303. PROJECT MODIFICATIONS. (a) Consistency With Reports.--Congress finds that the project modifications described in this section are in accordance with the reports submitted to Congress by the Secretary under section 7001 of the Water Resources Reform and Development Act of 2014 (33 U.S.C 2282d), titled ``Report to Congress on Future Water Resources Development'', or have otherwise been reviewed by Congress. (b) Modifications.-- (1) Harbor/South bay, california.--Section 219(f)(43) of the Water Resources Development Act of 1992 (113 Stat. 337; 114 Stat. 2763A-220) is amended by striking ``$35,000,000'' and inserting ``$70,000,000''. (2) Lakes marion and moultrie, south carolina.--Section 219(f)(25) of the Water Resources Development Act of 1992 (113 Stat. 336; 114 Stat. 2763A-220; 117 Stat. 1838; 130 Stat. 1677) is amended by striking ``$60,000,000'' and inserting ``$89,550,000''. SEC. 1304. LYTLE AND CAJON CREEKS, CALIFORNIA. That portion of the channel improvement project, Lytle and Cajon Creeks, California, authorized to be carried out as a part of the project for the Santa Ana River Basin, California, by the Act of December 22, 1944 (Chapter 665; 58 Stat. 900) that consists of five earth-filled groins commonly referred to as ``the Riverside Avenue groins'' is no longer authorized as a Federal project beginning on the date of enactment of this Act. SEC. 1305. YUBA RIVER BASIN, CALIFORNIA. (a) In General.--The project for flood damage reduction, Yuba River Basin, California, authorized by section 101(a)(10) of the Water Resources Development Act of 1999 (113 Stat. 275) is modified to allow a non-Federal interest to construct a new levee to connect the existing levee with high ground. (b) Project Description.--The levee to be constructed shall tie into the existing levee at a point N2186189.2438, E6703908.8657, thence running east and south along a path to be determined to a point N2187849.4328, E6719262.0164 (c) Cooperation Agreement.--The Secretary shall execute a conforming amendment to the Memorandum of Understanding Respecting the Sacramento River Flood Control Project with the State of California dated November 30, 1953, that is limited to changing the description of the project to reflect the modification. (d) No Federal Cost.-- (1) Review costs.--Before construction of the levee described in subsection (b), the Secretary may accept and expend funds received from a non-Federal interest to review the planning, engineering, and design of the levee described in subsection (b) to ensure that such planning, engineering, and design complies with Federal standards. (2) Non-federal share.--The non-Federal share of the cost of constructing the levee shall be 100 percent. SEC. 1306. BRIDGEPORT HARBOR, CONNECTICUT. That portion of the project for navigation, Bridgeport Harbor, Connecticut, authorized by the Act of June 18, 1878 (20 Stat. 158), and modified by the Act of August 11, 1888 (25 Stat. 401), the Act of March 3, 1899 (30 Stat. 1122), the Act of June 25, 1910 (36 Stat. 633), and the Act of July 3, 1930 (46 Stat. 919), and lying upstream of a line commencing at point N627942.09, E879709.18 thence running southwesterly about 125 feet to a point N627832.03, E879649.91 is no longer authorized beginning on the date of enactment of this Act. SEC. 1307. DELAWARE RIVER NAVIGATION PROJECT. Section 1131(3) of the Water Resources Development Act of 1986 (100 Stat. 4246) is amended by striking ``ten feet'' and inserting ``35 feet''. SEC. 1308. COMPREHENSIVE EVERGLADES RESTORATION PLAN, CENTRAL AND SOUTHERN FLORIDA, EVERGLADES ***AGRICULTURAL*** AREA, FLORIDA. (a) Authorization.--Subject to subsection (b), the Secretary is authorized to carry out the project for ecosystem restoration, Central and Southern Florida, Everglades ***Agricultural*** Area, Florida, in accordance with section 601 of the Water Resources Development Act of 2000 (114 Stat. 2680), as recommended in the addendum to the Central Everglades Planning Project Post Authorization Change Report, Feasibility Study and Draft Environmental Impact Statement prepared by the South Florida Water Management District and dated May 2018, with such modifications as the Secretary considers appropriate. (b) Requirement.-- (1) In general.--The project authorized by subsection (a) may be constructed only after the Secretary prepares a report that addresses the concerns, recommendations, and conditions identified by the Secretary in the review assessment titled ``Review Assessment of South Florida Water Management District's Central Everglades Planning Project, Section 203 Post Authorization Change Report, Integrated Feasibility Study and DRAFT Environmental Impact Statement (March 2018, Amended May 2018)'' and dated May 2018. (2) Expedited completion.--The Secretary shall expedite the completion of the report under paragraph (1) and shall complete such report not later than 90 days after the date of enactment of this section. (c) Consultation.--In reviewing the report identified in subsection (a), and completing the report identified in subsection (b), the Secretary shall consult with the South Florida Water Management District on any project modifications. (d) Consideration.--Nothing in this section shall be construed to delay the design, construction, and implementation of components and features of the project for ecosystem restoration, Central Everglades, authorized by section 1401(4) of the Water Resources Development Act of 2016 (130 Stat. 1713), that are not directly affected by the project authorized by subsection (a). SEC. 1309. KISSIMMEE RIVER RESTORATION, FLORIDA. The Secretary may credit work performed or to be performed by the non-Federal sponsor of the project for ecosystem restoration, Kissimmee River, Florida, authorized by section 101(8) of the Water Resources Development Act of 1992 (106 Stat. 4802), as an in-kind contribution under section 221(a)(4) of the Flood Control Act of 1970 (42 U.S.C 1962d- 5b(a)(4)), in accordance with the report [[Page H8201]] of the Director of Civil Works relating to the Central and Southern Florida Project, Kissimmee River Restoration Project, dated April 27, 2018, subject to the availability of appropriations for any ***payments*** due, if the Secretary determines that the work was carried out in accordance with the requirements of subchapter 4 of chapter 31, and chapter 37, of title 40, United States Code. SEC. 1310. LEVEE L-212, FOUR RIVER BASIN, OCKLAWAHA RIVER, FLORIDA. The portions of the project for flood control and other purposes, Four River Basins, Florida, authorized by section 203 of the Flood Control Act of 1962 (76 Stat. 1183), consisting of levee L-212 along the Ocklawaha River, Florida, are no longer authorized beginning on the date of enactment of this Act. SEC. 1311. GREEN RIVER AND BARREN RIVER LOCKS AND DAMS, KENTUCKY. Section 1315 of the Water Resources Development Act of 2016 (130 Stat. 1698) is amended-- (1) in subsection (b)-- (A) in paragraph (3)-- (i) by redesignating subparagraphs (A) and (B) as clauses (i) and (ii), respectively, and adjusting the margins accordingly; (ii) in the matter preceding clause (i) (as so redesignated), by striking ``The Secretary'' and inserting the following: ``(A) In general.--The Secretary''; and (iii) by adding at the end the following: ``(B) Use of funds.--If the Secretary determines that removal of Lock and Dam 5 or a portion of Lock and Dam 5 is necessary before the conveyance under subparagraph (A), the Secretary-- ``(i) shall proceed with that removal; and ``(ii) to carry out that removal-- ``(I) may use appropriated funds or accept and use funds contributed by entities described in that subparagraph; and ``(II) may work with entities described in that subparagraph.''; and (B) in paragraph (5)-- (i) by redesignating subparagraphs (A) and (B) as clauses (i) and (ii), respectively, and adjusting the margins accordingly; (ii) in the matter preceding clause (i) (as so redesignated), by striking ``The Secretary'' and inserting the following: ``(A) In general.--The Secretary''; and (iii) by adding at the end the following: ``(B) Use of funds.--If the Secretary determines that removal of Lock and Dam 1 or a portion of Lock and Dam 1 is necessary before the conveyance under subparagraph (A), the Secretary-- ``(i) shall proceed with that removal; and ``(ii) to carry out that removal-- ``(I) may use appropriated funds or accept and use funds contributed by entities described in that subparagraph; and ``(II) may work with entities described in that subparagraph.''; and (2) in subsection (c), by adding at the end the following: ``(5) Removal costs.--In carrying out this section, if the Secretary determines that removal of a Lock and Dam (or a portion of a Lock and Dam) described in this section is necessary, any Federal costs of that removal shall be subject to the availability of appropriations.''. SEC. 1312. CAPE ARUNDEL DISPOSAL SITE, MAINE. The Cape Arundel Disposal Site selected by the Department of the Army as an alternative dredged material disposal site under section 103(b) of the Marine Protection, Research, and Sanctuaries Act of 1972 (33 U.S.C 1413(b)) shall remain available for use until December 31, 2021. SEC. 1313. PENOBSCOT RIVER, MAINE. Beginning on the date of enactment of this Act, the project for navigation, Penobscot River, Maine, authorized by the River and Harbor Appropriations Acts of July 5, 1884 (23 Stat. 133), August 11, 1888 (25 Stat. 408), July 31, 1892 (27 Stat. 96), and March 2, 1907 (Public Law 59-168; 34 Stat. 1074), is modified as follows: (1) The portion of the 14-foot deep channel located between Bangor and Brewer, Maine, approximately 135,784 square feet in area, starting at a point with coordinates N410451.89, E913370.08, thence running N34 05'52.6''E about 815.4 feet to a point with coordinates N411127.11, E913827.20, thence running N52 41'55.33''E about 143.06 feet to a point with coordinates N411213.81, E913941.00, thence running N27 04'01''E about 1068.73 feet to a point with coordinates N412165.48, E914427.30, thence running S62 55'59.79''E about 450 feet to a point with coordinates N411960.72, E914828.01, thence running S27 04'01''W about 246.99 feet to a point with coordinates N411740.78, E914715.62, thence running N43 45'41.8''W about 444.66 feet to a point with coordinates N412061.92, E914408.07, thence running S27 04'01''W about 946.62 feet to a point with coordinates N411218.97, E913977.33, thence running S38 21'58.9''W about 978.35 feet to the point of origin, is no longer authorized. (2) The portion of the 14-foot deep channel, approximately 121,875 square feet in area, starting at a point with coordinates N410670.99, E914168.96, thence running N62 55'59''W about 100 feet to a point with coordinates N410716.49, E914079.92, thence running N27 04'01''E about 1236.13 feet to a point with coordinates N411817.24, E914642.40, thence running S43 45'41.8''E about 105.87 feet to a point with coordinates N411740.78, E914715.62, thence running S27 04'01''W about 1201.37 feet to the point of origin, is redesignated as a 100-foot wide and 14-foot deep anchorage area. (3) The portion of the 14-foot deep channel, approximately 304,058 square feet in area, starting at a point with coordinates N410761.99 E913990.87, thence running N62 55'59''W about 300.08 feet to a point with coordinates N410898.54, E913723.66, thence running N38 21'58.9''E about 408.69 feet to a point with coordinates N411218.97, E913977.33, thence running N27 04'01''E about 946.62 feet to a point with coordinates N412061.92, E914408.07, thence running S43 45'41.8''E about 232.92 feet to a point with coordinates N411893.70, E914569.17, thence running S27 04'01''W about 1270.9 feet to the point of origin, is redesignated as a 14-foot deep anchorage area of a width varying from 220 to 300.08 feet. SEC. 1314. BOSTON HARBOR RESERVED CHANNEL DEAUTHORIZATIONS. (a) 40-Foot Reserved Channel.-- (1) In general.--The portions of the project for navigation, Boston Harbor, Massachusetts, authorized by the first section of the Act of October 17, 1940 (54 Stat. 1198, chapter 895), and modified by section 101 of the River and Harbor Act of 1958 (72 Stat. 297), section 101(a)(13) of the Water Resources Development Act of 1990 (104 Stat. 4607), and section 7002(1) of the Water Resources Reform and Development Act of 2014 (128 Stat. 1365), described in paragraph (2) are no longer authorized beginning on the date of enactment of this Act. (2) Areas described.-- (A) First area.--The first areas described in this paragraph are-- (i) beginning at a point N2950154.45, E785995.64; (ii) running southwesterly about 1451.63 feet to a point N2950113.83, E784544.58; (iii) running southeasterly about 54.00 feet to a point N2950059.85, E784546.09; (iv) running southwesterly about 1335.82 feet to a point N2950022.48, E783210.79; (v) running northwesterly about 83.00 feet to a point N2950105.44, E783208.47; (vi) running northeasterly about 2787.45 feet to a point N2950183.44, E785994.83; and (vii) running southeasterly about 29.00 feet to the point described in clause (i). (B) Second area.--The second areas described in this paragraph are-- (i) beginning at a point N2950502.86, E785540.84; (ii) running northeasterly about 46.11 feet to a point N2950504.16, E785586.94; (iii) running southwesterly about 25.67 feet to a point N2950480.84, E785576.18; (iv) running southwesterly to a point N2950414.32, E783199.83; (v) running northwesterly about 8.00 feet to a point N2950422.32, E783199.60; (vi) running northeasterly about 2342.58 feet to a point N2950487.87, E785541.26; and (vii) running northwesterly about 15.00 feet to the point described in clause (i). (b) 35-Foot Reserved Channel.-- (1) In general.--The portions of the project for navigation, Boston Harbor, Massachusetts, authorized by the first section of the Act of October 17, 1940 (54 Stat. 1198, chapter 895), and modified by section 101 of the River and Harbor Act of 1958 (72 Stat. 297), described in paragraph (2) are no longer authorized beginning on the date of enactment of this Act. (2) Areas described.-- (A) First area.--The first areas described in this paragraph are-- (i) beginning at a point N2950143.44, E787532.14; (ii) running southeasterly about 22.21 feet to a point N2950128.91, E787548.93; (iii) running southwesterly about 4,339.42 feet to a point N2950007.48, E783211.21; (iv) running northwesterly about 15.00 feet to a point N2950022.48, E783210.79; and (v) running northeasterly about 4,323.05 feet to the point described in clause (i). (B) Second area.--The second areas described in this paragraph are-- (i) beginning at a point N2950502.86, E785540.84; (ii) running southeasterly about 15.00 feet to a point N2950487.87, E785541.26; (iii) running southwesterly about 2342.58 feet to a point N2950422.32, E783199.60; (iv) running southeasterly about 8.00 feet to a point N2950414.32, E783199.83; (v) running southwesterly about 1339.12 feet to a point N2950376.85, E781861.23; (vi) running northwesterly about 23.00 feet to a point N2950399.84, E781860.59; and (vii) running northeasterly about 3681.70 feet to the point described in clause (i). SEC. 1315. CORPS OF ENGINEERS BRIDGE REPAIR ***PROGRAM*** FOR NEW ENGLAND EVACUATION ROUTES. Subject to the availability of appropriations, the Secretary may repair or replace, as necessary, any bridge owned and operated by the Secretary that is-- (1) located in any of the States of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, or Vermont; and (2) necessary for evacuation during an extreme weather event, as determined by the Secretary. SEC. 1316. PLYMOUTH HARBOR, MASSACHUSETTS. The Secretary shall expedite and complete the dredging of Plymouth Harbor, Massachusetts, as authorized by the Act of March 4, 1913 (37 Stat. 802, chapter 144) and the Act of September 22, 1922 (42 Stat. 1038, chapter 427). SEC. 1317. PORTSMOUTH HARBOR AND PISCATAQUA RIVER. The Secretary shall expedite the project for navigation for Portsmouth Harbor and the Piscataqua River authorized by section 101 of the River and Harbor Act of 1962 (76 Stat. 1173). [[Page H8202]] SEC. 1318. MISSOURI RIVER AND TRIBUTARIES AT KANSAS CITIES, MISSOURI AND KANSAS. The Secretary shall align the schedules of, and maximize complimentary efforts, minimize duplicative practices, and ensure coordination and information sharing with respect to-- (1) the project for flood damage reduction, Argentine, East Bottoms, Fairfax-Jersey Creek, and North Kansas Levees Units, Missouri River and tributaries at Kansas Cities, Missouri and Kansas, authorized by section 1001(28) of the Water Resources Development Act of 2007 (121 Stat. 1054); and (2) the project for flood risk management, Armourdale and Central Industrial District Levee Units, Missouri River and Tributaries at Kansas Citys, Missouri and Kansas, authorized by section 1401(2) of the Water Resources Development Act of 2016 (130 Stat. 1710). SEC. 1319. HAMPTON HARBOR, NEW HAMPSHIRE, NAVIGATION IMPROVEMENT PROJECT. In carrying out the project for navigation, Hampton Harbor, New Hampshire, under section 107 of the River and Harbor Act of 1960 (33 U.S.C 577), the Secretary shall use all existing authorities of the Secretary to mitigate severe shoaling. SEC. 1320. PASSAIC RIVER FEDERAL NAVIGATION CHANNEL, NEW JERSEY. (a) Definition of Passaic River Navigation Project.--In this section, the term ``Passaic River navigation project'' means the project for the Passaic River Federal navigation channel, New Jersey, described in the document of the New York District of the Corps of Engineers numbered 207075, entitled ``Lower Passaic River Commercial Navigation Analysis'', and dated March 2007, as revised in December 2008 and July 2010. (b) Deauthorization.-- (1) In general.--The portion of the Passaic River navigation project described in paragraph (2) is deauthorized. (2) Description of portion.--The portion of the Passaic River navigation project referred to in paragraph (1) is the portion from river mile 1.7 to river mile 15.4, as bounded by-- (A) the coordinates of-- (i) West Longitude 074 10.33047' W; (ii) North Latitude 40 51.99988' N; (iii) East Longitude 074 06.05923' W; and (iv) South Latitude 40 43.2217' N; and (B) the New Jersey State Plane (US Survey Feet, NAD-83), as follows: Upper Left x731 592941.27 y731 739665.34; Upper Right x731 602477.94 y731 740791.62; Lower Left x731 582974.17 y731 692561.62; Lower Right x731 598345.10 y731 691219.09 (c) Modification.-- (1) In general.--The depth of the portion of the Passaic River navigation project described in paragraph (2) is modified from 30 feet to 20 feet (using the Mean Lower Low Water datum). (2) Description of portion.--The portion of the Passaic River navigation project referred to in paragraph (1) is the portion from river mile 0.6 to river mile 1.7, as bounded by-- (A) the coordinates of-- (i) West Longitude 074 07.43471' W; (ii) North Latitude 40 44.32682' N; (iii) East Longitude 074 06.61586' W; and (iv) South Latitude 40 42.39342' N; and (B) the New Jersey State Plane (US Survey Feet, NAD-83), as follows: Upper Left x731 597440.36 y731 691333.92; Upper Right x731 598345.10 y731 691219.09; Lower Left x731 596416.01 y731 685597.99; Lower Right x731 597351.18 y731 685596.08 SEC. 1321. FARGO-MOORHEAD METROPOLITAN AREA DIVERSION PROJECT, NORTH DAKOTA. (a) Exemption.--Subject to subsections (b) and (c), notwithstanding section 404(b)(2)(B)(ii) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C 5170c(b)(2)(B)(ii)), and any regulations promulgated to carry out that section, beginning on the date of enactment of this Act, any property in the State of North Dakota that was acquired through hazard mitigation assistance provided under section 203 of that Act (42 U.S.C 5133), section 404 of that Act (42 U.S.C 5170c), or section 1366 of the National Flood Insurance Act of 1968 (42 U.S.C 4104c), that was subject to any open space deed restriction is exempt from those restrictions to the extent necessary to complete the Fargo-Moorhead Metropolitan Area Diversion Project authorized by section 7002(2) of the Water Resources Reform and Development Act of 2014 (128 Stat. 1366). (b) Conditions.--As a condition of the exemption under subsection (a)-- (1) no new or additional structure unrelated to the Project may be erected on the property unless the new or additional structure is in compliance with section 404(b)(2)(B)(ii) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C 5170c(b)(2)(B)(ii)); and (2) any subsequent use of the land on the property that is unrelated to the Project shall comply with that section. (c) Disaster Assistance Prohibited.--After the date of enactment of this Act, no disaster assistance from any Federal source may be provided with respect to any improvements made on the property referred to in subsection (a). (d) Savings Provision.--Nothing in this section affects the responsibility of any entity to comply with all other applicable laws (including regulations) with respect to the properties described in subsection (a). SEC. 1322. CLATSOP COUNTY, OREGON. The portions of the project for raising and improving existing levees of Clatsop County Diking District No. 13, in Clatsop County, Oregon, authorized by section 5 of the Act of June 22, 1936 (49 Stat. 1590), that are referred to as Christensen No. 1 Dike No. 42 and Christensen No. 2 Levee No. 43 are no longer authorized beginning on the date of enactment of this Act. SEC. 1323. SVENSEN ISLAND, OREGON. The project for flood risk management, Svensen Island, Oregon, authorized by section 204 of the Flood Control Act of 1950 (64 Stat. 180), is no longer authorized beginning on the date of enactment of this Act. SEC. 1324. WEST TENNESSEE TRIBUTARIES PROJECT, TENNESSEE. The unconstructed portions of the West Tennessee tributaries project along the Obion and Forked Deer Rivers, Tennessee, authorized by section 203 of the Flood Control Act of 1948 (62 Stat. 1178), and modified by section 207 of the Flood Control Act of 1966 (80 Stat. 1423), section 3(a) of the Water Resources Development Act of 1974 (88 Stat. 14), and section 183 of the Water Resources Development Act of 1976 (90 Stat. 2940), are no longer authorized beginning on the date of enactment of this Act. SEC. 1325. PUGET SOUND NEARSHORE ECOSYSTEM RESTORATION. Section 544(f) of the Water Resources Development Act of 2000 (Public Law 106-541; 114 Stat. 2675) is amended-- (1) by striking ``$40,000,000'' and inserting ``$60,000,000''; and (2) by striking ``$5,000,000'' and inserting ``$10,000,000''. SEC. 1326. MILWAUKEE HARBOR, MILWAUKEE, WISCONSIN. The portion of the project for navigation, Milwaukee Harbor, Milwaukee, Wisconsin, authorized by the first section of the Act of March 3, 1843 (5 Stat. 619; chapter 85), consisting of the navigation channel within the Menomonee River that extends from the 16th Street Bridge upstream to the upper limit of the authorized navigation channel and described as follows is no longer authorized beginning on the date of enactment of this Act: (1) Beginning at a point in the channel just downstream of the 16th Street Bridge, N383219.703, E2521152.527 (2) Thence running westerly along the channel about 2,530.2 feet to a point, N383161.314, E2518620.712 (3) Thence running westerly by southwesterly along the channel about 591.7 feet to a point at the upstream limit of the existing project, N383080.126, E2518036.371 (4) Thence running northerly along the upstream limit of the existing project about 80.5 feet to a point, N383159.359, E2518025.363 (5) Thence running easterly by northeasterly along the channel about 551.2 feet to a point, N383235.185, E2518571.108 (6) Thence running easterly along the channel about 2,578.9 feet to a point, N383294.677, E2521150.798 (7) Thence running southerly across the channel about 74.3 feet to the point of origin. SEC. 1327. PROJECT COMPLETION FOR DISASTER AREAS. The Secretary shall expeditiously carry out any project for flood risk management or hurricane and storm damage risk reduction authorized as of the date of enactment of this Act to be carried out by the Secretary in Texas, Florida, Georgia, Louisiana, South Carolina, the Commonwealth of Puerto Rico, or the United States Virgin Islands. SEC. 1328. FEDERAL ASSISTANCE. (a) In General.--In accordance with the requirements of subsection (b), the Secretary is authorized to provide assistance for the operation and maintenance of a flood risk reduction project in the Red River Basin of the North that was constructed, prior to the date of enactment of this Act, under section 5(a) of the Act of August 18, 1941 (33 U.S.C 701n(a)). (b) Condition.--The Secretary may provide the assistance authorized by subsection (a) for a project that, as determined by the Secretary, becomes permanent due to the extended presence of assistance from the Secretary under section 5(a) of the Act of August 18, 1941 (33 U.S.C 701n(a)). (c) Termination.--The authority to provide assistance under this section terminates on the date that is four ***years*** after the date of enactment of this section. SEC. 1329. EXPEDITED INITIATION. Section 1322(b)(2) of the Water Resources Development Act of 2016 (130 Stat. 1707) is amended, in the matter preceding subparagraph (A), by inserting ``or, in a case in which a general reevaluation report for the project is required, if such report has been submitted for approval,'' after ``completed report,''. SEC. 1330. PROJECT DEAUTHORIZATION AND STUDY EXTENSIONS. (a) Project Deauthorizations.--Section 6003(a) of the Water Resources Reform and Development Act of 2014 (33 U.S.C 579c(a)) is amended-- (1) by striking ``7-***year*** period'' each place it appears and inserting ``10-***year*** period''; and (2) by adding at the end the following: ``(3) Calculation.--In calculating the time period under paragraph (1), the Secretary shall not include any period of time during which the project is being reviewed and awaiting determination by the Secretary to implement a locally preferred plan for that project under section 1036(a). [[Page H8203]] ``(4) Exception.--The Secretary shall not deauthorize any project during the period described in paragraph (3).''. (b) Study Extensions.--Section 1001(d)(4) of the Water Resources Reform and Development Act of 2014 (33 U.S.C 2282c(d)(4)) is amended by striking ``7 ***years***'' and inserting ``10 ***years***''. SEC. 1331. CONVEYANCES. (a) Cheatham County, Tennessee.-- (1) Conveyance authorized.--The Secretary may convey to Cheatham County, Tennessee (in this subsection referred to as the ``Grantee''), all right, title, and interest of the United States in and to the real property in Cheatham County, Tennessee, consisting of approximately 9.19 acres, identified as portions of tracts E-514-1, E-514-2, E-518-1, E-518-2, E- 519-1, E-537-1, and E-538, all being part of the Cheatham Lock and Dam project at CRM 158.5, including any improvements thereon. (2) Deed.--The Secretary shall convey the property under this subsection by quitclaim deed under such terms and conditions as the Secretary determines appropriate to protect the interests of the United States, to include retaining the right to inundate with water any land ***transferred*** under this subsection. (3) Consideration.--The Grantee shall pay to the Secretary an amount that is not less than the fair market value of the land conveyed under this subsection, as determined by the Secretary. (4) Subject to existing easements and other interests.--The conveyance of property under this section shall be subject to all existing easements, rights-of-way, and leases that are in effect as of the date of the conveyance. (b) Nashville, Tennessee.-- (1) Conveyance authorized.--The Secretary may convey, without consideration, to the City of Nashville, Tennessee (in this subsection referred to as the ``City''), all right, title, and interest of the United States in and to the real property covered by Lease No. DACW62-1-84-149, including any improvements thereon, at the Riverfront Park Recreational Development, consisting of approximately 5 acres, subject to the right of the Secretary to retain any required easements in the property. (2) Conveyance agreement.--The Secretary shall convey by quitclaim the real property described in paragraph (1) under the terms and conditions mutually satisfactory to the Secretary and the City. The deed shall provide that in the event that the City, its successors, or assigns cease to maintain improvements for recreation included in the conveyance or otherwise utilize the real property conveyed for purposes other than recreation and compatible flood risk management, the City, its successor, or assigns shall repay to the United States the Federal share of the cost of constructing the improvements for recreation under the agreement between the United States and the City dated December 8, 1981, increased as necessary to account for inflation. (c) Locks and Dams 1 Through 4, Kentucky River, Kentucky.-- (1) In general.--Beginning on the date of enactment of this Act, commercial navigation at Locks and Dams 1 through 4, Kentucky River, Kentucky, shall no longer be authorized, and the land and improvements associated with the locks and dams shall be disposed of consistent with this subsection and in accordance with the report of the Director of Civil Works entitled ``Kentucky River Locks and Dams 1, 2, 3, and 4, Disposition Study and Integrated Environmental Assessment'' and dated April 20, 2018. (2) Disposition.--The Secretary shall convey to the State of Kentucky (referred to in this section as the ``State''), for the use and benefit of the Kentucky River Authority, all right, title, and interest of the United States, together with any improvements on the land, including improvements located in the Kentucky River, in and to-- (A) Lock and Dam 1, located in Carroll County, Kentucky; (B) Lock and Dam 2, located in Owen and Henry counties, Kentucky; (C) Lock and Dam 3, located in Owen and Henry counties, Kentucky; and (D) Lock and Dam 4, located in Franklin County, Kentucky. (3) Conditions.-- (A) Quitclaim deed.--The Secretary shall convey the property described in paragraph (2) by quitclaim deed to such State under such terms and conditions as the Secretary determines appropriate to protect the interests of the United States. (B) Administrative costs.--The Secretary shall be responsible for all administrative costs associated with a conveyance under this subsection, including the costs of any surveys the Secretary determines to be necessary. (C) Improvements prohibited.-- (i) In general.--The Secretary may not improve the locks and dams and land and improvements associated with the locks and dams described in this subsection on or after the date of enactment of this Act. (ii) Savings clause.--Nothing in subparagraph (A) prohibits the State from improving the locks and dams and the land and improvements associated with the locks and dams described in this subsection on or after the date of conveyance under this subsection. (4) Savings clause.--If the State does not accept the conveyance under this subsection of the land and improvements associated with the locks and dams described in this subsection, the Secretary may dispose of the land and improvements under subchapter III of chapter 5 of title 40, United States Code. (d) Bainbridge, Georgia.-- (1) In general.--On the date of enactment of this Act, the Secretary of the Army shall convey to the City of Bainbridge, Georgia, without consideration and subject to subsection (b), all right, title, and interest in and to real property described in subsection (c). (2) Terms and conditions.-- (A) In general.--The conveyance by the United States under this subsection shall be subject to-- (i) the condition that the City of Bainbridge agrees to operate, maintain, and manage the property for fish and wildlife, recreation, and environmental purposes at no cost or expense to the United States; and (ii) such other terms and conditions as the Secretary determines to be in the interest of the United States. (B) Reversion.--If the Secretary determines that the real property conveyed under paragraph (1) ceases to be held in public ownership or the city ceases to operate, maintain, and manage the real property in accordance with this subsection, all right, title, and interest in and to the property shall revert to the United States, at the option of the Secretary. (3) Property.--The property to be conveyed is composed of the following 3 parcels of land: (A) Parcel 1.--All that tract or parcel of land lying and being in Land Lots 226. and 228, Fifteenth Land District, and Land Lots 319, 320, 321, 322, 323 and 358, Twentieth Land District, Decatur County, Georgia, more particularly described as follows: Beginning at a concrete monument stamped ``358'' which is 950 feet, more or less, North of the South line and 600 feet, more or less, West of the East line of said Land Lot 358, at a corner of a tract of land owned by the United States of America at Lake Seminole and at plane coordinate position North 318,698.72 feet and East 360,033.38 feet based on Transverse Mercator Projection, Georgia West Zone; Thence Due West 75 feet, more or less, to the contour at elevation 77.0 feet above Mean Sea Level; Thence Northeasterly along the meanders of said 77.0 foot contour a distance of 20,600 feet, more or less, to the mouth of the entrance channel to the arena and boat basin; Thence N 75 E 150 feet, more or less, to another point on said 77.0 foot contour; Thence Northeasterly along the meanders of said 77.0 foot contour a distance of 3,300 feet, more or less, to a point which is on the boundary of said United States tract and on the boundary of a tract of land now or formerly owned by the City of Bainbridge, Georgia; Thence along the boundary of said United States tract the following courses: S 10 52' E along the boundary of said City of Bainbridge tract 830 feet, more or less, to a corner of said tract; S 89 45' E along the boundary of said City of Bainbridge tract 700 feet, more or less, to a concrete monument stamped ``J1A'', coordinates of said monument being North 328,902.34 feet and East 369,302.33 feet; S 22 25' W 62 feet, more or less, to a corner of another tract of land owned by the City of Bainbridge, Georgia; S 88 07' W along the boundary of said City of Bainbridge tract 350 feet, more or less to a corner of said tract; N 84 00' W along the boundary of said City of Bainbridge tract 100.5 feet to a corner said tract; S 88 07' W along the boundary of said City of Bainbridge tract 300.0 feet to a corner of said tract; S 14 16' W along boundary of said City of Bainbridge tract 89.3 feet to a corner of said tract; Southwesterly along the boundary of said City of Bainbridge tract which is along a curve to the right with a radius of 684.69 feet an arc distance of 361.8 feet to a corner of said tract; S 30 00' W along the boundary of said City of Bainbridge tract 294.0 feet to a corner of said tract; S 10 27' W along the boundary of said City of Bainbridge tract 385.0 feet to a corner of said tract; N 73 31' W 38 feet, more or less, to a concrete monument; S 16 25' W 563.7 feet to a concrete monument stamped ``J7A''; S 68 28' W 719.5 feet to a concrete monument stamped ``J9A''; S 68 28' W 831.3 feet to a concrete monument stamped ``J12A''; S 89 39' E 746.7 feet to a concrete monument stamped ``J11A''; S 01 22' W 80.0 feet to a concrete monument stamped ``J11B''; N 89 39' W 980.9 feet to a concrete monument stamped ``J13A''; S 01 21' W 560.0 feet to a concrete monument stamped ``J15A''; S 37 14' W 1,213.0 feet; N 52 46' W 600.0 feet; S 37 14' W 1,000.0 feet; S 52 46' E 600.0 feet; S 37 14' W 117.0 feet to a concrete monument stamped ``320/319''; S 37 13' W 1,403.8 feet to a concrete monument stamped ``322/319''; S 37 13' W 2,771.4 feet to a concrete monument stamped ``322/323''; S 37 13' W 1,459.2 feet; N 89 04' W 578.9 feet; S 53 42' W 367.7 feet; [[Page H8204]] S 43 42' W 315.3 feet; S 26 13' W 654.9 feet, more or less, to the point of beginning. Containing 550.00 acres, more or less, and being a part of Tracts L-1105 and L-1106 of Lake Seminole. (B) Parcel 2.--All that tract or parcel of land lying and lying and being in Land Lot 226, Fifteenth Land District, Decatur County, Georgia, more particularly described as follows: Beginning at a point which is on the East right-of-way line of the Seaboard Airline Railroad, 215 feet North of the South end of the trestle over the Flint River, and at a corner of a tract of land owned by the United States of America at Lake Seminole; Thence Southeasterly along the boundary of said United States tract which is along a curve to the right a distance of 485 feet, more or less, to a point which is 340 feet, more or less, S 67 00' E from the South end of said trestle, and at a corner of said United States tract; Thence N 70 00' E along the boundary of said United States tract 60.0 feet to a corner of said tract; Thence Northerly along the boundary of said United States tract which is along a curve to the right a distance of 525 feet, more or less, to a corner of said tract; Thence S 05 00' W along the boundary of said United States tract 500.0 feet to a corner of said tract; Thence Due West along the boundary of said United States tract 370 feet, more or less, to a point which is on the East right-of-way line of said railroad and at a corner of said United States tract; Thence N 13 30' W along the boundary of said United States tract which is along the East right-of-way line of said railroad a distance of 310 feet, more or less, to the point of beginning. Containing 3.67 acres, more or less, and being all of Tract L-1124 of Lake Seminole. Parcels 1 and 2 contain in the aggregate 553.67 acres, more or less. (C) Parcel 3.--All that tract or panel of land lying and being in Land Lot 225, Fifteenth Land District, Decatur County, Georgia, more particularly described as follows: Beginning at an iron marker designated ``225/226/'', which is on the South line and 500 feet, more or less, West of the Southeast corner of said Land Lot 225 at a corner of a tract of land owned by the United States of America at Lake Seminole and at plane coordinate position North 330,475.82 feet and East 370,429.36 feet, based on Transverse Mercator Projection, Georgia West Zone; Thence Due West along the boundary of said United States tract a distance of 53.0 feet to a monument stamped ``225/ 226-A''; Thence continue Due West along the boundary of said United States tract a distance of 56 feet, more or less, to a point on the East bank of the Flint River; Thence Northerly, upstream, along the meanders of the East bank of said river a distance of 1,200 feet, more or less, to a point which is on the Southern right-of-way line of U.S Highway No. 84 and at a corner of said United States tract; Thence Easterly and Southeasterly along the Southern right- of-way line of said highway, which is along the boundary of said United States tract a distance of 285 feet, more or less, to a monument stamped ``L-23-1'', the coordinates of said monument being North 331,410.90 and East 370,574.96; Thence S 02 25' E along the boundary of said United States tract a distance of 650.2 feet to a monument stamped ``225- A''; Thence S 42 13' E along the boundary of said United States tract a distance of 99.8 feet to a monument stamped ``225''; Thence S 48 37' W along the boundary of said United States tract a distance of 319.9 feet, more or less, to the point of beginning. Containing 4.14 acres, more or less, and being all of Tract L-1123 of the Lake Seminole Project. (e) Port of Whitman County, Washington.-- (1) Definitions.--In this subsection: (A) Federal land.--The term ``Federal land'' means the approximately 288 acres of land situated in Whitman County, Washington, contained within Tract D of Little Goose Lock and Dam. (B) Non-federal land.--The term ``non-Federal land'' means a tract or tracts of land owned by the Port of Whitman County, Washington, that the Secretary determines, with approval of the Washington Department of Fish and Wildlife and the Secretary of the Interior acting through the Director of the United States Fish and Wildlife Service, equals or exceeds the value of the Federal land both as habitat for fish and wildlife and for recreational opportunities related to fish and wildlife. (2) Land exchange.--On conveyance by the Port of Whitman County to the United States of all right, title, and interest in and to the non-Federal land, the Secretary of the Army shall convey to the Port of Whitman County all right, title, and interest of the United States in and to the Federal land. (3) Deeds.-- (A) Deed to non-federal land.--The Secretary may only accept conveyance of the non-Federal land by warranty deed, as determined acceptable by the Secretary. (B) Deed to federal land.--The Secretary shall convey the Federal land to the Port of Whitman County by quitclaim deed and subject to any reservations, terms, and conditions the Secretary determines necessary to allow the United States to operate and maintain the Lower Snake River Project and to protect the interests of the United States. (4) Cash ***payment***.--If the appraised fair market value of the Federal land, as determined by the Secretary, exceeds the appraised fair market value of the non-Federal land, as determined by the Secretary, the Port of Whitman County shall make a cash ***payment*** to the United States reflecting the difference in the appraised fair market values. (5) Administrative expenses.--The Port of Whitman County shall be responsible for the administrative costs of the transaction in accordance with section 2695 of title 10, United States Code. (f) Fort Dupont, Delaware.-- (1) In general.--Subject to paragraph (2), not later than 180 days after the date of enactment of this Act, the Secretary shall ***transfer***-- (A) all right, title, and interest in and to a parcel of land known as that part of the Original Acquisition (OADE) Tract that includes the bed and banks of the Delaware Branch Channel on the north side of the Fifth Street Bridge, Delaware City, Delaware, containing approximately 31.6 acres of land, to the Fort DuPont Redevelopment and Preservation Corporation (herein referred to as ``the Grantee''); and (B) all right, title, and interest in and to the Fifth Street Bridge, together with the land known as that part of the Original Acquisition (OADE) Tract that includes the banks and bed of the Delaware Branch Channel, Delaware City, Delaware, containing approximately 0.27 acres of land, to the State of Delaware. (2) Conditions.-- (A) State approval.--Before making a ***transfer*** under paragraph (1), the Secretary shall ensure that the Governor of Delaware agrees to the ***transfer***. (B) Toll-free bridge.--Before making a ***transfer*** under subparagraph (1)(B), the Governor of Delaware shall agree to ensure that no toll is imposed for use of the bridge referred to in that subsection, in accordance with section 109 of the River and Harbor Act of 1950 (33 U.S.C 534). (C) Survey.--The exact acreage and legal description of the land to be ***transferred*** under paragraph (1) shall be determined by a survey satisfactory to the Secretary and the Governor of Delaware. (D) Costs.--Any administrative costs for the ***transfer*** under paragraph (1) shall be paid by Fort DuPont Redevelopment and Preservation Corporation, the State of Delaware, or a combination of those entities. (3) Consideration.--The Grantee shall pay to the Secretary an amount that is not less than the fair market value of the land conveyed to the Grantee under this subsection, as determined by the Secretary. (g) Tuscaloosa, Alabama.--As soon as practicable after the date of enactment of this Act, the Secretary of the Army shall convey by quitclaim deed to the City of Tuscaloosa, Alabama, at fair market value, the lands owned by the United States adjacent to the Black Warrior River on the south side below the U.S Highway 43 bridge, including the south wall of the Old Oliver Lock, and extending to the Corps' current recreation area, that the Secretary determines are no longer required for operation and maintenance of the Oliver Lock and Dam. (h) Generally Applicable Provisions.-- (1) Survey to obtain legal description.--The exact acreage and the legal description of any real property to be conveyed under this section shall be determined by a survey that is satisfactory to the Secretary. (2) Applicability of property screening provisions.-- Section 2696 of title 10, United States Code, shall not apply to any conveyance under this section. (3) Additional terms and conditions.--The Secretary may require that any conveyance under this section be subject to such additional terms and conditions as the Secretary considers necessary and appropriate to protect the interests of the United States. (4) Costs of conveyance.--An entity to which a conveyance is made under this section shall be responsible for all reasonable and necessary costs, including real estate transaction and environmental documentation costs, associated with the conveyance. (5) Liability.--An entity to which a conveyance is made under this section shall hold the United States harmless from any liability with respect to activities carried out, on or after the date of the conveyance, on real property conveyed. The United States shall remain responsible for any liability with respect to activities carried out, before such date, on the real property conveyed. SEC. 1332. REPORT ON FUTURE WATER RESOURCES DEVELOPMENT. (a) Programmatic Modification.--Section 7001 of the Water Resources Reform and Development Act of 2014 (33 U.S.C 2282d(a)) is amended-- (1) in subsection (a) by adding at the end the following: ``(4) Programmatic modifications.--Any programmatic modification for an environmental infrastructure assistance ***program***.''; (2) in subsection (b)(1) by striking ``studies and proposed modifications to authorized water resources development projects and feasibility studies'' and inserting ``studies, proposed modifications to authorized water resources development projects and feasibility studies, and proposed modifications for an environmental infrastructure ***program***''; [[Page H8205]] (3) by redesignating subsections (d), (e), and (f) as subsections (e), (f), and (g), respectively; (4) by inserting after subsection (c) the following: ``(d) Programmatic Modifications in Annual Report.--The Secretary shall include in the annual report only proposed modifications for an environmental infrastructure assistance ***program*** that have not been included in any previous annual report. For each proposed modification, the Secretary shall include a letter or statement of support for the proposed modification from each associated non-Federal interest, description of assistance provided, and total Federal cost of assistance provided.''; and (5) by striking subsection (c)(4) and inserting the following: ``(4) Appendix.-- ``(A) In general.--The Secretary shall include in the annual report an appendix listing the proposals submitted under subsection (b) that were not included in the annual report under paragraph (1)(A) and a description of why the Secretary determined that those proposals did not meet the criteria for inclusion under such paragraph. ``(B) Limitation.--In carrying out the activities described in this section-- ``(i) the Secretary shall not include proposals in the appendix of the annual report that otherwise meet the criteria for inclusion in the annual report solely on the basis of the Secretary's determination that the proposal requires legislative changes to an authorized water resources development project, feasibility study, or environmental infrastructure ***program***; and ``(ii) the Secretary shall not include proposals in the appendix of the annual report that otherwise meet the criteria for inclusion in the annual report solely on the basis of a policy of the Secretary.''. (b) Savings Clause.--Notwithstanding the third sentence of section 1001(b)(2) of the Water Resources Development Act of 1986 (33 U.S.C 579a(b)(2)), projects and separable elements of projects identified in the fiscal ***year*** 2017 report prepared in accordance with such section and submitted to Congress on December 15, 2016, shall not be deauthorized unless such projects and separable elements meet the requirements of section 1301(b)(1)(A) of the Water Resources Development Act of 2016 (130 Stat. 1687). Subtitle D--Water Resources Infrastructure SEC. 1401. PROJECT AUTHORIZATIONS. The following projects for water resources development and conservation and other purposes, as identified in the reports titled ``Report to Congress on Future Water Resources Development'' submitted to Congress on March 17, 2017, and February 5, 2018, respectively, pursuant to section 7001 of the Water Resources Reform and Development Act of 2014 (33 U.S.C 2282d) or otherwise reviewed by Congress are authorized to be carried out by the Secretary substantially in accordance with the plans, and subject to the conditions, described in the respective reports or decision documents designated in this section: (1) Navigation.-- ------------------------------------------------------------------------ C. Date of Report of A. State B. Name Chief of D. Estimated Costs Engineers ------------------------------------------------------------------------ 1. AR Three Rivers September 6, Total: $184,395,000 (to be Southeast 2018 derived \1/2\ from the Arkansas general fund of the Treasury and \1/2\ from the Inland Waterways Trust Fund) ------------------------------------------------------------------------ 2. PR San Juan Harbor August 23, Federal: $41,345,840 2018 Non-Federal: $13,781,267 Total: $55,127,107 ------------------------------------------------------------------------ 3. TX Galveston Harbor Aug. 8, 2017 Federal: $10,444,000 Channel Extension Non-Federal: $3,481,000 Project, Houston- Total: $13,925,000 Galveston Navigation Channels ------------------------------------------------------------------------ 4. WA Seattle Harbor June 7, 2018 Federal: $29,362,000 Navigation Non-Federal: $31,880,000 Improvement Total: $61,242,000 Project ------------------------------------------------------------------------ (2) Flood risk management.-- ------------------------------------------------------------------------ C. Date of Report of A. State B. Name Chief of D. Estimated Costs Engineers ------------------------------------------------------------------------ 1. CA Lower San Joaquin July 31, 2018 Federal: $712,169,000 River Non-Federal: $383,475,000 Total: $1,095,644,000 ------------------------------------------------------------------------ 2. HI Ala Wai Canal Dec. 21, 2017 Federal: $212,754,000 Non-Federal: $114,560,000 Total: $327,313,000 ------------------------------------------------------------------------ 3. NY Mamaroneck- Dec. 14, 2017 Federal: $53,500,000 Sheldrake Rivers Non-Federal: $28,750,000 Total: $82,250,000 ------------------------------------------------------------------------ (3) Hurricane and storm damage risk reduction.-- ------------------------------------------------------------------------ C. Date of Report of D. Estimated Initial A. State B. Name Chief of Costs and Estimated Engineers Renourishment Costs ------------------------------------------------------------------------ 1. FL St. Johns County Aug. 8, 2017 Initial Federal: $5,873,283 Initial Non-Federal: $19,661,924 Initial Total: $25,535,207 Renourishment Federal: $9,751,788 Renourishment Non-Federal: $45,344,169 Renourishment Total: $55,095,957 ------------------------------------------------------------------------ [[Page H8206]] 2. FL St. Lucie County Dec. 15, 2017 Initial Federal: $7,239,497 Initial Non-Federal: $13,443,614 Initial Total: $20,683,110 Renourishment Federal: $9,093,999 Renourishment Non-Federal: $24,588,991 Renourishment Total: $33,682,990 ------------------------------------------------------------------------ 3. TX Sabine Pass to Dec. 7, 2017 Federal: $2,200,357,000 Galveston Bay Non-Federal: $1,184,807,000 Total: $3,385,164,000 ------------------------------------------------------------------------ (4) Flood risk management and ecosystem restoration.-- ------------------------------------------------------------------------ C. Date of Report of A. State B. Name Chief of D. Estimated Costs Engineers ------------------------------------------------------------------------ 1. NM Espanola Valley, May 11, 2018 Federal: $55,602,266 Rio Grande Non-Federal: $7,637,764 Total: $63,240,030 ------------------------------------------------------------------------ (5) Ecosystem restoration.-- ------------------------------------------------------------------------ C. Date of Report of A. State B. Name Chief of D. Estimated Costs Engineers ------------------------------------------------------------------------ 1. TX Resacas, in the September 6, Federal: $141,489,000 vicinity of the 2018 Non-Federal: $65,675,000 City of Total: $207,164,000 Brownsville ------------------------------------------------------------------------ (6) Modifications and other projects.-- ------------------------------------------------------------------------ C. Date of A. State B. Name Decision D. Estimated Costs Document ------------------------------------------------------------------------ 1. GA Savannah Harbor Dec. 5, 2016 Federal: $731,700,000 Expansion Project Non-Federal: $287,200,000 Total: $1,018,900,000 ------------------------------------------------------------------------ 2. MI Soo Locks, Sault June 29, 2018 Federal: $922,432,000 Ste. Marie Non-Federal: $0 Total: $922,432,000 ------------------------------------------------------------------------ 3. TN Chickamauga Lock July 19, 2018 Total: $757,666,000 (to be Replacement derived \1/2\ from the general fund of the Treasury and \1/2\ from the Inland Waterways Trust Fund) ------------------------------------------------------------------------ SEC. 1402. SPECIAL RULES. (a) St. Paul Harbor, Alaska.--Notwithstanding section 2008(c) of the Water Resources Development Act of 2007 (Public Law 110-114; 121 Stat. 1074), the project for navigation, St. Paul Harbor, authorized by section 101(b)(3) of the Water Resources Development Act of 1996 (110 Stat. 3667), shall be cost-shared substantially in accordance with the costs established by section 105 of the Energy and Water Development Appropriations Act, 2003 (117 Stat. 139). (b) Espanola Valley, New Mexico.--The Secretary shall carry out the project for flood risk management and ecosystem restoration, Espanola Valley, Rio Grande and Tributaries, New Mexico, authorized by section 1401(4) of this Act substantially in accordance with terms and conditions described in the Report of the Chief of Engineers, dated May 11, 2018, including, notwithstanding section 2008(c) of the Water Resources Development Act of 2007 (Public Law 110-114; 121 Stat. 1074), the recommended cost share. SEC. 1403. NORFOLK HARBOR AND CHANNELS, VIRGINIA. (a) In General.--The Secretary is authorized to further improve the project for navigation, Norfolk Harbor and Channels, Virginia, authorized by section 201 of the Water Resources Development Act of 1986 (100 Stat. 4090), substantially in accordance with the plans, and subject to the conditions, described in the Report of the Chief of Engineers dated June 29, 2018. (b) Thimble Shoal Channel Widening.--The Secretary may carry out additional modifications to the project described in subsection (a) that are identified in the report titled ``Report to Congress on Future Water Resources Development'' submitted to Congress on February 5, 2018, pursuant to section 7001 of the Water Resources Reform and Development Act of 2014 (33 U.S.C 2282d). (c) Maximum Authorized Cost.--Notwithstanding section 902(a)(2)(B) of the Water Resources Development Act of 1986 (33 U.S.C 2280(a)(2)(B)), the maximum authorized cost for the project described in subsection (a) shall not be modified for the improvements and modifications authorized by subsections (a) and (b). TITLE II--DRINKING WATER SYSTEM IMPROVEMENT SEC. 2001. INDIAN RESERVATION DRINKING WATER ***PROGRAM***. (a) In General.--Subject to the availability of appropriations, the Administrator of the Environmental Protection Agency shall carry out a ***program*** to implement-- (1) 10 eligible projects described in subsection (b) that are within the Upper Missouri River Basin; and (2) 10 eligible projects described in subsection (b) that are within the Upper Rio Grande Basin. (b) Eligible Projects.--A project eligible to participate in the ***program*** under subsection (a) is a project-- (1) that is on a reservation (as defined in section 3 of the Indian Financing Act of 1974 (25 U.S.C 1452)) that serves a federally recognized Indian Tribe; and [[Page H8207]] (2) the purpose of which is to connect, expand, or repair an existing public water system, as defined in section 1401(4) of the Safe Drinking Water Act (42 U.S.C 300f(4)), in order to improve water quality, water pressure, or water services. (c) Requirement.--In carrying out the ***program*** under subsection (a)(1), the Administrator of the Environmental Protection Agency shall select not less than 1 eligible project for a reservation that serves more than 1 federally recognized Indian Tribe. (d) Authorization of Appropriations.--There is authorized to be appropriated to carry out the ***program*** under subsection (a) $20,000,000 for each of fiscal ***years*** 2019 through 2022. SEC. 2002. CLEAN, SAFE, RELIABLE WATER INFRASTRUCTURE. Section 1452(k) of the Safe Drinking Water Act (42 U.S.C 300j-12(k)) is amended-- (1) in paragraph (1)(D), by inserting ``and for the implementation of efforts (other than actions authorized under subparagraph (A)) to protect source water in areas delineated pursuant to section 1453'' before the period at the end; and (2) in paragraph (2)(E), by inserting ``, and to implement efforts to protect source water,'' after ``wellhead protection ***programs***''. SEC. 2003. STUDY ON INTRACTABLE WATER SYSTEMS. Part E of the Safe Drinking Water Act (42 U.S.C 300j et seq.) is amended by adding at the end the following: ``SEC. 1459C. STUDY ON INTRACTABLE WATER SYSTEMS. ``(a) Definition of Intractable Water System.--In this section, the term `intractable water system' means a community water system or a noncommunity water system-- ``(1) that serves fewer than 1,000 individuals; ``(2) the owner or operator of which-- ``(A) is unable or unwilling to provide safe and adequate service to those individuals; ``(B) has abandoned or effectively abandoned the community water system or noncommunity water system, as applicable; ``(C) has defaulted on a financial obligation relating to the community water system or noncommunity water system, as applicable; or ``(D) fails to maintain the facilities of the community water system or noncommunity water system, as applicable, in a manner so as to prevent a potential public health hazard; and ``(3) that is, as of the date of enactment of America's Water Infrastructure Act of 2018-- ``(A) in significant noncompliance with this Act or any regulation promulgated pursuant to this Act; or ``(B) listed as having a history of significant noncompliance with this title pursuant to section 1420(b)(1). ``(b) Study Required.-- ``(1) In general.--Not later than 2 ***years*** after the date of enactment of this section, the Administrator, in consultation with the Secretary of ***Agriculture*** and the Secretary of Health and Human Services, shall complete a study that-- ``(A) identifies intractable water systems; and ``(B) describes barriers to delivery of potable water to individuals served by an intractable water system. ``(2) Report to congress.--Not later than 2 ***years*** after the date of enactment of this section, the Administrator shall submit to Congress a report describing findings and recommendations based on the study under this subsection.''. SEC. 2004. SENSE OF CONGRESS RELATING TO ACCESS TO NONPOTABLE WATER. It is the sense of Congress that-- (1) access to nonpotable water sources for industry can relieve the supply and demand challenges for potable water in water-stressed regions throughout the United States; and (2) water users are encouraged to continue implementing and incentivizing nonpotable water reuse ***programs*** that will achieve greater water savings and conservation needs. SEC. 2005. DRINKING WATER INFRASTRUCTURE RESILIENCE AND SUSTAINABILITY. Section 1459A of the Safe Drinking Water Act (42 U.S.C 300j-19a) is amended-- (1) by redesignating subsection (j) as subsection (k); (2) in subsection (k), as redesignated by paragraph (1), by striking ``this section'' and inserting ``subsections (a) through (j) of this section''; (3) by inserting after subsection (i) the following: ``(j) State Response to Contaminants.-- ``(1) In general.--The Administrator may, subject to the terms and conditions of this section, issue a grant to a requesting State, on behalf of an underserved community, so the State may assist in, or otherwise carry out, necessary and appropriate activities related to a contaminant-- ``(A) that is determined by the State to-- ``(i) be present in, or likely to enter into, a public water system serving, or an underground source of drinking water for, such underserved community; and ``(ii) potentially present an imminent and substantial endangerment to the health of persons; and ``(B) with respect to which the State determines appropriate authorities have not acted sufficiently to protect the health of such persons. ``(2) Recovery of funds.--If, subsequent to the Administrator's award of a grant to a State under this subsection, any person or entity (including an eligible entity), is found by the Administrator or a court of competent jurisdiction to have caused or contributed to contamination that was detected as a result of testing conducted, or treated, with funds provided under this subsection, and such contamination violated a law administered by the Administrator, such person or entity shall, upon issuance of a final judgment or settlement and the exhaustion of all appellate and administrative remedies-- ``(A) notify the Administrator in writing not later than 30 days after such issuance of a final judgment or settlement and the exhaustion of all appellate and administrative remedies; and ``(B) promptly pay the Administrator an amount equal to the amount of such funds.''; and (4) by adding at the end the following: ``(l) Drinking Water Infrastructure Resilience and Sustainability.-- ``(1) Resilience and natural hazard.--The terms `resilience' and `natural hazard' have the meaning given such terms in section 1433(h). ``(2) In general.--The Administrator may establish and carry out a ***program***, to be known as the Drinking Water System Infrastructure Resilience and Sustainability ***Program***, under which the Administrator, subject to the availability of appropriations for such purpose, shall award grants in each of fiscal ***years*** 2019 and 2020 to eligible entities for the purpose of increasing resilience to natural hazards. ``(3) Use of funds.--An eligible entity may only use grant funds received under this subsection to assist in the planning, design, construction, implementation, operation, or maintenance of a ***program*** or project that increases resilience to natural hazards through-- ``(A) the conservation of water or the enhancement of water use efficiency; ``(B) the modification or relocation of existing drinking water system infrastructure made, or that is at risk of being, significantly impaired by natural hazards, including risks to drinking water from flooding; ``(C) the design or construction of desalination facilities to serve existing communities; ``(D) the enhancement of water supply through the use of watershed management and source water protection; ``(E) the enhancement of energy efficiency or the use and generation of renewable energy in the conveyance or treatment of drinking water; or ``(F) the development and implementation of measures to increase the resilience of the eligible entity to natural hazards. ``(4) Application.--To seek a grant under this subsection, the eligible entity shall submit to the Administrator an application that-- ``(A) includes a proposal of the ***program*** or project to be planned, designed, constructed, implemented, operated, or maintained by the eligible entity; ``(B) identifies the natural hazard risk to be addressed by the proposed ***program*** or project; ``(C) provides documentation prepared by a Federal, State, regional, or local government agency of the natural hazard risk to the area where the proposed ***program*** or project is to be located; ``(D) includes a description of any recent natural hazard events that have affected the applicable water system; ``(E) includes a description of how the proposed ***program*** or project would improve the performance of the system under the anticipated natural hazards; and ``(F) explains how the proposed ***program*** or project is expected to enhance the resilience of the system to the anticipated natural hazards. ``(5) Authorization of appropriations.--There is authorized to be appropriated to carry out this subsection $4,000,000 for each of fiscal ***years*** 2019 and 2020.''. SEC. 2006. VOLUNTARY SCHOOL AND CHILD CARE ***PROGRAM*** LEAD TESTING GRANT ***PROGRAM*** ENHANCEMENT. (a) Voluntary School and Child Care ***Program*** Lead Testing Grant ***Program*** Enhancement.--Section 1464(d) of the Safe Drinking Water Act (42 U.S.C 300j-24(d)) is amended-- (1) in paragraph (2), by adding at the end the following: ``(C) Technical assistance.--In carrying out the grant ***program*** under subparagraph (A), beginning not later than 1 ***year*** after the date of enactment of America's Water Infrastructure Act of 2018, the Administrator shall provide technical assistance to recipients of grants under this subsection-- ``(i) to assist in identifying the source of lead contamination in drinking water at schools and child care ***programs*** under the jurisdiction of the grant recipient; ``(ii) to assist in identifying and applying for other Federal and State grant ***programs*** that may assist the grant recipient in eliminating lead contamination described in clause (i); ``(iii) to provide information on other financing options in eliminating lead contamination described in clause (i); and ``(iv) to connect grant recipients with nonprofit and other organizations that may be able to assist with the elimination of lead contamination described in clause (i).''; (2) by redesignating paragraphs (4) through (7) as paragraphs (5) through (8), respectively; [[Page H8208]] (3) by inserting after paragraph (3) the following paragraph: ``(4) Priority.--In making grants under this subsection, the Administrator shall give priority to States and local educational agencies that will assist in voluntary testing for lead contamination in drinking water at schools and child care ***programs*** that are in low-income areas.''; and (4) in paragraph (8) (as redesignated by paragraph (2) of this section)-- (A) by striking ``is authorized'' and inserting ``are authorized''; and (B) by striking ``2021'' and inserting ``2019, and $25,000,000 for each of fiscal ***years*** 2020 and 2021''. (b) Drinking Water Fountain Replacement for Schools.-- (1) In general.--Part F of the Safe Drinking Water Act (42 U.S.C 300j-21 et seq.) is amended by adding at the end the following: ``SEC. 1465. DRINKING WATER FOUNTAIN REPLACEMENT FOR SCHOOLS. ``(a) Establishment.--Not later than 1 ***year*** after the date of enactment of this section, the Administrator shall establish a grant ***program*** to provide assistance to local educational agencies for the replacement of drinking water fountains manufactured prior to 1988. ``(b) Use of Funds.--Funds awarded under the grant ***program***-- ``(1) shall be used to pay the costs of replacement of drinking water fountains in schools; and ``(2) may be used to pay the costs of monitoring and reporting of lead levels in the drinking water of schools of a local educational agency receiving such funds, as determined appropriate by the Administrator. ``(c) Priority.--In awarding funds under the grant ***program***, the Administrator shall give priority to local educational agencies based on economic need. ``(d) Authorization of Appropriations.--There are authorized to be appropriated to carry out this section $5,000,000 for each of fiscal ***years*** 2019 through 2021.''. (2) Definitions.--Section 1461(5) of the Safe Drinking Water Act (42 U.S.C 300j-21(5)) is amended by inserting ``or drinking water fountain'' after ``water cooler'' each place it appears. SEC. 2007. INNOVATIVE WATER TECHNOLOGY GRANT ***PROGRAM***. (a) Definitions.--In this section: (1) Administrator.--The term ``Administrator'' means the Administrator of the Environmental Protection Agency. (2) Eligible entity.--The term ``eligible entity'' means-- (A) a public water system (as defined under section 1401(4) of the Safe Drinking Water Act (42 U.S.C 300f(4))); (B) an institution of higher education; (C) a research institution or foundation; (D) a regional water organization; or (E) a nonprofit organization described in section 1442(e)(8) of the Safe Drinking Water Act (42 U.S.C 300j- 1(e)(8)). (b) Grant ***Program*** Authorized.--The Administrator shall carry out a grant ***program*** for the purpose of accelerating the development and deployment of innovative water technologies that address pressing drinking water supply, quality, treatment, or security challenges of public water systems, areas served by private wells, or source waters. (c) Grants.--In carrying out the ***program*** under subsection (b), the Administrator shall make grants to eligible entities-- (1) to develop, test, and deploy innovative water technologies; or (2) to provide technical assistance to deploy demonstrated innovative water technologies. (d) Selection Criteria.--In making grants under this section, the Administrator shall-- (1) award grants through a competitive process to eligible entities the Administrator determines are best able to carry out the purpose of the ***program***; and (2) give priority to projects that have the potential-- (A) to reduce ratepayer or community costs or costs of future capital investments; (B) to significantly improve human health or the environment; or (C) to provide additional drinking water supplies with minimal environmental impact. (e) Cost-sharing.--The Federal share of the cost of activities carried out using a grant under this section shall be not more than 65 percent. (f) Limitation.--The maximum amount of a grant under this section shall be $5,000,000. (g) Report.--Each ***year***, the Administrator shall submit to Congress and make publicly available on the website of the Administrator a report that describes any advancements during the previous ***year*** in development of innovative water technologies made as a result of funding provided under this section. (h) Partnerships.--Grants awarded under this ***program*** may include projects that are carried out by an eligible entity in cooperation with a private entity, including a farmer, farmer cooperative, or manufacturer of water technologies. (i) Authorization of Appropriations.--There is authorized to be appropriated to carry out this section $10,000,000 for each of fiscal ***years*** 2019 and 2020. SEC. 2008. IMPROVED CONSUMER CONFIDENCE REPORTS. Section 1414(c)(4) of the Safe Drinking Water Act (42 U.S.C 300g-3(c)(4)) is amended-- (1) in the heading for subparagraph (A), by striking ``Annual reports'' and inserting ``Reports''; (2) in subparagraph (A), by inserting ``, or provide by electronic means,'' after ``to mail''; (3) in subparagraph (B)-- (A) in clause (iv), by striking ``the Administrator, and'' and inserting ``the Administrator, including corrosion control efforts, and''; and (B) by adding at the end the following clause: ``(vii) Identification of, if any-- ``(I) exceedances described in paragraph (1)(D) for which corrective action has been required by the Administrator or the State (in the case of a State exercising primary enforcement responsibility for public water systems) during the monitoring period covered by the consumer confidence report; and ``(II) violations that occurred during the monitoring period covered by the consumer confidence report.''; and (4) by adding at the end the following new subparagraph: ``(F) Revisions.-- ``(i) Understandability and frequency.--Not later than 24 months after the date of enactment of America's Water Infrastructure Act of 2018, the Administrator, in consultation with the parties identified in subparagraph (A), shall issue revisions to the regulations issued under subparagraph (A)-- ``(I) to increase-- ``(aa) the readability, clarity, and understandability of the information presented in consumer confidence reports; and ``(bb) the accuracy of information presented, and risk communication, in consumer confidence reports; and ``(II) with respect to community water systems that serve 10,000 or more persons, to require each such community water system to provide, by mail, electronic means, or other methods described in clause (ii), a consumer confidence report to each customer of the system at least biannually. ``(ii) Electronic delivery.--Any revision of regulations pursuant to clause (i) shall allow delivery of consumer confidence reports by methods consistent with methods described in the memorandum `Safe Drinking Water Act-Consumer Confidence Report Rule Delivery Options' issued by the Environmental Protection Agency on January 3, 2013.''. SEC. 2009. CONTRACTUAL AGREEMENTS. (a) In General.--Section 1414(h)(1) of the Safe Drinking Water Act (42 U.S.C 300g-3(h)(1)) is amended-- (1) in subparagraph (B), by striking ``or'' after the semicolon; (2) in subparagraph (C), by striking the period at the end and inserting ``; or''; and (3) by adding at the end the following new subparagraph: ``(D) entering into a contractual agreement for significant management or administrative functions of the system to correct violations identified in the plan.''. (b) Technical Amendment.--Section 1414(i)(1) of the Safe Drinking Water Act (42 U.S.C 300g-3(i)(1)) is amended by inserting a comma after ``1417''. SEC. 2010. ADDITIONAL CONSIDERATIONS FOR COMPLIANCE. (a) Mandatory Assessment.--Subsection (h) of section 1414 of the Safe Drinking Water Act (42 U.S.C 300g-3) is amended by adding at the end the following: ``(3) Authority for mandatory assessment.-- ``(A) Authority.--A State with primary enforcement responsibility or the Administrator (if the State does not have primary enforcement responsibility) may require the owner or operator of a public water system to assess options for consolidation, or ***transfer*** of ownership of the system, as described in paragraph (1), or other actions expected to achieve compliance with national primary drinking water regulations described in clause (i)(I), if-- ``(i) the public water system-- ``(I) has repeatedly violated one or more national primary drinking water regulations and such repeated violations are likely to adversely affect human health; and ``(II)(aa) is unable or unwilling to take feasible and affordable actions, as determined by the State with primary enforcement responsibility or the Administrator (if the State does not have primary enforcement responsibility), that will result in the public water system complying with the national primary drinking water regulations described in subclause (I), including accessing technical assistance and financial assistance through the State loan fund pursuant to section 1452; or ``(bb) has already undertaken actions described in item (aa) without achieving compliance; ``(ii) such consolidation, ***transfer***, or other action is feasible; and ``(iii) such consolidation, ***transfer***, or other action could result in greater compliance with national primary drinking water regulations. ``(B) Tailoring of assessments.--Requirements for any assessment to be conducted pursuant to subparagraph (A) shall be tailored with respect to the size, type, and characteristics, of the public water system to be assessed. ``(C) Approved entities.--An assessment conducted pursuant to subparagraph (A) may be conducted by an entity approved by the State requiring such assessment (or the Administrator, if the State does not have primary enforcement responsibility), which [[Page H8209]] may include such State (or the Administrator, as applicable), the public water system, or a third party. ``(D) Burden of assessments.--It is the sense of Congress that any assessment required pursuant to subparagraph (A) should not be overly burdensome on the public water system that is assessed. ``(4) Financial assistance.--Notwithstanding section 1452(a)(3), a public water system undertaking consolidation or ***transfer*** of ownership or other actions pursuant to an assessment completed under paragraph (3) may receive a loan described in section 1452(a)(2)(A) to carry out such consolidation, ***transfer***, or other action. ``(5) Protection of nonresponsible system.-- ``(A) Identification of liabilities.-- ``(i) In general.--An owner or operator of a public water system that submits a plan pursuant to paragraph (1) based on an assessment conducted with respect to such public water system under paragraph (3) shall identify as part of such plan-- ``(I) any potential and existing liability for penalties and damages arising from each specific violation identified in the plan of which the owner or operator is aware; and ``(II) any funds or other assets that are available to satisfy such liability, as of the date of submission of such plan, to the public water system that committed such violation. ``(ii) Inclusion.--In carrying out clause (i), the owner or operator shall take reasonable steps to ensure that all potential and existing liabilities for penalties and damages arising from each specific violation identified in the plan are identified. ``(B) Reservation of funds.--A public water system that, consistent with the findings of an assessment conducted pursuant to paragraph (3), has completed the actions under a plan submitted and approved pursuant to this subsection shall not be liable under this title for a violation of this title identified in the plan, except to the extent to which funds or other assets are identified pursuant to subparagraph (A)(i)(II) as available to satisfy such liability. ``(6) Regulations.--Not later than 2 ***years*** after the date of enactment of America's Water Infrastructure Act of 2018, the Administrator shall promulgate regulations to implement paragraphs (3), (4), and (5).''. (b) Retention of Primary Enforcement Authority.-- (1) In general.--Section 1413(a) of the Safe Drinking Water Act (42 U.S.C 300g-2(a)) is amended-- (A) in paragraph (5), by striking ``; and'' and inserting a semicolon; (B) by redesignating paragraph (6) as paragraph (7); and (C) by inserting after paragraph (5) the following new paragraph: ``(6) has adopted and is implementing procedures for requiring public water systems to assess options for consolidation or ***transfer*** of ownership or other actions in accordance with the regulations issued by the Administrator under section 1414(h)(6); and''. (2) Conforming amendment.--Section 1413(b)(1) of the Safe Drinking Water Act (42 U.S.C 300g-2(b)(1)) is amended by striking ``of paragraphs (1), (2), (3), and (4)''. SEC. 2011. IMPROVED ACCURACY AND AVAILABILITY OF COMPLIANCE MONITORING DATA. Section 1414 of the Safe Drinking Water Act (42 U.S.C 300g-3) is amended by adding at the end the following new subsection: ``(j) Improved Accuracy and Availability of Compliance Monitoring Data.-- ``(1) Strategic plan.--Not later than 1 ***year*** after the date of enactment of this subsection, the Administrator, in coordination with States (including States without primary enforcement responsibility under section 1413), public water systems, and other interested stakeholders, shall develop and provide to Congress a strategic plan for improving the accuracy and availability of monitoring data collected to demonstrate compliance with national primary drinking water regulations and submitted-- ``(A) by public water systems to States; or ``(B) by States to the Administrator. ``(2) Evaluation.--In developing the strategic plan under paragraph (1), the Administrator shall evaluate any challenges faced-- ``(A) in ensuring the accuracy and integrity of submitted data described in paragraph (1); ``(B) by States and public water systems in implementing an electronic system for submitting such data, including the technical and economic feasibility of implementing such a system; and ``(C) by users of such electronic systems in being able to access such data. ``(3) Findings and recommendations.--The Administrator shall include in the strategic plan provided to Congress under paragraph (1)-- ``(A) a summary of the findings of the evaluation under paragraph (2); and ``(B) recommendations on practicable, cost-effective methods and means that can be employed to improve the accuracy and availability of submitted data described in paragraph (1). ``(4) Consultation.--In developing the strategic plan under paragraph (1), the Administrator may, as appropriate, consult with States or other Federal agencies that have experience using practicable methods and means to improve the accuracy and availability of submitted data described in such paragraph.''. SEC. 2012. ASSET MANAGEMENT. Section 1420 of the Safe Drinking Water Act (42 U.S.C 300g-9) is amended-- (1) in subsection (c)(2)-- (A) in subparagraph (D), by striking ``; and'' and inserting a semicolon; (B) in subparagraph (E), by striking the period at the end and inserting ``; and''; and (C) by adding at the end the following new subparagraph: ``(F) a description of how the State will, as appropriate-- ``(i) encourage development by public water systems of asset management plans that include best practices for asset management; and ``(ii) assist, including through the provision of technical assistance, public water systems in training operators or other relevant and appropriate persons in implementing such asset management plans.''; (2) in subsection (c)(3), by inserting ``, including efforts of the State to encourage development by public water systems of asset management plans and to assist public water systems in training relevant and appropriate persons in implementing such asset management plans'' after ``public water systems in the State''; and (3) in subsection (d), by adding at the end the following new paragraph: ``(5) Information on asset management practices.--Not later than 5 ***years*** after the date of enactment of this paragraph, and not less often than every 5 ***years*** thereafter, the Administrator shall review and, if appropriate, update educational materials, including handbooks, training materials, and technical information, made available by the Administrator to owners, managers, and operators of public water systems, local officials, technical assistance providers (including nonprofit water associations), and State personnel concerning best practices for asset management strategies that may be used by public water systems.''. SEC. 2013. COMMUNITY WATER SYSTEM RISK AND RESILIENCE. (a) In General.--Section 1433 of the Safe Drinking Water Act (42 U.S.C 300i-2) is amended to read as follows: ``SEC. 1433. COMMUNITY WATER SYSTEM RISK AND RESILIENCE. ``(a) Risk and Resilience Assessments.-- ``(1) In general.--Each community water system serving a population of greater than 3,300 persons shall conduct an assessment of the risks to, and resilience of, its system. Such an assessment-- ``(A) shall include an assessment of-- ``(i) the risk to the system from malevolent acts and natural hazards; ``(ii) the resilience of the pipes and constructed conveyances, physical barriers, source water, water collection and intake, pretreatment, treatment, storage and distribution facilities, electronic, computer, or other automated systems (including the security of such systems) which are utilized by the system; ``(iii) the monitoring practices of the system; ``(iv) the financial infrastructure of the system; ``(v) the use, storage, or handling of various chemicals by the system; and ``(vi) the operation and maintenance of the system; and ``(B) may include an evaluation of capital and operational needs for risk and resilience management for the system. ``(2) Baseline information.--The Administrator, not later than August 1, 2019, after consultation with appropriate departments and agencies of the Federal Government and with State and local governments, shall provide baseline information on malevolent acts of relevance to community water systems, which shall include consideration of acts that may-- ``(A) substantially disrupt the ability of the system to provide a safe and reliable supply of drinking water; or ``(B) otherwise present significant public health or economic concerns to the community served by the system. ``(3) Certification.-- ``(A) Certification.--Each community water system described in paragraph (1) shall submit to the Administrator a certification that the system has conducted an assessment complying with paragraph (1). Such certification shall be made prior to-- ``(i) March 31, 2020, in the case of systems serving a population of 100,000 or more; ``(ii) December 31, 2020, in the case of systems serving a population of 50,000 or more but less than 100,000; and ``(iii) June 30, 2021, in the case of systems serving a population greater than 3,300 but less than 50,000. ``(B) Review and revision.--Each community water system described in paragraph (1) shall review the assessment of such system conducted under such paragraph at least once every 5 ***years*** after the applicable deadline for submission of its certification under subparagraph (A) to determine whether such assessment should be revised. Upon completion of such a review, the community water system shall submit to the Administrator a certification that the system has reviewed its assessment and, if applicable, revised such assessment. ``(4) Contents of certifications.--A certification required under paragraph (3) shall contain only-- ``(A) information that identifies the community water system submitting the certification; ``(B) the date of the certification; and ``(C) a statement that the community water system has conducted, reviewed, or revised the assessment, as applicable. [[Page H8210]] ``(5) Provision to other entities.--No community water system shall be required under State or local law to provide an assessment described in this section (or revision thereof) to any State, regional, or local governmental entity solely by reason of the requirement set forth in paragraph (3) that the system submit a certification to the Administrator. ``(b) Emergency Response Plan.--Each community water system serving a population greater than 3,300 shall prepare or revise, where necessary, an emergency response plan that incorporates findings of the assessment conducted under subsection (a) for such system (and any revisions thereto). Each community water system shall certify to the Administrator, as soon as reasonably possible after the date of enactment of America's Water Infrastructure Act of 2018, but not later than 6 months after completion of the assessment under subsection (a), that the system has completed such plan. The emergency response plan shall include-- ``(1) strategies and resources to improve the resilience of the system, including the physical security and cybersecurity of the system; ``(2) plans and procedures that can be implemented, and identification of equipment that can be utilized, in the event of a malevolent act or natural hazard that threatens the ability of the community water system to deliver safe drinking water; ``(3) actions, procedures, and equipment which can obviate or significantly lessen the impact of a malevolent act or natural hazard on the public health and the safety and supply of drinking water provided to communities and individuals, including the development of alternative source water options, relocation of water intakes, and construction of flood protection barriers; and ``(4) strategies that can be used to aid in the detection of malevolent acts or natural hazards that threaten the security or resilience of the system. ``(c) Coordination.--Community water systems shall, to the extent possible, coordinate with existing local emergency planning committees established pursuant to the Emergency Planning and Community Right-To-Know Act of 1986 (42 U.S.C 11001 et seq.) when preparing or revising an assessment or emergency response plan under this section. ``(d) Record Maintenance.--Each community water system shall maintain a copy of the assessment conducted under subsection (a) and the emergency response plan prepared under subsection (b) (including any revised assessment or plan) for 5 ***years*** after the date on which a certification of such assessment or plan is submitted to the Administrator under this section. ``(e) Guidance to Small Public Water Systems.--The Administrator shall provide guidance and technical assistance to community water systems serving a population of less than 3,300 persons on how to conduct resilience assessments, prepare emergency response plans, and address threats from malevolent acts and natural hazards that threaten to disrupt the provision of safe drinking water or significantly affect the public health or significantly affect the safety or supply of drinking water provided to communities and individuals. ``(f) Alternative Preparedness and Operational Resilience ***Programs***.-- ``(1) Satisfaction of requirement.--A community water system that is required to comply with the requirements of subsections (a) and (b) may satisfy such requirements by-- ``(A) using and complying with technical standards that the Administrator has recognized under paragraph (2); and ``(B) submitting to the Administrator a certification that the community water system is complying with subparagraph (A). ``(2) Authority to recognize.--Consistent with section 12(d) of the National Technology ***Transfer*** and Advancement Act of 1995, the Administrator shall recognize technical standards that are developed or adopted by third-party organizations or voluntary consensus standards bodies that carry out the objectives or activities required by this section as a means of satisfying the requirements under subsection (a) or (b). ``(g) Technical Assistance and Grants.-- ``(1) In general.--The Administrator shall establish and implement a ***program***, to be known as the Drinking Water Infrastructure Risk and Resilience ***Program***, under which the Administrator may award grants in each of fiscal ***years*** 2020 and 2021 to owners or operators of community water systems for the purpose of increasing the resilience of such community water systems. ``(2) Use of funds.--As a condition on receipt of a grant under this section, an owner or operator of a community water system shall agree to use the grant funds exclusively to assist in the planning, design, construction, or implementation of a ***program*** or project consistent with an emergency response plan prepared pursuant to subsection (b), which may include-- ``(A) the purchase and installation of equipment for detection of drinking water contaminants or malevolent acts; ``(B) the purchase and installation of fencing, gating, lighting, or security cameras; ``(C) the tamper-proofing of manhole covers, fire hydrants, and valve boxes; ``(D) the purchase and installation of improved treatment technologies and equipment to improve the resilience of the system; ``(E) improvements to electronic, computer, financial, or other automated systems and remote systems; ``(F) participation in training ***programs***, and the purchase of training manuals and guidance materials, relating to security and resilience; ``(G) improvements in the use, storage, or handling of chemicals by the community water system; ``(H) security screening of employees or contractor support services; ``(I) equipment necessary to support emergency power or water supply, including standby and mobile sources; and ``(J) the development of alternative source water options, relocation of water intakes, and construction of flood protection barriers. ``(3) Exclusions.--A grant under this subsection may not be used for personnel costs, or for monitoring, operation, or maintenance of facilities, equipment, or systems. ``(4) Technical assistance.--For each fiscal ***year***, the Administrator may use not more than $5,000,000 from the funds made available to carry out this subsection to provide technical assistance to community water systems to assist in responding to and alleviating a vulnerability that would substantially disrupt the ability of the system to provide a safe and reliable supply of drinking water (including sources of water for such systems) which the Administrator determines to present an immediate and urgent need. ``(5) Grants for small systems.--For each fiscal ***year***, the Administrator may use not more than $10,000,000 from the funds made available to carry out this subsection to make grants to community water systems serving a population of less than 3,300 persons, or nonprofit organizations receiving assistance under section 1442(e), for activities and projects undertaken in accordance with the guidance provided to such systems under subsection (e) of this section. ``(6) Authorization of appropriations.--To carry out this subsection, there are authorized to be appropriated $25,000,000 for each of fiscal ***years*** 2020 and 2021. ``(h) Definitions.--In this section-- ``(1) the term `resilience' means the ability of a community water system or an asset of a community water system to adapt to or withstand the effects of a malevolent act or natural hazard without interruption to the asset's or system's function, or if the function is interrupted, to rapidly return to a normal operating condition; and ``(2) the term `natural hazard' means a natural event that threatens the functioning of a community water system, including an earthquake, tornado, flood, hurricane, wildfire, and hydrologic changes.''. (b) Sensitive Information.-- (1) Protection from disclosure.--Information submitted to the Administrator of the Environmental Protection Agency pursuant to section 1433 of the Safe Drinking Water Act, as in effect on the day before the date of enactment of America's Water Infrastructure Act of 2018, shall be protected from disclosure in accordance with the provisions of such section as in effect on such day. (2) Disposal.--The Administrator, in partnership with community water systems (as defined in section 1401 of the Safe Drinking Water Act), shall develop a strategy to, in a timeframe determined appropriate by the Administrator, securely and permanently dispose of, or return to the applicable community water system, any information described in paragraph (1). SEC. 2014. AUTHORIZATION FOR GRANTS FOR STATE ***PROGRAMS***. Section 1443(a)(7) of the Safe Drinking Water Act (42 U.S.C 300j-2(a)(7)) is amended by striking ``$100,000,000 for each of fiscal ***years*** 1997 through 2003'' and inserting ``$125,000,000 for each of fiscal ***years*** 2020 and 2021''. SEC. 2015. STATE REVOLVING LOAN FUNDS. (a) Use of Funds.--Section 1452(a)(2)(B) of the Safe Drinking Water Act (42 U.S.C 300j-12(a)(2)(B)) is amended by striking ``(including expenditures for planning, design, and associated preconstruction activities, including activities relating to the siting of the facility, but not'' and inserting ``(including expenditures for planning, design, siting, and associated preconstruction activities, or for replacing or rehabilitating aging treatment, storage, or distribution facilities of public water systems, but not''. (b) Prevailing Wages.--Section 1452(a) of the Safe Drinking Water Act (42 U.S.C 300j-12(a)) is further amended by adding at the end the following: ``(5) Prevailing wages.--The requirements of section 1450(e) shall apply to any construction project carried out in whole or in part with assistance made available by a State loan fund.''. (c) Assistance for Disadvantaged Communities.--Section 1452(d)(2) of the Safe Drinking Water Act (42 U.S.C 300j- 12(d)(2)) is amended to read as follows: ``(2) Total amount of subsidies.--For each fiscal ***year***, of the amount of the capitalization grant received by the State for the ***year***, the total amount of loan subsidies made by a State pursuant to paragraph (1)-- ``(A) may not exceed 35 percent; and ``(B) to the extent that there are sufficient applications for loans to communities described in paragraph (1), may not be less than 6 percent.''. (d) Types of Assistance.--Section 1452(f)(1) of the Safe Drinking Water Act (42 U.S.C 300j-12(f)(1)) is amended-- (1) by redesignating subparagraphs (C) and (D) as subparagraphs (D) and (E), respectively; [[Page H8211]] (2) by inserting after subparagraph (B) the following new subparagraph: ``(C) each loan will be fully amortized not later than 30 ***years*** after the completion of the project, except that in the case of a disadvantaged community (as defined in subsection (d)(3)) a State may provide an extended term for a loan, if the extended term-- ``(i) terminates not later than the date that is 40 ***years*** after the date of project completion; and ``(ii) does not exceed the expected design life of the project;''; and (3) in subparagraph (B), by striking ``1 ***year*** after completion of the project for which the loan was made'' and all that follows through ``design life of the project;'' and inserting ``18 months after completion of the project for which the loan was made;''. (e) Needs Survey.--Section 1452(h) of the Safe Drinking Water Act (42 U.S.C 300j-12(h)) is amended-- (1) by striking ``The Administrator'' and inserting ``(1) The Administrator''; and (2) by adding at the end the following new paragraph: ``(2) Any assessment conducted under paragraph (1) after the date of enactment of America's Water Infrastructure Act of 2018 shall include an assessment of costs to replace all lead service lines (as defined in section 1459B(a)(4)) of all eligible public water systems in the United States, and such assessment shall describe separately the costs associated with replacing the portions of such lead service lines that are owned by an eligible public water system and the costs associated with replacing any remaining portions of such lead service lines, to the extent practicable.''. (f) Other Authorized Activities.--Section 1452(k)(1)(C) of the Safe Drinking Water Act (42 U.S.C 300j-12(k)(1)(C)) is amended by striking ``for fiscal ***years*** 1996 and 1997 to delineate and assess source water protection areas in accordance with section 1453'' and inserting ``to delineate, assess, and update assessments for source water protection areas in accordance with section 1453''. (g) Best Practices for Administration of State Revolving Loan Funds.--Section 1452 of the Safe Drinking Water Act (42 U.S.C 300j-12) is amended by adding after subsection (r) the following: ``(s) Best Practices for State Loan Fund Administration.-- The Administrator shall-- ``(1) collect information from States on administration of State loan funds established pursuant to subsection (a)(1), including-- ``(A) efforts to streamline the process for applying for assistance through such State loan funds; ``(B) ***programs*** in place to assist with the completion of applications for assistance through such State loan funds; ``(C) incentives provided to public water systems that partner with small public water systems to assist with the application process for assistance through such State loan funds; ``(D) practices to ensure that amounts in such State loan funds are used to provide loans, loan guarantees, or other authorized assistance in a timely fashion; ``(E) practices that support effective management of such State loan funds; ``(F) practices and tools to enhance financial management of such State loan funds; and ``(G) key financial measures for use in evaluating State loan fund operations, including-- ``(i) measures of lending capacity, such as current assets and current liabilities or undisbursed loan assistance liability; and ``(ii) measures of growth or sustainability, such as return on net interest; ``(2) not later than 3 ***years*** after the date of enactment of America's Water Infrastructure Act of 2018, disseminate to the States best practices for administration of such State loan funds, based on the information collected pursuant to this subsection; and ``(3) periodically update such best practices, as appropriate.''. SEC. 2016. AUTHORIZATION FOR SOURCE WATER PETITION ***PROGRAMS***. Section 1454(e) of the Safe Drinking Water Act (42 U.S.C 300j-14(e)) is amended by striking ``1997 through 2003'' and inserting ``2020 through 2021''. SEC. 2017. REVIEW OF TECHNOLOGIES. Part E of the Safe Drinking Water Act (42 U.S.C 300j et seq.) is further amended by adding at the end the following new section: ``SEC. 1459D. REVIEW OF TECHNOLOGIES. ``(a) Review.--The Administrator, after consultation with appropriate departments and agencies of the Federal Government and with State and local governments, shall review (or enter into contracts or cooperative agreements to provide for a review of) existing and potential methods, means, equipment, and technologies (including review of cost, availability, and efficacy of such methods, means, equipment, and technologies) that-- ``(1) ensure the physical integrity of community water systems; ``(2) prevent, detect, and respond to any contaminant for which a national primary drinking water regulation has been promulgated in community water systems and source water for community water systems; ``(3) allow for use of alternate drinking water supplies from nontraditional sources; and ``(4) facilitate source water assessment and protection. ``(b) Inclusions.--The review under subsection (a) shall include review of methods, means, equipment, and technologies-- ``(1) that are used for corrosion protection, metering, leak detection, or protection against water loss; ``(2) that are intelligent systems, including hardware, software, or other technology, used to assist in protection and detection described in paragraph (1); ``(3) that are point-of-use devices or point-of-entry devices; ``(4) that are physical or electronic systems that monitor, or assist in monitoring, contaminants in drinking water in real-time; and ``(5) that allow for the use of nontraditional sources for drinking water, including physical separation and chemical and biological transformation technologies. ``(c) Availability.--The Administrator shall make the results of the review under subsection (a) available to the public. ``(d) Authorization of Appropriations.--There is authorized to be appropriated to the Administrator to carry out this section $10,000,000 for fiscal ***year*** 2019, which shall remain available until expended.''. SEC. 2018. SOURCE WATER. (a) Addressing Source Water Used for Drinking Water.-- Section 304 of the Emergency Planning and Community Right-To- Know Act of 1986 (42 U.S.C 11004) is amended-- (1) in subsection (b)(1), by striking ``State emergency planning commission'' and inserting ``State emergency response commission''; and (2) by adding at the end the following new subsection: ``(e) Addressing Source Water Used for Drinking Water.-- ``(1) Applicable state agency notification.--A State emergency response commission shall-- ``(A) promptly notify the applicable State agency of any release that requires notice under subsection (a); ``(B) provide to the applicable State agency the information identified in subsection (b)(2); and ``(C) provide to the applicable State agency a written followup emergency notice in accordance with subsection (c). ``(2) Community water system notification.-- ``(A) In general.--An applicable State agency receiving notice of a release under paragraph (1) shall-- ``(i) promptly forward such notice to any community water system the source waters of which are affected by the release; ``(ii) forward to the community water system the information provided under paragraph (1)(B); and ``(iii) forward to the community water system the written followup emergency notice provided under paragraph (1)(C). ``(B) Direct notification.--In the case of a State that does not have an applicable State agency, the State emergency response commission shall provide the notices and information described in paragraph (1) directly to any community water system the source waters of which are affected by a release that requires notice under subsection (a). ``(3) Definitions.--In this subsection: ``(A) Community water system.--The term `community water system' has the meaning given such term in section 1401(15) of the Safe Drinking Water Act. ``(B) Applicable state agency.--The term `applicable State agency' means the State agency that has primary responsibility to enforce the requirements of the Safe Drinking Water Act in the State.''. (b) Availability to Community Water Systems.--Section 312(e) of the Emergency Planning and Community Right-To-Know Act of 1986 (42 U.S.C 11022(e)) is amended-- (1) in paragraph (1), by striking ``State emergency planning commission'' and inserting ``State emergency response commission''; and (2) by adding at the end the following new paragraph: ``(4) Availability to community water systems.-- ``(A) In general.--An affected community water system may have access to tier II information by submitting a request to the State emergency response commission or the local emergency planning committee. Upon receipt of a request for tier II information, the State commission or local committee shall, pursuant to paragraph (1), request the facility owner or operator for the tier II information and make available such information to the affected community water system. ``(B) Definition.--In this paragraph, the term `affected community water system' means a community water system (as defined in section 1401(15) of the Safe Drinking Water Act) that receives supplies of drinking water from a source water area, delineated under section 1453 of the Safe Drinking Water Act, in which a facility that is required to prepare and submit an inventory form under subsection (a)(1) is located.''. SEC. 2019. REPORT ON FEDERAL CROSS-CUTTING REQUIREMENTS. (a) Report.--Not later than one ***year*** after the date of enactment of this Act, the Comptroller General shall submit to Congress a report containing the results of a study, to be conducted in consultation with the Administrator of the Environmental Protection Agency, any State agency that has primary responsibility to enforce the requirements of the Safe Drinking Water Act (42 U.S.C 300f et seq.) in a State, and public water systems, to identify demonstrations of compliance [[Page H8212]] with a State or local environmental law that may be substantially equivalent to any demonstration required by the Administrator for compliance with a Federal cross-cutting requirement. (b) Definitions.--In this subsection: (1) Federal cross-cutting requirement.--The term ``Federal cross-cutting requirement'' means a requirement of a Federal law or regulation, compliance with which is a condition on receipt of a loan or loan guarantee pursuant to section 1452 of the Safe Drinking Water Act (42 U.S.C 300j-12), that, if applied with respect to projects and activities for which a public water system receives such a loan or loan guarantee, would be substantially equivalent to a requirement of an applicable State or local law. (2) Public water system.--The term ``public water system'' has the meaning given that term in section 1401 of the Safe Drinking Water Act (42 U.S.C 300f). SEC. 2020. ASSISTANCE FOR AREAS AFFECTED BY NATURAL DISASTERS. (a) Definitions.--In this section: (1) Community water system.--The term ``community water system'' has the meaning given such term in section 1401(15) of the Safe Drinking Water Act (42 U.S.C 300f(15)). (2) Eligible state.--The term ``eligible State'' means a State, as defined in section 1401(13)(B) of the Safe Drinking Water Act (42 U.S.C 300f(13)(B)). (3) Eligible system.--The term ``eligible system'' means a community water system-- (A) that serves an area for which, after January 1, 2017, the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C 5121 et seq.)-- (i) has issued a major disaster declaration; and (ii) provided disaster assistance; or (B) that is capable of extending its potable drinking water service into an underserved area. (4) National primary drinking water regulation.--The term ``national primary drinking water regulation'' means a national primary drinking water regulation under section 1412 of the Safe Drinking Water Act (42 U.S.C 300g-1). (5) Underserved area.--The term ``underserved area'' means a geographic area in an eligible State that-- (A) is served by a community water system serving fewer than 50,000 persons where delivery of, or access to, potable water is or was disrupted; and (B) received disaster assistance pursuant to a declaration described in paragraph (3)(A). (b) State Revolving Loan Fund Assistance.-- (1) In general.--An eligible State may use funds provided pursuant to subsection (e)(1) to provide assistance to an eligible system within the eligible State for the purpose of restoring or increasing compliance with national primary drinking water regulations in an underserved area. (2) Inclusion.-- (A) Additional subsidization.--With respect to assistance provided under paragraph (1), an eligible system shall be eligible to receive loans with additional subsidization (including forgiveness of principal, negative-interest loans, or grants (or any combination thereof)) for the purpose described in paragraph (1). (B) Nondesignation.--Assistance provided under paragraph (1) may include additional subsidization, as described in subparagraph (A), even if the service area of the eligible system has not been designated by the applicable eligible State as a disadvantaged community pursuant to section 1452(d)(3) of the Safe Drinking Water Act (42 U.S.C 300j- 12(d)(3)). (c) Exclusion.--Assistance provided under this section shall not include assistance for a project that is financed (directly or indirectly), in whole or in part, with proceeds of any obligation issued after the date of enactment of this Act the interest of which is exempt from the tax imposed under chapter 1 of the Internal Revenue Code of 1986. (d) Nonduplication of Work.--An activity carried out pursuant to this section shall not duplicate the work or activity of any other Federal or State department or agency. (e) Additional Drinking Water State Revolving Fund Capitalization Grants.-- (1) In general.--There is authorized to be appropriated to the Administrator of the Environmental Protection Agency $100,000,000 to provide additional capitalization grants pursuant to section 1452 of the Safe Drinking Water Act (42 U.S.C 300j-12) to eligible States, to be available-- (A) for a period of 24 months beginning on the date on which the funds are made available for the purpose described in subsection (b)(1); and (B) after the end of such 24-month period, until expended for the purpose described in paragraph (3) of this subsection. (2) Supplemented intended use plans.-- (A) Obligation of amounts.--Not later than 30 days after the date on which an eligible State submits to the Administrator a supplemental intended use plan under section 1452(b) of the Safe Drinking Water Act (42 U.S.C 300j- 12(b)), from funds made available under paragraph (1), the Administrator shall obligate to such eligible State such amounts as are appropriate to address the needs identified in such supplemental intended use plan for the purpose described in subsection (b)(1). (B) Plans.--A supplemental intended use plan described in subparagraph (A) shall include information regarding projects to be funded using the assistance provided under subsection (b)(1), including, with respect to each such project-- (i) a description of the project; (ii) an explanation of the means by which the project will restore or improve compliance with national primary drinking water regulations in an underserved area; (iii) the estimated cost of the project; and (iv) the projected start date for the project. (3) Unobligated amounts.--Any amounts made available to the Administrator under paragraph (1) that are unobligated on the date that is 24 months after the date on which the amounts are made available shall be available for the purpose of providing additional grants to States to capitalize State loan funds as provided under section 1452 of the Safe Drinking Water Act (42 U.S.C 300j-12). (4) Applicability.-- (A) In general.--Except as otherwise provided in this section, all requirements of the Safe Drinking Water Act (42 U.S.C 300f et seq.) shall apply to funding provided under this section. (B) Intended use plans.--Section 1452(b)(1) of the Safe Drinking Water Act (42 U.S.C 300j-12(b)(1)) shall not apply to a supplemental intended use plan under paragraph (2). (C) State contribution.--For amounts authorized to be appropriated under paragraph (1), the matching requirements in section 1452(e) of the Safe Drinking Water Act (42 U.S.C 300j-12(e)) shall not apply to any funds provided to the Commonwealth of Puerto Rico under this section. SEC. 2021. MONITORING FOR UNREGULATED CONTAMINANTS. (a) In General.--Section 1445 of the Safe Drinking Water Act (42 U.S.C 300j-4) is amended by adding at the end the following: ``(j) Monitoring by Certain Systems.-- ``(1) In general.--Notwithstanding subsection (a)(2)(A), the Administrator shall, subject to the availability of appropriations for such purpose-- ``(A) require public water systems serving between 3,300 and 10,000 persons to monitor for unregulated contaminants in accordance with this section; and ``(B) ensure that only a representative sample of public water systems serving fewer than 3,300 persons are required to monitor. ``(2) Effective date.--Paragraph (1) shall take effect 3 ***years*** after the date of enactment of this subsection. ``(3) Limitation.--Paragraph (1) shall take effect unless the Administrator determines that there is not sufficient laboratory capacity to accommodate the analysis necessary to carry out monitoring required under such paragraph. ``(4) Limitation on enforcement.--The Administrator may not enforce a requirement to monitor pursuant to paragraph (1) with respect to any public water system serving fewer than 3,300 persons, including by subjecting such a public water system to any civil penalty. ``(5) Authorization of appropriations.--There are authorized to be appropriated $15,000,000 in each fiscal ***year*** for which monitoring is required to be carried out under this subsection for the Administrator to pay the reasonable cost of such testing and laboratory analysis as are necessary to carry out monitoring required under this subsection.''. (b) Authorization of Appropriations.--Section 1445(a)(2)(H) of the Safe Drinking Water Act (42 U.S.C 300j-4(a)(2)(H)) is amended by striking ``1997 through 2003'' and inserting ``2019 through 2021''. (c) Inclusion in Data Base.--Section 1445(g)(7) of the Safe Drinking Water Act (42 U.S.C 300j-4(g)(7)) is amended by-- (1) striking ``and'' at the end of subparagraph (B); (2) redesignating subparagraph (C) as subparagraph (D); and (3) inserting after subparagraph (B) the following: ``(C) if applicable, monitoring information collected by public water systems pursuant to subsection (j) that is not duplicative of monitoring information included in the data base under subparagraph (B) or (D); and''. SEC. 2022. AMERICAN IRON AND STEEL PRODUCTS. Section 1452(a)(4)(A) of the Safe Drinking Water Act (42 U.S.C 300j-12(a)(4)(A)) is amended by striking ``fiscal ***year*** 2017'' and inserting ``fiscal ***years*** 2019 through 2023''. SEC. 2023. AUTHORIZATION FOR CAPITALIZATION GRANTS TO STATES FOR STATE DRINKING WATER TREATMENT REVOLVING LOAN FUNDS. Section 1452(m) of the Safe Drinking Water Act (42 U.S.C 300j-12(m)) is amended-- (1) by striking the first sentence and inserting the following: ``(1) There are authorized to be appropriated to carry out the purposes of this section-- ``(A) $1,174,000,000 for fiscal ***year*** 2019; ``(B) $1,300,000,000 for fiscal ***year*** 2020; and ``(C) $1,950,000,000 for fiscal ***year*** 2021.''; (2) by striking ``To the extent amounts authorized to be'' and inserting the following: ``(2) To the extent amounts authorized to be''; and (3) by striking ``(prior to the fiscal ***year*** 2004)''. [[Page H8213]] TITLE III--ENERGY SEC. 3001. MODERNIZING AUTHORIZATIONS FOR NECESSARY HYDROPOWER APPROVALS. (a) Preliminary Permits.--Section 5 of the Federal Power Act (16 U.S.C 798) is amended-- (1) in subsection (a), by striking ``three'' and inserting ``4''; and (2) in subsection (b)-- (A) by striking ``Commission may extend the period of a preliminary permit once for not more than 2 additional ***years*** beyond the 3 ***years***'' and inserting the following: ``Commission may-- ``(1) extend the period of a preliminary permit once for not more than 4 additional ***years*** beyond the 4 ***years***''; (B) by striking the period at the end and inserting ``; and''; and (C) by adding at the end the following: ``(2) after the end of an extension period granted under paragraph (1), issue an additional permit to the permittee if the Commission determines that there are extraordinary circumstances that warrant the issuance of the additional permit.''. (b) Time Limit for Construction of Project Works.--Section 13 of the Federal Power Act (16 U.S.C 806) is amended in the second sentence by striking ``once but not longer than two additional ***years***'' and inserting ``for not more than 8 additional ***years***,''. (c) Obligation for ***Payment*** of Annual Charges.--Any obligation of a licensee or exemptee for the ***payment*** of annual charges under section 10(e) of the Federal Power Act (16 U.S.C 803(e)) for a project that has not commenced construction as of the date of enactment of this Act shall commence not earlier than the latest of-- (1) the date by which the licensee or exemptee is required to commence construction; or (2) the date of any extension of the deadline under paragraph (1). SEC. 3002. QUALIFYING CONDUIT HYDROPOWER FACILITIES. Section 30(a) of the Federal Power Act (16 U.S.C 823a(a)) is amended-- (1) in paragraph (2)(C), by striking ``45 days'' and inserting ``30 days''; and (2) in paragraph (3)(C)(ii), by striking ``5'' and inserting ``40''. SEC. 3003. PROMOTING HYDROPOWER DEVELOPMENT AT EXISTING NONPOWERED DAMS. Part I of the Federal Power Act (16 U.S.C 792 et seq.) is amended by adding at the end the following: ``SEC. 34. PROMOTING HYDROPOWER DEVELOPMENT AT EXISTING NONPOWERED DAMS. ``(a) Expedited Licensing Process for Non-Federal Hydropower Projects at Existing Nonpowered Dams.-- ``(1) In general.--As provided in this section, the Commission may issue and amend licenses, as appropriate, for any facility the Commission determines is a qualifying facility. ``(2) Rule.--Not later than 180 days after the date of enactment of this section, the Commission shall issue a rule establishing an expedited process for issuing and amending licenses for qualifying facilities under this section. ``(3) Interagency task force.-- ``(A) In establishing the expedited process under this section, the Commission shall convene an interagency task force, with appropriate Federal and State agencies and Indian tribes represented, to coordinate the regulatory processes associated with the authorizations required to construct and operate a qualifying facility. ``(B) The task force shall develop procedures that are consistent with subsection (e)(1)(E) to seek to ensure that, for projects licensed pursuant to this section, the Commission and appropriate Federal and State agencies and Indian tribes shall exercise their authorities in a manner that, to the extent practicable, will not result in any material change to the storage, release, or flow operations of the associated nonpowered dam existing at the time an applicant files its license application. ``(4) Length of process.--The Commission shall seek to ensure that the expedited process under this section will result in a final decision on an application for a license by not later than 2 ***years*** after receipt of a completed application for the license. ``(b) Dam Safety.-- ``(1) Assessment.--Before issuing any license for a qualifying facility, the Commission shall assess the safety of existing non-Federal dams and other non-Federal structures related to the qualifying facility (including possible consequences associated with failure of such structures). ``(2) Requirements.--In issuing any license for a qualifying facility at a non-Federal dam, the Commission shall ensure that the Commission's dam safety requirements apply to such qualifying facility, and the associated qualifying nonpowered dam, over the term of such license. ``(c) Interagency Communications.--Interagency cooperation in the preparation of environmental documents under the National Environmental Policy Act of 1969 (42 U.S.C 4321 et seq.) with respect to an application for a license for a qualifying facility under this section, and interagency communications relating to licensing process coordination pursuant to this section, shall not-- ``(1) be considered to be ex parte communications under Commission rules; or ``(2) preclude an agency from participating in a licensing proceeding under this part, providing that any agency participating as a party in a licensing proceeding under this part shall, to the extent practicable, demonstrate a separation of staff cooperating with the Commission under the National Environmental Policy Act (42 U.S.C 4321 et seq.) and staff participating in the applicable proceeding under this part. ``(d) Identification of Nonpowered Dams for Hydropower Development.-- ``(1) In general.--Not later than 12 months after the date of enactment of this section, the Commission, with the Secretary of the Army, the Secretary of the Interior, and the Secretary of ***Agriculture***, shall jointly develop a list of existing nonpowered Federal dams that the Commission and the Secretaries agree have the greatest potential for non-Federal hydropower development. ``(2) Considerations.--In developing the list under paragraph (1), the Commission and the Secretaries may consider the following: ``(A) The compatibility of hydropower generation with existing purposes of the dam. ``(B) The proximity of the dam to existing transmission resources. ``(C) The existence of studies to characterize environmental, cultural, and historic resources relating to the dam. ``(D) The effects of hydropower development on release or flow operations of the dam. ``(3) Availability.--The Commission shall-- ``(A) provide the list developed under paragraph (1) to-- ``(i) the Committee on Energy and Commerce, the Committee on Transportation and Infrastructure, and the Committee on Natural Resources, of the House of Representatives; and ``(ii) the Committee on Environment and Public Works, and the Committee on Energy and Natural Resources, of the Senate; and ``(B) make such list available to the public. ``(e) Definitions.--For purposes of this section: ``(1) Qualifying criteria.--The term `qualifying criteria' means, with respect to a facility-- ``(A) as of the date of enactment of this section, the facility is not licensed under, or exempted from the license requirements contained in, this part; ``(B) the facility will be associated with a qualifying nonpowered dam; ``(C) the facility will be constructed, operated, and maintained for the generation of electric power; ``(D) the facility will use for such generation any withdrawals, diversions, releases, or flows from the associated qualifying nonpowered dam, including its associated impoundment or other infrastructure; and ``(E) the operation of the facility will not result in any material change to the storage, release, or flow operations of the associated qualifying nonpowered dam. ``(2) Qualifying facility.--The term `qualifying facility' means a facility that is determined under this section to meet the qualifying criteria. ``(3) Qualifying nonpowered dam.--The term `qualifying nonpowered dam' means any dam, dike, embankment, or other barrier-- ``(A) the construction of which was completed on or before the date of enactment of this section; ``(B) that is or was operated for the control, release, or distribution of water for ***agricultural***, municipal, navigational, industrial, commercial, environmental, recreational, aesthetic, drinking water, or flood control purposes; and ``(C) that, as of the date of enactment of this section, is not generating electricity with hydropower generating works that are licensed under, or exempted from the license requirements contained in, this part. ``(f) Savings Clause.--Nothing in this section affects-- ``(1) any authority of the Commission to license a facility at a nonpowered dam under this part; and ``(2) any authority of the Commission to issue an exemption to a small hydroelectric power project under the Public Utility Regulatory Policies Act of 1978.''. SEC. 3004. CLOSED-LOOP PUMPED STORAGE PROJECTS. Part I of the Federal Power Act (16 U.S.C 792 et seq.), as amended, is further amended by adding at the end the following: ``SEC. 35. CLOSED-LOOP PUMPED STORAGE PROJECTS. ``(a) Expedited Licensing Process for Closed-Loop Pumped Storage Projects.-- ``(1) In general.--As provided in this section, the Commission may issue and amend licenses, as appropriate, for closed-loop pumped storage projects. ``(2) Rule.--Not later than 180 days after the date of enactment of this section, the Commission shall issue a rule establishing an expedited process for issuing and amending licenses for closed-loop pumped storage projects under this section. ``(3) Interagency task force.--In establishing the expedited process under this section, the Commission shall convene an interagency task force, with appropriate Federal and State agencies and Indian tribes represented, to coordinate the regulatory processes associated with the authorizations required to construct and operate closed-loop pumped storage projects. [[Page H8214]] ``(4) Length of process.--The Commission shall seek to ensure that the expedited process under this section will result in final decision on an application for a license by not later than 2 ***years*** after receipt of a completed application for such license. ``(b) Dam Safety.--Before issuing any license for a closed- loop pumped storage project, the Commission shall assess the safety of existing dams and other structures related to the project (including possible consequences associated with failure of such structures). ``(c) Exceptions From Other Requirements.-- ``(1) In general.--In issuing or amending a license for a closed-loop pumped storage project pursuant to the expedited process established under this section, the Commission may grant an exception from any other requirement of this part with respect to any part of the closed-loop pumped storage project (not including any dam or other impoundment). ``(2) Consultation.--In granting an exception under paragraph (1), the Commission shall consult with the United States Fish and Wildlife Service, the National Marine Fisheries Service, and the State agency exercising administration over the fish and wildlife resources of the State in which the closed-loop pumped storage project is or will be located, in the manner provided by the Fish and Wildlife Coordination Act (16 U.S.C 661 et seq.). ``(3) Terms and conditions.--In granting an exception under paragraph (1), the Commission shall include in any such exception-- ``(A) such terms and conditions as the United States Fish and Wildlife Service, the National Marine Fisheries Service, and the State agency described in paragraph (2) each determine are appropriate to prevent loss of, or damage to, fish and wildlife resources and to otherwise carry out the purposes of the Fish and Wildlife Coordination Act; and ``(B) such terms and conditions as the Commission deems appropriate to ensure that such closed-loop pumped storage project continues to comply with the provisions of this section and terms and conditions included in any such exception. ``(4) Fees.--The Commission, in addition to the requirements of section 10(e), shall establish fees which shall be paid by an applicant for a license for a closed-loop pumped storage project that is required to meet terms and conditions set by fish and wildlife agencies under paragraph (3). Such fees shall be adequate to reimburse the fish and wildlife agencies referred to in paragraph (3) for any reasonable costs incurred in connection with any studies or other reviews carried out by such agencies for purposes of compliance with this section. The fees shall, subject to annual appropriations Acts, be ***transferred*** to such agencies by the Commission for use solely for purposes of carrying out such studies and shall remain available until expended. ``(d) ***Transfers***.--Notwithstanding section 5, and regardless of whether the holder of a preliminary permit for a closed- loop pumped storage project claimed municipal preference under section 7(a) when obtaining the permit, on request by a municipality, the Commission may, to facilitate development of a closed-loop pumped storage project-- ``(1) add entities as joint permittees following issuance of a preliminary permit; and ``(2) ***transfer*** a license in part to one or more nonmunicipal entities as co-licensees with a municipality, if the municipality retains majority ownership of the project for which the license was issued. ``(e) Interagency Communications.--Interagency cooperation in the preparation of environmental documents under the National Environmental Policy Act of 1969 (42 U.S.C 4321 et seq.) with respect to an application for a license for a closed-loop pumped storage project submitted pursuant to this section, and interagency communications relating to licensing process coordination pursuant to this section, shall not-- ``(1) be considered to be ex parte communications under Commission rules; or ``(2) preclude an agency from participating in a licensing proceeding under this part, providing that any agency participating as a party in a licensing proceeding under this part shall, to the extent practicable, demonstrate a separation of staff cooperating with the Commission under the National Environmental Policy Act (42 U.S.C 4321 et seq.) and staff participating in the applicable proceeding under this part. ``(f) Developing Abandoned Mines for Pumped Storage.-- ``(1) Workshop.--Not later than 6 months after the date of enactment of this section, the Commission shall hold a workshop to explore potential opportunities for development of closed-loop pumped storage projects at abandoned mine sites. ``(2) Guidance.--Not later than 1 ***year*** after the date of enactment of this section, the Commission shall issue guidance to assist applicants for licenses or preliminary permits for closed-loop pumped storage projects at abandoned mine sites. ``(g) Qualifying Criteria for Closed-Loop Pumped Storage Projects.-- ``(1) In general.--The Commission shall establish criteria that a pumped storage project shall meet in order to qualify as a closed-loop pumped storage project eligible for the expedited process established under this section. ``(2) Inclusions.--In establishing the criteria under paragraph (1), the Commission shall include criteria requiring that the pumped storage project-- ``(A) cause little to no change to existing surface and ground water flows and uses; and ``(B) is unlikely to adversely affect species listed as a threatened species or endangered species under the Endangered Species Act of 1973. ``(h) Savings Clause.--Nothing in this section affects any authority of the Commission to license a closed-loop pumped storage project under this part.''. SEC. 3005. CONSIDERATIONS FOR RELICENSING TERMS. Part I of the Federal Power Act (16 U.S.C 792 et seq.), as amended, is further amended by adding at the end the following: ``SEC. 36. CONSIDERATIONS FOR RELICENSING TERMS. ``(a) In General.--In determining the term of a new license issued when an existing license under this part expires, the Commission shall take into consideration, among other things-- ``(1) project-related investments by the licensee under the new license; and ``(2) project-related investments by the licensee over the term of the existing license. ``(b) Equal Weight.--The determination of the Commission under subsection (a) shall give equal weight to-- ``(1) investments by the licensee to implement the new license under this part, including investments relating to redevelopment, new construction, new capacity, efficiency, modernization, rehabilitation or replacement of major equipment, safety improvements, or environmental, recreation, or other protection, mitigation, or enhancement measures required or authorized by the new license; and ``(2) investments by the licensee over the term of the existing license (including any terms under annual licenses) that-- ``(A) resulted in redevelopment, new construction, new capacity, efficiency, modernization, rehabilitation or replacement of major equipment, safety improvements, or environmental, recreation, or other protection, mitigation, or enhancement measures conducted over the term of the existing license; and ``(B) were not expressly considered by the Commission as contributing to the length of the existing license term in any order establishing or extending the existing license term. ``(c) Commission Determination.--At the request of the licensee, the Commission shall make a determination as to whether any planned, ongoing, or completed investment meets the criteria under subsection (b)(2). Any determination under this subsection shall be issued within 60 days following receipt of the licensee's request. When issuing its determination under this subsection, the Commission shall not assess the incremental number of ***years*** that the investment may add to the new license term. All such assessment shall occur only as provided in subsection (a).''. SEC. 3006. FAIR RATEPAYER ACCOUNTABILITY, TRANSPARENCY, AND EFFICIENCY STANDARDS. Section 205 of the Federal Power Act (16 U.S.C 824d) is amended by adding at the end the following: ``(g) Inaction of Commissioners.-- ``(1) In general.--With respect to a change described in subsection (d), if the Commission permits the 60-day period established therein to expire without issuing an order accepting or denying the change because the Commissioners are divided two against two as to the lawfulness of the change, as a result of vacancy, incapacity, or recusal on the Commission, or if the Commission lacks a quorum-- ``(A) the failure to issue an order accepting or denying the change by the Commission shall be considered to be an order issued by the Commission accepting the change for purposes of section 313(a); and ``(B) each Commissioner shall add to the record of the Commission a written statement explaining the views of the Commissioner with respect to the change. ``(2) Appeal.--If, pursuant to this subsection, a person seeks a rehearing under section 313(a), and the Commission fails to act on the merits of the rehearing request by the date that is 30 days after the date of the rehearing request because the Commissioners are divided two against two, as a result of vacancy, incapacity, or recusal on the Commission, or if the Commission lacks a quorum, such person may appeal under section 313(b).''. SEC. 3007. J. BENNETT JOHNSTON WATERWAY HYDROPOWER EXTENSION. (a) In General.--Notwithstanding the time period specified in section 13 of the Federal Power Act (16 U.S.C 806) that would otherwise apply to Federal Energy Regulatory Commission project numbers 12756, 12757, and 12758, the Commission may, at the request of the licensee for the applicable project, and after reasonable notice, in accordance with the good faith, due diligence, and public interest requirements of that section and the Commission's procedures under that section, extend the time period during which such licensee is required to commence the construction of its applicable project for up to 3 consecutive 2-***year*** periods from the date of the expiration of the extension originally issued by the Commission under that section for such project. (b) Obligation for ***Payment*** of Annual Charges.--Any obligation of a licensee for a project described in subsection (a) for the ***payment*** of annual charges under section [[Page H8215]] 10(e) of the Federal Power Act (16 U.S.C 803(e)) shall commence when the construction of the project commences. (c) Reinstatement of License; Effective Date for Extension.-- (1) Reinstatement.--If the time period required for commencement of construction of a project described in subsection (a) has expired prior to the date of the enactment of this Act, the Commission may reinstate the license for such project, effective as of the date of the expiration of the license. (2) Effective date for extension.--If the Commission reinstates a license under paragraph (1) for a project, the first extension authorized under subsection (a) with respect to such project shall take effect on the effective date of such reinstatement under paragraph (1). SEC. 3008. STAY AND REINSTATEMENT OF FERC LICENSE NO. 11393 FOR THE MAHONEY LAKE HYDROELECTRIC PROJECT. (a) Definitions.--In this section: (1) Commission.--The term ``Commission'' means the Federal Energy Regulatory Commission. (2) License.--The term ``license'' means the license for the Commission project numbered 11393. (3) Licensee.--The term ``licensee'' means the holder of the license. (b) Stay of License.--On the request of the licensee, the Commission shall issue an order continuing the stay of the license. (c) Lifting of Stay.--On the request of the licensee, but not later than 10 ***years*** after the date of enactment of this Act, the Commission shall-- (1) issue an order lifting the stay of the license under subsection (b); and (2) make the effective date of the license the date on which the stay is lifted under paragraph (1). (d) Extension of License.-- (1) In general.--Notwithstanding the time period specified in section 13 of the Federal Power Act (16 U.S.C 806) that would otherwise apply to the Commission project numbered 11393, the Commission may, at the request of the licensee, and after reasonable notice, in accordance with the good faith, due diligence, and public interest requirements of, and the procedures of the Commission under, that section, extend the time period during which the licensee is required to commence the construction of the project for not more than 3 consecutive 2-***year*** periods from the date of the expiration of the extension originally issued by the Commission. (2) Reinstatement of expired license.-- (A) In general.--If the period required for the commencement of construction of the project described in paragraph (1) has expired prior to the date of enactment of this Act, the Commission may reinstate the license effective as of the date of the expiration of the license. (B) Extension.--If the Commission reinstates the license under subparagraph (A), the first extension authorized under paragraph (1) shall take effect on the date of that expiration. (e) Effect.--Nothing in this Act prioritizes, or creates any advantage or disadvantage to, Commission project numbered 11393 under Federal law, including the Federal Power Act (16 U.S.C 791a et seq.) or the Public Utility Regulatory Policies Act of 1978 (16 U.S.C 2601 et seq.), as compared to-- (1) any electric generating facility in existence on the date of enactment of this Act; or (2) any electric generating facility that may be examined, proposed, or developed during the period of any stay or extension of the license under this Act. SEC. 3009. STRATEGIC PETROLEUM RESERVE DRAWDOWN. (a) Drawdown and Sale.-- (1) In general.--Notwithstanding section 161 of the Energy Policy and Conservation Act (42 U.S.C 6241), except as provided in subsection (b), the Secretary of Energy shall draw down and sell 5,000,000 barrels of crude oil from the Strategic Petroleum Reserve during fiscal ***year*** 2028. (2) Deposit of amounts received from sale.--Amounts received from a sale under paragraph (1) shall be deposited in the general fund of the Treasury during the fiscal ***year*** in which the sale occurs. (b) Emergency Protection.--The Secretary of Energy may not draw down and sell crude oil under this section in quantities that would limit the authority to sell petroleum products under subsection (h) of section 161 of the Energy Policy and Conservation Act (42 U.S.C 6241) in the full quantity authorized by that subsection. TITLE IV--OTHER MATTERS Subtitle A--Clean Water SEC. 4101. STORMWATER INFRASTRUCTURE FUNDING TASK FORCE. (a) In General.--Not later than 180 days after the date of enactment of this Act, the Administrator of the Environmental Protection Agency shall establish a stormwater infrastructure funding task force composed of representatives of Federal, State, and local governments and private (including nonprofit) entities to conduct a study on, and develop recommendations to improve, the availability of public and private sources of funding for the construction, rehabilitation, and operation and maintenance of stormwater infrastructure to meet the requirements of the Federal Water Pollution Control Act (33 U.S.C 1251 et seq.). (b) Considerations.--In carrying out subsection (a), the task force shall-- (1) identify existing Federal, State, and local public sources and private sources of funding for stormwater infrastructure; and (2) consider-- (A) how funding for stormwater infrastructure from such sources has been made available, and utilized, in each State to address stormwater infrastructure needs identified pursuant to section 516(b)(1) of the Federal Water Pollution Control Act (33 U.S.C 1375(b)(1)); (B) how the source of funding affects the affordability of the infrastructure (as determined based on the considerations used to assess the financial capability of municipalities under the integrated planning guidelines described in the Integrated Municipal Stormwater and Wastewater Planning Approach Framework, issued by the Environmental Protection Agency on June 5, 2012, and dated May, 2012), including consideration of the costs associated with financing the infrastructure; and (C) whether such sources of funding are sufficient to support capital expenditures and long-term operation and maintenance costs necessary to meet the stormwater infrastructure needs of municipalities. (c) Report.--Not later than 18 months after the date of enactment of this Act, the Administrator shall submit to Congress a report that describes the results of the study conducted, and the recommendations developed, under subsection (a). (d) State Defined.--In this section, the term ``State'' has the meaning given that term in section 502 of the Federal Water Pollution Control Act (33 U.S.C 1362). SEC. 4102. WASTEWATER TECHNOLOGY CLEARINGHOUSE. (a) In General.-- (1) In general.--The Administrator of the Environmental Protection Agency shall-- (A) for each of the ***programs*** described in paragraph (2), update the information for those ***programs*** to include information on cost-effective and alternative wastewater recycling and treatment technologies, including onsite and decentralized systems; and (B) disseminate to units of local government and nonprofit organizations seeking Federal funds for wastewater technology information on the cost effectiveness of alternative wastewater treatment and recycling technologies, including onsite and decentralized systems. (2) ***Programs*** described.--The ***programs*** referred to in paragraph (1)(A) are ***programs*** that provide technical assistance for wastewater management, including-- (A) ***programs*** for nonpoint source management under section 319 of the Federal Water Pollution Control Act (33 U.S.C 1329); and (B) the permit ***program*** for the disposal of sewer sludge under section 405 of the Federal Water Pollution Control Act (33 U.S.C 1345). (b) Report to Congress.--Not later than 1 ***year*** after the date of enactment of this Act, and not less frequently than every 3 ***years*** thereafter, the Administrator of the Environmental Protection Agency shall submit to Congress a report that describes-- (1) the type and amount of information provided under subsection (a) to units of local government and nonprofit organizations regarding alternative wastewater treatment and recycling technologies; (2) the States and regions that have made greatest use of alternative wastewater treatment and recycling technologies; and (3) the actions taken by the Administrator to assist States in the deployment of alternative wastewater treatment and recycling technologies, including onsite and decentralized systems. SEC. 4103. TECHNICAL ASSISTANCE FOR TREATMENT WORKS. (a) Technical Assistance.--Section 104 of the Federal Water Pollution Control Act (33 U.S.C 1254) is amended-- (1) in subsection (b)-- (A) by striking ``and'' at the end of paragraph (6); (B) by striking the period at the end of paragraph (7) and inserting ``; and''; and (C) by adding at the end the following: ``(8) make grants to nonprofit organizations-- ``(A) to provide technical assistance to rural, small, and tribal municipalities for the purpose of assisting, in consultation with the State in which the assistance is provided, such municipalities and tribal governments in the planning, developing, and acquisition of financing for eligible projects and activities described in section 603(c); ``(B) to provide technical assistance and training for rural, small, and tribal publicly owned treatment works and decentralized wastewater treatment systems to enable such treatment works and systems to protect water quality and achieve and maintain compliance with the requirements of this Act; and ``(C) to disseminate information to rural, small, and tribal municipalities and municipalities that meet the affordability criteria established under section 603(i)(2) by the State in which the municipality is located with respect to planning, design, construction, and operation of publicly owned treatment works and decentralized wastewater treatment systems.''; and (2) by adding at the end the following: ``(w) Nonprofit Organization.--For purposes of subsection (b)(8), the term `nonprofit organization' means a nonprofit organization that the Administrator determines, after consultation with the States regarding what small publicly owned treatments works in [[Page H8216]] the State find to be most beneficial and effective, is qualified and experienced in providing on-site training and technical assistance to small publicly owned treatment works.''. (b) Authorization of Appropriations.--Section 104(u) of the Federal Water Pollution Control Act (33 U.S.C 1254(u)) is amended-- (1) by striking ``and (6)'' and inserting ``(6)''; and (2) by inserting before the period at the end the following: ``; and (7) not to exceed $25,000,000 for each of fiscal ***years*** 2019 through 2023 for carrying out subsections (b)(3), (b)(8), and (g)''. SEC. 4104. AMENDMENTS TO LONG ISLAND SOUND ***PROGRAMS***. (a) Long Island Sound Restoration ***Program***.--Section 119 of the Federal Water Pollution Control Act (33 U.S.C 1269) is amended-- (1) in subsection (c)-- (A) in the matter preceding paragraph (1), by striking ``Management Conference of the Long Island Sound Study'' and inserting ``conference study''; (B) in paragraph (2)-- (i) in each of subparagraphs (A) through (G), by striking the commas at the end of the subparagraphs and inserting semicolons; (ii) in subparagraph (H), by striking ``, and'' and inserting a semicolon; (iii) in subparagraph (I), by striking the period at the end and inserting a semicolon; and (iv) by adding at the end the following: ``(J) environmental vulnerabilities of the Long Island Sound watershed, including-- ``(i) the identification and assessment of such vulnerabilities in the watershed; ``(ii) the development and implementation of adaptation strategies to reduce such vulnerabilities; and ``(iii) the identification and assessment of the effects of sea level rise on water quality, habitat, and infrastructure; and''; (C) by striking paragraph (4) and inserting the following: ``(4) develop and implement strategies to increase public education and awareness with respect to the ecological health and water quality conditions of Long Island Sound;''; (D) in paragraph (5), by inserting ``study'' after ``conference''; (E) in paragraph (6)-- (i) by inserting ``(including on a publicly accessible website)'' after ``the public''; and (ii) by inserting ``study'' after ``conference''; and (F) by striking paragraph (7) and inserting the following: ``(7) monitor the progress made toward meeting the identified goals, actions, and schedules of the Comprehensive Conservation and Management Plan, including through the implementation and support of a monitoring system for the ecological health and water quality conditions of Long Island Sound; and''; (2) in subsection (d)(3), in the second sentence, by striking ``50 per centum'' and inserting ``60 percent''; (3) by redesignating subsection (f) as subsection (h); and (4) by inserting after subsection (e) the following: ``(f) Report.-- ``(1) In general.--Not later than 2 ***years*** after the date of enactment of this Act, and biennially thereafter, the Director of the Office, in consultation with the Governor of each Long Island Sound State, shall submit to Congress a report that-- ``(A) summarizes and assesses the progress made by the Office and the Long Island Sound States in implementing the Long Island Sound Comprehensive Conservation and Management Plan, including an assessment of the progress made toward meeting the performance goals and milestones contained in the Plan; ``(B) assesses the key ecological attributes that reflect the health of the ecosystem of the Long Island Sound watershed; ``(C) describes any substantive modifications to the Long Island Sound Comprehensive Conservation and Management Plan made during the 2-***year*** period preceding the date of submission of the report; ``(D) provides specific recommendations to improve progress in restoring and protecting the Long Island Sound watershed, including, as appropriate, proposed modifications to the Long Island Sound Comprehensive Conservation and Management Plan; ``(E) identifies priority actions for implementation of the Long Island Sound Comprehensive Conservation and Management Plan for the 2-***year*** period following the date of submission of the report; and ``(F) describes the means by which Federal funding and actions will be coordinated with the actions of the Long Island Sound States and other entities. ``(2) Public availability.--The Administrator shall make the report described in paragraph (1) available to the public, including on a publicly accessible website. ``(g) Federal Entities.-- ``(1) Coordination.--The Administrator shall coordinate the actions of all Federal departments and agencies that affect water quality in the Long Island Sound watershed in order to improve the water quality and living resources of the watershed. ``(2) Methods.--In carrying out this section, the Administrator, acting through the Director of the Office, may-- ``(A) enter into interagency agreements; and ``(B) make intergovernmental personnel appointments. ``(4) Consistency with comprehensive conservation and management plan.--To the maximum extent practicable, the head of each Federal department or agency that owns or occupies real property, or carries out activities, within the Long Island Sound watershed shall ensure that the property and all activities carried out by the department or agency are consistent with the Long Island Sound Comprehensive Conservation and Management Plan (including any related subsequent agreements and plans).''. (b) Long Island Sound Stewardship ***Program***.--Section 8(g) of the Long Island Sound Stewardship Act of 2006 (33 U.S.C 1269 note; Public Law 109-359) is amended by striking ``2011'' and inserting ``2021''. (c) Reauthorization of Long Island Sound ***Programs***.-- (1) Long island sound grants.--Subsection (h) of section 119 of the Federal Water Pollution Control Act (33 U.S.C 1269) (as redesignated by subsection (a)) is amended to read as follows: ``(h) Authorization of Appropriations.--There is authorized to be appropriated to the Administrator to carry out this section $40,000,000 for each of fiscal ***years*** 2019 through 2023.''. (2) Long island sound stewardship grants.--Section 11(a) of the Long Island Sound Stewardship Act of 2006 (33 U.S.C 1269 note; Public Law 109-359) is amended by striking ``2007 through 2011'' and inserting ``2019 through 2023''. SEC. 4105. AUTHORIZATION OF APPROPRIATIONS FOR COLUMBIA RIVER BASIN RESTORATION. Section 123(d) of the Federal Water Pollution Control Act (33 U.S.C 1275(d)) is amended by adding at the end the following: ``(6) Authorization of appropriations.--There is authorized to be appropriated to carry out this subsection $30,000,000 for each of fiscal ***years*** 2020 and 2021.''. SEC. 4106. SEWER OVERFLOW CONTROL GRANTS. Section 221 of the Federal Water Pollution Control Act (33 U.S.C 1301) is amended-- (1) by amending the section heading to read as follows: ``sewer overflow and stormwater reuse municipal grants''; (2) by amending subsection (a) to read as follows: ``(a) In General.-- ``(1) Grants to states.--The Administrator may make grants to States for the purpose of providing grants to a municipality or municipal entity for planning, design, and construction of-- ``(A) treatment works to intercept, transport, control, treat, or reuse municipal combined sewer overflows, sanitary sewer overflows, or stormwater; and ``(B) any other measures to manage, reduce, treat, or recapture stormwater or subsurface drainage water eligible for assistance under section 603(c). ``(2) Direct municipal grants.--Subject to subsection (g), the Administrator may make a direct grant to a municipality or municipal entity for the purposes described in paragraph (1).''; (3) by amending subsection (e) to read as follows: ``(e) Administrative Requirements.--A project that receives assistance under this section shall be carried out subject to the same requirements as a project that receives assistance from a State water pollution control revolving fund under title VI, except to the extent that the Governor of the State in which the project is located determines that a requirement of title VI is inconsistent with the purposes of this section. For the purposes of this subsection, a Governor may not determine that the requirements of title VI relating to the application of section 513 are inconsistent with the purposes of this section.''; (4) by amending subsection (f) to read as follows: ``(f) Authorization of Appropriations.-- ``(1) In general.--There is authorized to be appropriated to carry out this section $225,000,000 for each of fiscal ***years*** 2019 through 2020. ``(2) Minimum allocations.--To the extent there are sufficient eligible project applications, the Administrator shall ensure that a State uses not less than 20 percent of the amount of the grants made to the State under subsection (a) in a fiscal ***year*** to carry out projects to intercept, transport, control, treat, or reuse municipal combined sewer overflows, sanitary sewer overflows, or stormwater through the use of green infrastructure, water and energy efficiency improvements, and other environmentally innovative activities.''; and (5) by amending subsection (g) to read as follows: ``(g) Allocation of Funds.-- ``(1) Fiscal ***year*** 2019.--Subject to subsection (h), the Administrator shall use the amounts appropriated to carry out this section for fiscal ***year*** 2019 for making grants to municipalities and municipal entities under subsection (a)(2) in accordance with the criteria set forth in subsection (b). ``(2) Fiscal ***year*** 2020 and thereafter.--Subject to subsection (h), the Administrator shall use the amounts appropriated to carry out this section for fiscal ***year*** 2020 and each fiscal ***year*** thereafter for making grants to States under subsection (a)(1) in accordance with a formula to be established by the Administrator, after providing notice and an opportunity for public comment, that allocates to each State a proportional share of such amounts based on the total needs of the [[Page H8217]] State for municipal combined sewer overflow controls, sanitary sewer overflow controls, and stormwater identified in the most recent detailed estimate and comprehensive study submitted pursuant to section 516 and any other information the Administrator considers appropriate.''. SEC. 4107. ASSISTANCE FOR INDIVIDUAL HOUSEHOLD DECENTRALIZED WASTEWATER SYSTEMS OF INDIVIDUALS WITH LOW OR MODERATE INCOME. (a) Projects and Activities Eligible for Assistance.-- Section 603 of the Federal Water Pollution Control Act (33 U.S.C 1383) is amended-- (1) in subsection (c)-- (A) by striking ``and'' at the end of paragraph (10); (B) by striking ``Act.'' at the end of paragraph (11) and inserting ``Act; and''; and (C) by inserting after paragraph (11) the following: ``(12) to any qualified nonprofit entity, as determined by the Administrator, to provide assistance to an eligible individual (as defined in subsection (j))-- ``(A) for the repair or replacement of existing individual household decentralized wastewater treatment systems; or ``(B) in a case in which an eligible individual resides in a household that could be cost-effectively connected to an available publicly owned treatment works, for the connection of the applicable household to such treatment works.''; and (2) by adding at the end the following: ``(j) Definition of Eligible Individual.--In subsection (c)(12), the term `eligible individual' means a member of a household, the members of which have a combined income (for the most recent 12-month period for which information is available) equal to not more than 50 percent of the median nonmetropolitan household income for the State in which the household is located, according to the most recent decennial census.''. (b) Report.--Not later than 2 ***years*** after the date of enactment of this section, the Administrator of the Environmental Protection Agency shall submit to the Committee on Environment and Public Works of the Senate and the Committee on Transportation and Infrastructure of the House of Representatives a report describing-- (1) the prevalence throughout the United States of low- and moderate-income households without access to a treatment works; and (2) the use by States of assistance under section 603(c)(12) of the Federal Water Pollution Control Act. Subtitle B--WIFIA Reauthorization and Innovative Financing for State Loan Funds SEC. 4201. WIFIA REAUTHORIZATION AND INNOVATIVE FINANCING FOR STATE LOAN FUNDS. (a) WIFIA Reauthorization.-- (1) Authority to provide assistance.--Section 5023 of the Water Resources Reform and Development Act of 2014 (33 U.S.C 3902) is amended-- (A) by striking ``pilot'' each place it appears; and (B) in subsection (b)(1), by inserting ``provide financial assistance to'' before ``carry out''. (2) Determination of eligibility and project selection.-- Section 5028(a)(1)(E) of the Water Resources Reform and Development Act of 2014 (33 U.S.C 3907(a)(1)(E)) is amended to read as follows: ``(E) Special rule for certain combined projects.--The Administrator shall develop a credit evaluation process for a Federal credit instrument provided to-- ``(i) a State infrastructure financing authority for a project under section 5026(9), which may include requiring the provision of a final rating opinion letter from at least 1 rating agency; or ``(ii) an entity for a project under section 5026(10), which may include requiring the provision of a final rating opinion letter from at least 2 rating agencies.''. (3) Repayments.--Section 5029(c)(2)(B) of the Water Resources Reform and Development Act of 2014 (33 U.S.C 3908(c)(2)(B)) is amended-- (A) by striking ``Scheduled'' and inserting the following: ``(i) Timing of scheduled loan repayments.--Scheduled''; and (B) by adding at the end: ``(ii) Repayments.--None of the funds for repayment of a secured loan under this title from a State infrastructure financing authority may come from funds provided to a State revolving loan fund under title VI of the Federal Water Pollution Control Act (33 U.S.C 1381 et seq.) or section 1452 of the Safe Drinking Water Act (42 U.S.C 300j-12).''. (4) Authorization of appropriations.--Section 5033 of the Water Resources Reform and Development Act of 2014 (33 U.S.C 3912) is amended-- (A) in subsection (a)-- (i) by redesignating paragraphs (1) through (5) as subparagraphs (A) through (E), respectively, and indenting appropriately; (ii) in the matter preceding subparagraph (A) (as so redesignated), by striking ``There is'' and inserting the following: ``(1) Fiscal ***years*** 2015 through 2019.--There are''; and (iii) by adding at the end the following: ``(2) Fiscal ***years*** 2020 and 2021.--There is authorized to be appropriated to the Administrator to carry out this subtitle $50,000,000 for each of fiscal ***years*** 2020 and 2021, to remain available until expended.''; and (B) in subsection (b)-- (i) by striking ``Of the funds'' and inserting the following: ``(1) Fiscal ***years*** 2015 through 2019.--Of the funds''; and (ii) by adding at the end the following: ``(2) Fiscal ***years*** 2020 and 2021.--Of the funds made available to carry out this subtitle, the Administrator may use for the administration of this subtitle, including for the provision of technical assistance to aid project sponsors in obtaining the necessary approvals for the project, not more than $5,000,000 for each of fiscal ***years*** 2020 and 2021.''. (b) Innovative Financing for State Loan Funds.-- (1) Maximum federal involvement.--Section 5029(b)(9) of the Water Resources Reform and Development Act of 2014 (33 U.S.C 3908(b)(9)) is amended by adding at the end the following: ``(C) Exception for projects funded by a state infrastructure financing authority.--Notwithstanding subparagraph (A), a State infrastructure financing authority may finance up to 100 percent of the costs of a project using the proceeds of financial assistance authorized under section 5033(e), provided that, in the event of a default with respect to any such assistance, the State infrastructure financing authority is solely responsible for immediate repayment of such costs.''. (2) ***Program*** administration.--Section 5030 of the Water Resources Reform and Development Act of 2014 (33 U.S.C 3909) is amended-- (A) in subsection (b), by inserting after paragraph (1) the following: ``(2) Prohibition on pass through fees.--The Administrator, in the case where a State infrastructure financing authority obtains financial assistance under section 5033(e), shall require as a condition of obtaining such assistance, that the State infrastructure financing authority is prohibited from passing any portion of the fees required under section 5029(b)(7) to any party that utilizes any portion of such assistance for a project funded by such authority.''; and (B) by redesignating subsection (e) as subsection (h) and inserting after subsection (d) the following: ``(e) Special Rule for State Reviews of Projects for State Infrastructure Financing Authorities.-- ``(1) In general.--A project described in section 5026(9) for which funding is provided under this title shall comply with any applicable State environmental or engineering review requirements pursuant to, as applicable-- ``(A) title VI of the Federal Water Pollution Control Act (33 U.S.C 1381 et seq.); and ``(B) section 1452 of the Safe Drinking Water Act (42 U.S.C 300j-12). ``(2) No new reviews required.--Nothing in this title requires any additional or new environmental or engineering review for a project described in section 5026(9) for which funding is provided, other than any requirement otherwise applicable to the project. ``(f) Special Rule for Expedited Review of Applications From State Infrastructure Financing Authorities.--Not later than 180 days after the date on which the Administrator receives a complete application from a State infrastructure financing authority for a project under section 5026(9), the Administrator shall, through a written notice to the State infrastructure financing authority-- ``(1) approve the application; or ``(2) provide detailed guidance and an explanation of any changes to the application necessary for approval of the application.''. (3) Authorization of appropriations.--Section 5033 of the Water Resources Reform and Development Act of 2014 (33 U.S.C 3912) is further amended by adding at the end the following: ``(e) Assistance for State Infrastructure Financing Authorities.-- ``(1) In general.--With respect to fiscal ***years*** 2020 and 2021, if the Administrator has available for obligation in a fiscal ***year*** at least $50,000,000, there is authorized to be appropriated to the Administrator $5,000,000 for that fiscal ***year*** to provide financial assistance for projects described in section 5026(9) to State infrastructure financing authorities. ``(2) No impact on other federal funding.--No funds shall be made available in a fiscal ***year*** to the Administrator for purposes of this subsection if-- ``(A) the total amount appropriated for the fiscal ***year*** for State loan funds under section 1452 of the Safe Drinking Water Act is less than either the amount made available for such purpose in fiscal ***year*** 2018, or 105 percent of the previous fiscal ***year***'s appropriation for such purpose, whichever is greater; and ``(B) the total amount appropriated for the fiscal ***year*** for water pollution control revolving funds under title VI of the Federal Water Pollution Control Act is less than either the amount made available for such purpose for fiscal ***year*** 2018, or 105 percent of the previous fiscal ***year***'s appropriation for such purpose, whichever is greater. ``(3) Inclusion in agreement.--If the Administrator provides financial assistance to a State infrastructure financing authority under section 5029 using funds made available pursuant to this subsection, the Administrator shall specify in the agreement under such section the amount of such assistance that is attributable to such funds.''. (c) Administration of WIFIA ***Program***.--Section 5030 of the Water Resources Reform and Development Act of 2014 (33 U.S.C 3909), [[Page H8218]] as amended by subsection (b), is further amended by inserting after subsection (f) the following: ``(g) Agreements.-- ``(1) In general.--Subject to paragraphs (3) and (4), the Administrator may enter into an agreement with another relevant Federal agency to provide assistance in administering and servicing Federal credit instruments that such agency is authorized to make available. ``(2) Duties.--The Administrator may act as an agent for the head of another Federal agency under paragraph (1), subject to the terms of any agreement entered into by the Administrator and the head of such other agency under such clause. ``(3) ***Transfer*** of funds.--The authority of the Administrator to provide assistance under paragraph (1) is subject to-- ``(A) the availability of funds appropriated to the other Federal agency that may be ***transferred*** to the Administrator to carry out an agreement entered into under paragraph (1); and ``(B) the ***transfer*** of such funds to the Administrator to carry out such an agreement. ``(4) Limitation.--Nothing in this subsection affects the authority of the Administrator with respect to the selection of projects described in paragraphs (1), (8), or (10) of section 5026 to receive financial assistance under this subtitle.''. (d) Reports on Pilot ***Program*** Implementation.--Section 5034 of the Water Resources Reform and Development Act of 2014 (33 U.S.C 3913) is amended-- (1) in the section heading, by striking ``pilot''; and (2) in subsection (b)(1), by striking ``4 ***years*** after the date of enactment of this Act'' and inserting ``3 ***years*** after the date of enactment of the Water Resources Development Act of 2018''. Subtitle C--Miscellaneous SEC. 4301. AGREEMENT WITH COMMISSIONER OF RECLAMATION. Not later than 1 ***year*** after the date of enactment of this Act, the Administrator of the Environmental Protection Agency and the Commissioner of Reclamation shall enter into an agreement under section 5030(g) of the Water Infrastructure Finance and Innovation Act (as added by this Act). SEC. 4302. SNAKE RIVER BASIN FLOOD PREVENTION ACTION PLAN. (a) In General.--As soon as practicable after the date of enactment of this Act, the Commissioner of Reclamation, in consultation with the Secretary of the Army, shall develop a flood prevention action plan for each State or portion of a State within the Snake River Basin. (b) Requirements.--A flood prevention action plan developed under subsection (a) shall-- (1) focus on the areas most likely to experience flooding within the 2 ***years*** following the date of enactment of this Act; (2) include steps to manage and reduce flood risks within the Snake River Basin; and (3) include a description of the actions the Secretary and the Commissioner of Reclamation plan to take to improve coordination with local stakeholders to help manage and reduce flood risks in the areas described in paragraph (1). (c) Submission.--Not later than 180 days after the date of enactment of this Act, after coordinating with local stakeholders, the Commissioner of Reclamation shall submit to the Committee on Environment and Public Works and the Committee on Energy and Natural Resources of the Senate, and the Committee on Transportation and Infrastructure and the Committee on Natural Resources of the House of Representatives, the flood prevention plans developed under subsection (a). SEC. 4303. GAO AUDIT OF CONTRACTS AND TAINTER GATE REPAIRS OF HARLAN COUNTY DAM. (a) In General.--Not later than 180 days after the date of enactment of this Act, the Comptroller General of the United States shall-- (1) conduct an audit of the extraordinary maintenance repayment contracts No. 16XX630077 and No. 16XX630076 between the United States and the Bostwick Division for repairs to the Tainter gates and other features at Harlan County Dam, including-- (A) an examination of whether-- (i) the Corps of Engineers should have designated the Tainter gate rehabilitation as a ``Dam Safety Modification'', subject to the cost-sharing requirements under section 1203 of the Water Resources Development Act of 1986 (33 U.S.C 467n), instead of an ``extraordinary maintenance project''; and (ii) a more appropriate cost share should have applied to the Bostwick Division; (B) a review of-- (i) the amounts owed by the Bostwick Division to the Bureau of Reclamation; and (ii) any reimbursements owed by the Corps of Engineers to the Bureau of Reclamation based on the actual costs of the project after completion; and (C) a review of project designations and cost-share policies of the Bureau of Reclamation and other Federal agencies for similar spillway gate repairs; and (2) submit to Congress a report on the results of the audit under paragraph (1). (b) Treatment of ***Payments***.--***Payments*** made after the date of enactment of this Act by the Bostwick Division to the Bureau of Reclamation under the contracts described in subsection (a)(1) shall be-- (1) deposited into a no-***year*** account; and (2) disbursed to the Bureau of Reclamation upon submission of the report under subsection (a)(2). SEC. 4304. WATER INFRASTRUCTURE AND WORKFORCE INVESTMENT. (a) Sense of Congress.--It is the sense of Congress that-- (1) water and wastewater utilities provide a unique opportunity for access to stable, high-quality careers; (2) as water and wastewater utilities make critical investments in infrastructure, water and wastewater utilities can invest in the development of local workers and local small businesses to strengthen communities and ensure a strong pipeline of skilled and diverse workers for today and tomorrow; and (3) to further the goal of ensuring a strong pipeline of skilled and diverse workers in the water and wastewater utilities sector, Congress urges-- (A) increased collaboration among Federal, State, and local governments; and (B) institutions of higher education, apprentice ***programs***, high schools, and other community-based organizations to align workforce training ***programs*** and community resources with water and wastewater utilities to accelerate career pipelines and provide access to workforce opportunities. (b) Innovative Water Infrastructure Workforce Development ***Program***.-- (1) Grants authorized.--The Administrator of the Environmental Protection Agency (referred to in this section as the ``Administrator''), in consultation with the Secretary of ***Agriculture***, shall establish a competitive grant ***program***-- (A) to assist the development and utilization of innovative activities relating to workforce development and career opportunities in the water utility sector; and (B) to expand public awareness about water utilities and connect individuals to careers in the water utility sector. (2) Selection of grant recipients.--In awarding grants under paragraph (1), the Administrator shall, to the extent practicable, select nonprofit professional or service organizations, labor organizations, community colleges, institutions of higher education, or other training and educational institutions-- (A) that have qualifications and experience-- (i) in the development of training ***programs*** and curricula relevant to workforce needs of water utilities; (ii) working in cooperation with water utilities; or (iii) developing public education materials appropriate for communicating with groups of different ages and educational backgrounds; and (B) that will address the human resources and workforce needs of water utilities that-- (i) are geographically diverse; (ii) are of varying sizes; and (iii) serve urban, suburban, and rural populations. (3) Use of funds.--Grants awarded under paragraph (1) may be used for activities such as-- (A) targeted internship, apprenticeship, pre- apprenticeship, and post-secondary bridge ***programs*** for skilled water utility trades that provide-- (i) on-the-job training; (ii) skills development; (iii) test preparation for skilled trade apprenticeships; (iv) advance training in the water utility sector relating to construction, utility operations, treatment and distribution, green infrastructure, customer service, maintenance, and engineering; or (v) other support services to facilitate post-secondary success; (B) education ***programs*** designed for elementary, secondary, and higher education students that-- (i) inform people about the role of water and wastewater utilities in their communities; (ii) increase the awareness of career opportunities and exposure of students to water utility careers through various work-based learning opportunities inside and outside the classroom; and (iii) connect students to career pathways related to water utilities; (C) regional industry and workforce development collaborations to address water utility employment needs and coordinate candidate development, particularly in areas of high unemployment or for water utilities with a high proportion of retirement eligible employees; (D) integrated learning laboratories in secondary educational institutions that provide students with-- (i) hands-on, contextualized learning opportunities; (ii) dual enrollment credit for post-secondary education and training ***programs***; and (iii) direct connection to industry employers; and (E) leadership development, occupational training, mentoring, or cross-training ***programs*** that ensure that incumbent water and waste water utilities workers are prepared for higher level supervisory or management-level positions. (4) Authorization of appropriations.--There is authorized to be appropriated to carry out this subsection $1,000,000 for each of fiscal ***years*** 2019 and 2020. [[Page H8219]] SEC. 4305. REGIONAL LIAISONS FOR MINORITY, TRIBAL, AND LOW- INCOME COMMUNITIES. (a) In General.--The Administrator of the Environmental Protection Agency (referred to in this section as the ``Administrator'') shall assign at least 1 employee in each regional office of the Environmental Protection Agency to serve as a liaison to minority, Tribal, and low-income communities in the relevant region. (b) Public Identification.--The Administrator shall identify each regional liaison assigned under subsection (a) on the internet website of-- (1) the relevant regional office of the Environmental Protection Agency; and (2) the Office of Environmental Justice of the Environmental Protection Agency. SEC. 4306. WATERSENSE. (a) WaterSense.--The Energy Policy and Conservation Act (42 U.S.C 6201 et seq.) is amended by adding after section 324A the following: ``SEC. 324B. WATERSENSE ***PROGRAM***. ``(a) Establishment of WaterSense ***Program***.-- ``(1) In general.--There is established within the Environmental Protection Agency a voluntary ***program***, to be known as the WaterSense ***program***, to identify and promote water-efficient products, buildings, landscapes, facilities, processes, and services in order to, through voluntary labeling of, or other forms of communications regarding, such products, buildings, landscapes, facilities, processes, and services while meeting strict performance criteria, sensibly-- ``(A) reduce water use; ``(B) reduce the strain on public water systems, community water systems, and wastewater and stormwater infrastructure; ``(C) conserve energy used to pump, heat, transport, and treat water; and ``(D) preserve water resources for future generations. ``(2) Inclusions.--Categories of products, buildings, landscapes, facilities, processes, and services that may be included under the ***program*** include-- ``(A) irrigation technologies and services; ``(B) point-of-use water treatment devices; ``(C) plumbing products; ``(D) water reuse and recycling technologies; ``(E) landscaping and gardening products, including moisture control or water enhancing technologies; ``(F) xeriscaping and other landscape conversions that reduce water use; ``(G) whole house humidifiers; and ``(H) water-efficient buildings or facilities. ``(b) Duties.--The Administrator of the Environmental Protection Agency, in coordination with the Secretary of Energy as appropriate, shall-- ``(1) establish-- ``(A) a WaterSense label to be used for products, buildings, landscapes, facilities, processes, and services meeting the certification criteria established pursuant to this section; and ``(B) the procedure, including the methods and means, and criteria by which products, buildings, landscapes, facilities, processes, and services may be certified to display the WaterSense label; ``(2) enhance public awareness regarding the WaterSense label through outreach and public education; ``(3) preserve the integrity of the WaterSense label by-- ``(A) establishing and maintaining feasible performance criteria so that products, buildings, landscapes, facilities, processes, and services certified to display the WaterSense label perform as well or better than less water-efficient counterparts; ``(B) overseeing WaterSense certifications made by third parties, which shall be independent third-party product certification bodies accredited by an accreditation entity domiciled in the United States; ``(C) using testing protocols, from the appropriate, applicable, and relevant consensus standards, for the purpose of determining compliance with performance criteria; and ``(D) auditing the use of the WaterSense label in the marketplace and preventing cases of misuse; ``(4) not more frequently than every 6 ***years*** after adoption or major revision of any WaterSense performance criteria, review and, if appropriate, revise the performance criteria to achieve additional water savings; ``(5) in revising any WaterSense criteria-- ``(A) provide reasonable notice to interested parties and the public of any changes, including effective dates, and an explanation of the changes; ``(B) solicit comments from interested parties and the public prior to any changes; ``(C) as appropriate, respond to comments submitted by interested parties and the public; and ``(D) provide an appropriate transition time prior to the applicable effective date of any changes, taking into account the timing necessary for the manufacture, marketing, training, and distribution of the specific product, building, landscape, process, or service category being addressed; and ``(6) not later than December 31, 2019, consider for review and revise, if necessary, any WaterSense performance criteria adopted before January 1, 2012. ``(c) Transparency.--The Administrator of the Environmental Protection Agency shall, to the extent practicable and not less than annually, estimate and make available to the public the relative water and energy savings attributable to the use of WaterSense-labeled products, buildings, landscapes, facilities, processes, and services. ``(d) Distinction of Authorities.--In setting or maintaining specifications and criteria for Energy Star pursuant to section 324A, and WaterSense under this section, the Secretary of Energy and the Administrator of the Environmental Protection Agency shall coordinate to prevent duplicative or conflicting requirements among the respective ***programs***. ``(e) No Warranty.--A WaterSense label shall not create any express or implied warranty. ``(f) Methods for Establishing Performance Criteria.--In establishing performance criteria for products, buildings, landscapes, facilities, processes, or services pursuant to this section, the Administrator of the Environmental Protection Agency shall use technical specifications and testing protocols established by voluntary consensus standards organizations relevant to specific products, buildings, landscapes, facilities, processes, or services, as appropriate. ``(g) Definition of Feasible.--The term `feasible' means feasible with the use of the best technology, techniques, and other means that the Administrator of the Environmental Protection Agency finds, after examination for efficacy under field conditions and not solely under laboratory conditions, are available (taking cost into consideration).''. (b) Table of Contents.--The table of contents for the Energy Policy and Conservation Act is amended by adding after the item relating to section 324A the following: ``Sec. 324B. WaterSense ***program***.''. SEC. 4307. PREDATORY AND OTHER WILD ANIMALS. Section 1 of the Act of March 2, 1931 (46 Stat. 1468, chapter 370; 7 U.S.C 8351) is amended-- (1) in the second sentence, by striking ``The Secretary'' and inserting the following: ``(b) Administration.--The Secretary''; (2) in the first sentence, by striking ``The Secretary'' and inserting the following: ``(a) In General.--The Secretary''; and (3) by adding at the end the following: ``(c) Action by FWS.--The Director of the United States Fish and Wildlife Service shall use the most expeditious procedure practicable to process and administer permits for take of-- ``(1) a depredating eagle under the Act of June 8, 1940 (commonly known as the `Bald Eagle Protection Act') (54 Stat. 250, chapter 278; 16 U.S.C 668 et seq.), or sections 22.11 through 22.32of title 50, Code of Federal Regulations (or successor regulations) (including depredation of livestock, wildlife, and species protected under the Endangered Species Act of 1973 (16 U.S.C 1531 et seq.) or any other Federal management ***program***); or ``(2) a migratory bird included on the list under section 10.13 of title 50, Code of Federal Regulations (or successor regulations) that is posing a conflict.''. SEC. 4308. KLAMATH PROJECT WATER AND POWER. (a) Addressing Water Management and Power Costs for Irrigation.--The Klamath Basin Water Supply Enhancement Act of 2000 (Public Law 106-498; 114 Stat. 2221) is amended-- (1) by redesignating sections 4 through 6 as sections 5 through 7, respectively; and (2) by inserting after section 3 the following: ``SEC. 4. POWER AND WATER MANAGEMENT. ``(a) Definitions.--In this section: ``(1) Covered power use.--The term `covered power use' means a use of power to develop or manage water from any source for irrigation, wildlife purposes, or drainage on land that is-- ``(A) associated with the Klamath Project, including land within a unit of the National Wildlife Refuge System that receives water due to the operation of Klamath Project facilities; or ``(B) irrigated by the class of users covered by the agreement dated April 30, 1956, between the California Oregon Power Company and Klamath Basin Water Users Protective Association and within the Off Project Area (as defined in the Upper Basin Comprehensive Agreement entered into on April 18, 2014), only if each applicable owner and holder of a possessory interest of the land is a party to that agreement (or a successor agreement that the Secretary determines provides a comparable benefit to the United States). ``(2) Klamath project.-- ``(A) In general.--The term `Klamath Project' means the Bureau of Reclamation project in the States of California and Oregon. ``(B) Inclusions.--The term `Klamath Project' includes any dam, canal, or other works or interests for water diversion, storage, delivery, and drainage, flood control, or any similar function that is part of the project described in subparagraph (A). ``(3) Power cost benchmark.--The term `power cost benchmark' means the average net delivered cost of power for irrigation and drainage at Reclamation projects in the area surrounding the Klamath Project that are similarly situated to the Klamath Project, including Reclamation projects that-- ``(A) are located in the Pacific Northwest; and ``(B) receive project-use power. ``(b) Water Activities and Drought Response.-- ``(1) In general.--Pursuant to the reclamation laws and subject to appropriations and [[Page H8220]] required environmental reviews, the Secretary may carry out activities, including entering into a contract or making financial assistance available through cooperative agreements or other methods-- ``(A) to plan, implement, and administer ***programs*** to align water supplies and demand for irrigation water users associated with the Klamath Project, with a primary emphasis on ***programs*** developed or endorsed by local entities comprised of representatives of those water users; ``(B) Expenditures under this paragraph shall not exceed $10 million on an average annual basis. ``(2) 2018 drought response.--All disbursements made or to be made based on actions approved by the Secretary under Contract Numbers 18-WC-20-5322 and 18-WC-20-5323 are authorized. ``(3) Requirements.--The Secretary shall ensure that the activities under this subsection-- ``(A) do not foster groundwater use that results in groundwater level declines that, based on existing data from the United States Geological Survey, are more than appropriate in a critically dry ***year***, taking into consideration the long-term sustainability of aquifers; ``(B) do not adversely affect compliance with applicable laws protecting fishery resources in Upper Klamath Lake and the Klamath River. ``(4) Conveyance of non-project water.-- ``(A) In general.--Subject to subparagraphs (B) and (C), any entity operating under a contract entered into with the United States for the operation and maintenance of any Klamath Project works or facility, and any entity operating any works or facility not owned by the United States that receives Klamath Project water, may use, without any additional Federal contract, permit, or other authorization, any Klamath Project works or facility to convey non-Klamath Project water for any authorized purpose of the Klamath Project. ``(B) Permits; measurement.--A use of water pursuant to subparagraph (A) (including an addition or conveyance of water) shall be subject to the requirements that-- ``(i) the applicable entity shall secure all permits required under State or local law; and ``(ii) as applicable-- ``(I) all water delivered into and taken out of a Klamath Project works or facility pursuant to that subparagraph shall be measured; and ``(II) any irrigation district conveying water shall ensure that only the land authorized to receive water under applicable State law shall receive, and put to beneficial use, the water, in accordance with the applicable State law and any associated terms and conditions. ``(C) Limitation.--A use of non-Klamath Project water under this paragraph shall not-- ``(i) adversely affect the delivery of water to any water user or land served by the Klamath Project; or ``(ii) result in any additional cost to the United States. ``(4) Effect of subsection.--Nothing in this subsection authorizes the Secretary-- ``(A) to develop or construct new facilities for the Klamath Project without appropriate approval from Congress under section 9 of the Reclamation Projects Act of 1939 (43 U.S.C 485h); or ``(B) to carry out activities that have not otherwise been authorized. ``(c) Reducing Power Costs.-- ``(1) In general.--Not later than 180 days after the date of enactment of America's Water Infrastructure Act of 2018, the Secretary, in consultation with interested irrigation interests that are eligible for covered power use and organizations representative of those interests, shall submit to the Committee on Energy and Natural Resources of the Senate and the Committee on Natural Resources of the House of Representatives a report that-- ``(A) identifies the power cost benchmark; and ``(B) recommends actions (other than direct ***payments*** to persons making covered power uses or to other entities for the purposes of subsidizing power rates) that, in the judgment of the Secretary, are necessary and appropriate to ensure that the net delivered power cost for covered power use is equal to or less than the power cost benchmark, including a description of-- ``(i) actions-- ``(I) to immediately reduce power costs; and ``(II) to ensure that the net delivered power cost for covered power use is equal to, or less than, the power cost benchmark in the near term, while longer-term actions are being implemented; ``(ii) actions that prioritize-- ``(I) water and power conservation and efficiency measures that could assist in achieving the power cost benchmark; ``(II) to the extent actions involving the development or acquisition of power generation are included, renewable energy technologies (including hydropower); and ``(III) regional economic development; ``(iii) the potential costs and timeline for the actions recommended under this subparagraph; ``(iv) provisions for modifying the actions and timeline to adapt to new information or circumstances; and ``(v) a description of public input regarding the proposed actions, including-- ``(I) input from water users that have covered power use; and ``(II) the degree to which those water users concur with the recommendations.''. (b) Effect.--None of the amendments made by this section-- (1) modify any authority or obligation of the United States with respect to any tribal trust or treaty obligation of the United States; (2) create or determine any water right or affects any water right or water right claim in existence on the date of enactment of this Act; or (3) authorize the use of Federal funds for the physical deconstruction of the Iron Gate, Copco 1, Copco 2, or John C. Boyle Dam located on the Klamath River in the States of California and Oregon. SEC. 4309. CERTAIN BUREAU OF RECLAMATION DIKES. (a) In General.--Notwithstanding any other provision of law (including regulations), effective beginning on the date of enactment of this section, the Federal share of the operations and maintenance costs of a dike described in subsection (b) shall be 100 percent. (b) Description of Dikes.--A dike referred to in subsection (a) is a dike-- (1) that is owned by the Bureau of Reclamation on the date of enactment of this section; (2) the construction of which was completed not later than December 31, 1945; (3) a corrective action study for which was completed not later than December 31, 2015; and (4) the construction of which was authorized by the Act of June 28, 1938 (52 Stat. 1215, chapter 795). SEC. 4310. AUTHORITY TO MAKE ENTIRE ACTIVE CAPACITY OF FONTENELLE RESERVOIR AVAILABLE FOR USE. (a) In General.--The Secretary of the Interior (referred to in this section as the ``Secretary''), in cooperation with the State of Wyoming, may amend the Definite Plan Report for the Seedskadee Project authorized under the first section of the Act of April 11, 1956 (commonly known as the ``Colorado River Storage Project Act'') (43 U.S.C 620), to provide for the study, design, planning, and construction activities that will enable the use of all active storage capacity (as may be defined or limited by legal, hydrologic, structural, engineering, economic, and environmental considerations) of Fontenelle Dam and Reservoir, including the placement of sufficient riprap on the upstream face of Fontenelle Dam to allow the active storage capacity of Fontenelle Reservoir to be used for those purposes for which the Seedskadee Project was authorized. (b) Cooperative Agreements.-- (1) In general.--The Secretary may enter into any contract, grant, cooperative agreement, or other agreement that is necessary to carry out subsection (a). (2) State of wyoming.-- (A) In general.--The Secretary shall enter into a cooperative agreement with the State of Wyoming to work in cooperation and collaboratively with the State of Wyoming for planning, design, related preconstruction activities, and construction of any modification of the Fontenelle Dam under subsection (a). (B) Requirements.--The cooperative agreement under subparagraph (A) shall, at a minimum, specify the responsibilities of the Secretary and the State of Wyoming with respect to-- (i) completing the planning and final design of the modification of the Fontenelle Dam under subsection (a); (ii) any environmental and cultural resource compliance activities required for the modification of the Fontenelle Dam under subsection (a) including compliance with-- (I) the National Environmental Policy Act of 1969 (42 U.S.C 4321 et seq.); (II) the Endangered Species Act of 1973 (16 U.S.C 1531 et seq.); and (III) subdivision 2 of division A of subtitle III of title 54, United States Code; and (iii) the construction of the modification of the Fontenelle Dam under subsection (a). (c) Funding by State of Wyoming.--Pursuant to the Act of March 4, 1921 (41 Stat. 1404, chapter 161; 43 U.S.C 395), and as a condition of providing any additional storage under subsection (a), the State of Wyoming shall provide to the Secretary funds for any work carried out under subsection (a). (d) Other Contracting Authority.-- (1) In general.--The Secretary may enter into contracts with the State of Wyoming, on such terms and conditions as the Secretary and the State of Wyoming may agree, for division of any additional active capacity made available under subsection (a). (2) Terms and conditions.--Unless otherwise agreed to by the Secretary and the State of Wyoming, a contract entered into under paragraph (1) shall be subject to the terms and conditions of Bureau of Reclamation Contract No. 14-06-400- 2474 and Bureau of Reclamation Contract No. 14-06-400-6193. (e) Savings Provisions.--Unless expressly provided in this section, nothing in this section modifies, conflicts with, preempts, or otherwise affects-- (1) the Boulder Canyon Project Act (43 U.S.C 617 et seq.); (2) the Colorado River Compact of 1922, as approved by the Presidential Proclamation of June 25, 1929 (46 Stat. 3000); [[Page H8221]] (3) the Boulder Canyon Project Adjustment Act (43 U.S.C 618 et seq.); (4) the Treaty between the United States of America and Mexico relating to the utilization of waters of the Colorado and Tijuana Rivers and of the Rio Grande, and supplementary protocol signed November 14, 1944, signed at Washington February 3, 1944 (59 Stat. 1219); (5) the Upper Colorado River Basin Compact as consented to by the Act of April 6, 1949 (63 Stat. 31); (6) the Act of April 11, 1956 (commonly known as the ``Colorado River Storage Project Act'') (43 U.S.C 620 et seq.); (7) the Colorado River Basin Project Act (Public Law 90- 537; 82 Stat. 885); or (8) any State of Wyoming or other State water law. SEC. 4311. BLACKFEET WATER RIGHTS SETTLEMENT. (a) Blackfeet Settlement Trust Fund.--Section 3716(e) of the Water Infrastructure Improvements for the Nation Act (130 Stat. 1835) is amended-- (1) in paragraph (2), by striking ``appropriations,'' and all that follows through the period at the end and inserting the following: ``appropriations, the following amounts shall be made available to the Tribe for implementation of this subtitle: ``(A) 50 percent of the amounts in the Administration and Energy Account. ``(B) 50 percent of the amounts in the OM&R Account. ``(C) 50 percent of the amounts in the St. Mary Account. ``(D) 50 percent of the amounts in the Blackfeet Water, Storage, and Development Projects Account.''; and (2) by adding at the end the following: ``(3) Availability.-- ``(A) In general.--Except as provided in subparagraph (B), none of the funds deposited in the Trust Fund in fiscal ***year*** 2018 shall be available for expenditure in accordance with this subsection until the enforceability date. ``(B) Exception.--Notwithstanding subparagraph (A), of the funds in the Administration and Energy Account, $4,800,000 shall be available to the Tribe for the implementation of this subtitle.''. (b) Blackfeet Water Settlement Implementation Fund.-- Section 3717(e) of the Water Infrastructure Improvements for the Nation Act (130 Stat. 1837) is amended-- (1) by striking ``Amounts in'' and inserting the following: ``(1) In general.--Amounts in''; and (2) by adding at the end the following: ``(2) Funding for implementation activities.-- Notwithstanding paragraph (1), the following amounts shall be available to the Secretary for the implementation of this subtitle: ``(A) 50 percent of the amounts in the MR&I System, Irrigation, and Water Storage Account to carry out section 3711. ``(B) 50 percent of the amounts in the MR&I System, Irrigation, and Water Storage Account to carry out section 3712. ``(C) 50 percent of the amounts in the Blackfeet Irrigation Project Deferred Maintenance and Four Horns Dam Safety Improvements Account to carry out section 3710(c). ``(D) The amounts in the Blackfeet Irrigation Project Deferred Maintenance and Four Horns Dam Safety Improvements Account to carry out section 3710(d). ``(E) From the St. Mary/Water Milk Management and Activities Account: ``(i) 50 percent of the amount described in section 3707(g)(1) to carry out section 3707(c). ``(ii) 50 percent of the amount described in section 3707(g)(2) to carry out section 3707(d). ``(iii) The amount described in section 3707(g)(3) to carry out subsection (f). ``(iv) The amounts in the Account to carry out section 3705. ``(3) Availability.--None of the funds made available under this section in fiscal ***year*** 2018 shall be available until the enforceability date.''. (c) Technical Corrections.--Section 3720 of the Water Infrastructure Improvements for the Nation Act (130 Stat. 1839) is amended-- (1) in subsection (a)(3)(B), by striking ``section 3706'' and inserting ``section 6''; and (2) in subsection (h), in the matter preceding paragraph (1), by striking ``January 21, 2026'' and inserting ``January 21, 2025''. SEC. 4312. INDIAN IRRIGATION FUND REAUTHORIZATION. (a) Deposits to Funds.--Section 3212(a) of the Water Infrastructure Improvements for the Nation Act (130 Stat. 1750) is amended by striking ``each of fiscal ***years*** 2017 through 2021'' and inserting ``each of fiscal ***years*** 2017 through 2028''. (b) Expenditures From Fund.--Section 3213(a) of the Water Infrastructure Improvements for the Nation Act (130 Stat. 1750) is amended in the matter preceding paragraph (1) by striking ``each of fiscal ***years*** 2017 through 2021'' and inserting ``each of fiscal ***years*** 2017 through 2028''. (c) Termination.--Section 3216 of the Water Infrastructure Improvements for the Nation Act (130 Stat. 1750) is amended in the matter preceding paragraph (1) by striking ``September 30, 2021'' and inserting ``September 30, 2028''. SEC. 4313. REAUTHORIZATION OF REPAIR, REPLACEMENT, AND MAINTENANCE OF CERTAIN INDIAN IRRIGATION PROJECTS. (a) In General.--Section 3221(b) of the Water Infrastructure Improvements for the Nation Act (130 Stat. 1751) is amended in the matter preceding paragraph (1) by striking ``each of fiscal ***years*** 2017 through 2021'' and inserting ``each of fiscal ***years*** 2017 through 2028''. (b) Status Report on Certain Projects.--Section 3224(d) of the Water Infrastructure Improvements for the Nation Act (130 Stat. 1753) is amended in the matter preceding paragraph (1) by striking ``fiscal ***year*** 2021'' and inserting ``fiscal ***year*** 2028''. (c) Allocation Among Projects.--Section 3226 of the Water Infrastructure Improvements for the Nation Act (130 Stat. 1753) is amended-- (1) in subsection (a), by striking ``each of fiscal ***years*** 2017 through 2021'' and inserting ``each of fiscal ***years*** 2017 through 2028''; and (2) in subsection (b), by striking ``the day before the date of enactment of this Act'' and inserting ``the day before the date of enactment of America's Water Infrastructure Act of 2018''. SEC. 4314. INDIAN DAM SAFETY REAUTHORIZATION. Section 3101 of the Water Infrastructure Improvements for the Nation Act (25 U.S.C 3805) is amended-- (1) by striking ``each of fiscal ***years*** 2017 through 2023'' each place it appears and inserting ``each of fiscal ***years*** 2017 through 2030''; (2) in subsection (b)-- (A) in paragraph (1)(F), in the matter preceding clause (i), by striking ``September 30, 2023'' and inserting ``September 30, 2030''; and (B) in paragraph (2)(F), in the matter preceding clause (i), by striking ``September 30, 2023'' and inserting ``September 30, 2030''; and (3) in subsection (f)-- (A) in paragraph (2), by striking ``4 ***years***'' and inserting ``11 ***years***''; and (B) in paragraph (3), by striking ``each of fiscal ***years*** 2017, 2018, and 2019'' and inserting ``each of fiscal ***years*** 2017 through 2026''. SEC. 4315. DIANA E. MURPHY UNITED STATES COURTHOUSE. (a) Designation.--The United States courthouse located at 300 South Fourth Street in Minneapolis, Minnesota, shall be known and designated as the ``Diana E. Murphy United States Courthouse''. (b) References.--Any reference in a law, map, regulation, document, paper, or other record of the United States to the United States courthouse referred to in subsection (a) shall be deemed to be a reference to the ``Diana E. Murphy United States Courthouse''. The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Pennsylvania (Mr. Shuster) and the gentleman from Oregon (Mr. DeFazio) each will control 20 minutes. The Chair recognizes the gentleman from Pennsylvania. Mr. SHUSTER. Mr. Speaker, I yield myself such time as I may consume. Mr. Speaker, I rise today in strong support of S. 3021, the America's Water Infrastructure Act of 2018. This bill is good for our infrastructure, good for jobs, and good for America. It is a bipartisan, bicameral comprehensive bill that delivers on a promise to regularly address water resources and infrastructure issues across the Nation. Title I of this act is the Water Resources Development Act of 2018, or WRDA. I want to remind my colleagues that we overwhelmingly passed WRDA in June by a vote of 408-2. WRDA invests in the ports, locks, and dams, inland waterways, flood protection, and other infrastructure that makes America more competitive and protects our communities. It also builds upon reforms to the Army Corps of Engineers to help improve project delivery. This bill is fiscally responsible and fully offset. It cuts red tape, and it maintains congressional authority and oversight of Federal investment. I want to thank Ranking Member DeFazio for working together on the WRDA title. However, today's bill includes more than just WRDA, and I also want to thank the Energy and Commerce Committee, the Natural Resources Committee, and our Senate counterparts for helping put this package together. I am proud to say today's legislation continues a 2-***year*** cycle of regular order for Congress considering these essential WRDA bills. This has been one of my top priorities since I became chairman over 6 ***years*** ago. {time} 1315 We need to pass this bill, continue providing direction to the Corps, and ensure all of these infrastructure improvements move forward. This is simply good public policy, and it is good for our Nation. Mr. Speaker, I strongly urge my colleagues to support this jobs and infrastructure bill, and I reserve the balance of my time [[Page H8222]] Joint Explanatory Statement To Accompany S. 3021, America's Water Infrastructure Act of 2018 The America's Water Infrastructure Act of 2018 will create jobs, grow the economy, promote fiscal responsibility, and protect lives, property, and the environment. America's Water Infrastructure Act of 2018 supports our nation's economic competitiveness by increasing water storage, providing protection from dangerous floodwaters, deepening nationally significant ports, and maintaining the navigability of inland waterways across the country. The legislation will also repair aging drinking water, wastewater and irrigation systems. It also promotes hydropower development and increases Federal Energy Regulatory Commission (FERC) transparency. Title I of this bill, the Water Resources Development Act (WRDA) of 2018, promotes the Federal commitment to our nation's competitiveness, prosperity, and economic growth by maintaining a strong transportation infrastructure, ensuring the efficient flow of domestic and international commerce, and protecting the lives and livelihoods of the American people in a sustainable and environmentally conscientious manner. In WRDA, Congress authorizes projects encompassing the key missions of the U.S Army Corps of Engineers (Corps), including developing, maintaining, and supporting the nation's economically vital waterway infrastructure, supporting effective and targeted flood protection and environmental restoration needs while strengthening national security. Through WRDA, Congress exercises its oversight authority to make policy reforms that promote efficient, effective, and transparent project development and implementation. This legislation promotes innovation and stronger stakeholder partnerships that will improve water infrastructure development. Since 2014, Congress has resumed the regular consideration of WRDAs, and WRDA 2018 continues the WRDA two-***year*** cycle that provides appropriate oversight of and policy direction to the Administration and the Corps. The transformative nature of the last two WRDA bills has provided the Corps and the non-Federal sponsors with new opportunities to advance projects more quickly. As these new authorities and processes are implemented, the Managers expect that project delivery will speed up. The Managers also expect that the provisions put forward in this bill, as well as the last two WRDA bills, will promote investment in worthwhile and beneficial water resources development projects, and enable these projects to move forward. Water resources projects have historically been rejected through the use of benefit-cost analyses (BCAs) in the formulation, evaluation, and budgeting of water resources development projects. The Managers have been approached by members and non-Federal project sponsors who have projects that are authorized, but because of past practices regarding BCA calculations, non-Federal project sponsors are left without a clear path forward. This legislation makes clear the Managers' intent: authorized projects are worthy of funding. Specifically, this bill contains provisions that require the careful study of and reporting on the use and application of current BCAs. The Managers expect this study to result in recommendations to improve project transparency and the taxpayers' return on Federal investment. The bill also provides additional transparency measures to help non-Federal project sponsors better understand where their projects are in the budgeting process, and the calculations used to justify or reject federal investment in the project. Corps water resources development projects are long-term investments which are critically important to maintaining the nation's economic prosperity, national security, and environmental protection. The Managers expect the Corps to proactively work with non-Federal interests to transparently discuss the principles and analytical methodologies used in developing BCAs on these projects. Title II and IV of this legislation builds on the existing Clean Water Act and the Safe Drinking Water Act ***programs*** to protect and restore water quality. This legislation provides Federal financial assistance to local drinking and wastewater systems to improve water quality and comply with both the Clean Water and Safe Drinking Water Act's requirements. The United States Environmental Protection Agency (EPA) published its sixth national assessment, Drinking Water Infrastructure Needs Survey, in March 2018. That assessment estimated the nation's drinking water utilities require $472.6 billion in infrastructure investments and $271 billion in wastewater needs over the next 20 ***years*** to protect the public health and ensure the security and economic well-being of our cities, towns and communities. This bill reauthorizes the Safe Drinking Water State Revolving Loan Fund (SRF), growing the ***program*** over the next three fiscal ***years*** to $1.95 billion annually in 2021, nearly doubling the amount currently authorized. Along with the SRFs, this bill reauthorizes the Water Infrastructure and Finance Innovation Act (WIFIA) and a ***program*** within WIFIA the Securing Required Funding for Water Infrastructure Now (SRF WIN). All of these mechanisms will substantially increase investments toward addressing this critical need. Investments in water infrastructure are essential for protecting public health and the environment, but they also generate significant economic benefits. The Department of Commerce's Bureau of Economic Analysis estimates that for every dollar in revenue realized by the water and wastewater industry, $2.62 in revenue are realized by all other industries. Adding one job in the water and wastewater industry creates an additional 3.68 jobs in the national economy. The Managers understand that our nation's ability to provide clean water and safe drinking water is challenged by deteriorating wastewater infrastructure that is in urgent need of repair, replacement, or upgrade. This legislation takes steps to address these needs through financial support from grants, state revolving loan funds, innovative financing mechanisms, the use of funds for compliance assistance, and the use of technical assistance for disadvantaged communities. Title III of this legislation includes several provisions that promote the development of hydropower through closed- loop pump storage, in-conduit projects, and at existing non- powered dams. This legislation also amends the Federal Power Act to authorize the FERC to issue preliminary permits to a hydropower construction license applicant for up to four ***years***, and promote the timely rehabilitation and replacement of hydropower infrastructure. Title IV of the bill also addresses the need in many states, particularly throughout the West, to increase water supplies necessary to sustain the livelihoods of farming, ranching, and tribal communities. This legislation also addresses flood protection concerns in rural and tribal communities. Section 1116 directs the Corps to expedite the dredge material management plan process and make maximum use of existing information, studies, and innovative dredge material management practices. It is the Manager's intent that dredged material management plans begun in 2018, but not completed shall also be expedited under this provision. Managers ask that, when a non-Federal entity develops a reasonable alternative to the Federal standard for dredged material disposal facilities that meets relevant Federal environmental and dredged material placement and disposal standards, it should receive preferred consideration by the Secretary. Additionally, the Secretary is encouraged to consider entering into agreements with non-Federal sponsors for the acquisition, design, construction, management, or operation and maintenance of dredged material disposal facilities, including port facilities, through section 217 of WRDA of 1996. Section 1126 addresses the concerns that Managers heard about the regulatory permitting process for water storage projects is extremely lengthy, in part due to issues associated with identifying and analyzing the purpose and need of the project. This section is intended to increase transparency earlier in the regulatory process by providing the permittee an opportunity to obtain a project's purpose and need statement. For Section 1133, as much as is possible, if the determination is made that additional housing is warranted, the purchase of private land shall be avoided. Section 1134 directs the Corps to implement these sediment removal provisions in an expeditious manner in order to restore these reservoirs to their intended storage capacity. The Managers recognize the importance of water storage capacity to rural and western communities. Federal reservoirs have gradually seen a reduction in water storage capacity associated with sediment buildup to the detriment of farmers, ranchers, and rural communities. Managers expect that the final feasibility study for the project in section 1142 will be carried out expeditiously and be completed by the anticipated completion date of February 2019. The Managers intend that section 1143 apply to all projects authorized by Title VII of WRDA 2007 so that the Secretary can acknowledge credit for the cost of work carried out in the coastal Louisiana ecosystem by the non-Federal interest for elements integral to the project prior to the date of enactment of WRDA 2018. For example, the ``Multipurpose Operation of Houma Navigation Lock'' is dependent upon the adjacent earthen levees (including Reach F and G of the Morganza to the Gulf of Mexico project) and other structures (including the Bubba Dove Floodgate and Bayou Grand Calliou Floodgate). Operating a lock complex without adjacent levees can significantly reduce the ability to reduce salinity and to manage and control the fresh water available via the Atchafalaya River, Gulf Intercoastal Waterway and the Houma Navigation Canal. In addition, the Bubba Dove Floodgate has reduced the original wetland impact of the Houma Navigation Lock and is integral to the lock's design and function. Section 1203 (f) expedites activities under section 4003(a) of Water Resources Reform and Development Act (WRRDA) 2014. The Managers understand that these activities have not been implemented due to a lack of appropriated funds, and emphasize that the importance of such flood and drought monitoring to communities in the Upper Missouri River Basin necessitates that the Corps expedite activities for this monitoring in order to protect lives and properties in the region. The Managers expect section 1229 to be carried out in an expeditious manner and in accordance with all applicable Federal and state water laws. Section 1332 further amends the Annual Report process set up by section 7001 of [[Page H8223]] WRRDA 2014. WRDA 2016 changed the process to ensure individual existing environmental infrastructure projects may be included in the Annual Report Main Table so that they can be considered for inclusion in future WRDA bills, and the amendments in this section clarify that proposed modifications to existing regional environmental infrastructure ***programs*** are also able to be considered. Such projects that have previously ended up in the appendix of these reports, such as Charlotte County, Florida, are encouraged to reapply. Similarly, this section amends the criteria by which the Secretary may select to include a local request in the appendix to the Annual Report, rather than the Report, itself. The Committees on Transportation and Infrastructure and Environment and Public Works have repeatedly criticized the Secretary for failure to follow the specific criteria outlined in section 7001(c)(1)(A), and including local requests in the appendix despite those requests meeting the statutory criteria. In response, this legislation clarifies that the Secretary may not include a request that meets the criteria in 7001(c)(1)(A) in the appendix solely on the basis that the local request requires legislative changes to an authorized project or study, or the request may be inconsistent with Corps or Administration policy. The Committee is aware of one particular request for a modification of the Abiquiu Reservoir, New Mexico, that was placed in the appendix to the 2017 Annual Report to Congress because of Administration policy. Project sponsors for similarly situated project or study requests are encouraged to reapply. The Managers encourage the Secretary to consider the benefits of safety modifications for 2-way traffic and other improvements to commercial navigation when evaluating authorized navigation studies. The Managers encourage the Secretary to provide technical assistance and other support to state emergency management agencies to assist in the development of handbooks for floodplain managers. These handbooks should include policies to help manage the risks of coastal and river flooding. In addition, these handbooks should consider coastal protection solutions that promote resilience, such as living shorelines, as well as regional sediment management. Additionally, non- Federal entities may provide resources for emergency repairs under section 1024 of WRRDA 2014 (33 U.S.C 2325a), regardless of the cause of the emergency. The Managers encourage the Corps to proceed with a sense of urgency when evaluating and ***programming*** the actions to proceed with the water resources projects necessary for flood control, dam repair, beach erosion control, and harbor navigation improvement in Puerto Rico, and the repair and mitigation necessary as a result of the hurricane and severe weather damages that occurred between September 2017 and March 2018. Additionally, the Managers encourage the Corps to advance the project for ecosystem restoration, Cano Martin Pena, San Juan, Puerto Rico. The Managers believe the Secretary should simplify and expedite the process for including in-kind work in project partnership agreements, consistent with current law. The Managers further encourage the Corps to improve communication with stakeholders and the public regarding the risk assessments conducted by the agency of the levees around the country. The managers believe that the financing of project operations, maintenance, where the locals are not otherwise responsible for the project, or capital improvements by local non-Federal interests can results in savings to Federal taxpayers. As the Secretary carries out the operations and maintenance of our nation's infrastructure, the Managers expect periodic maintenance dredging of the Kennebec River Federal Navigation Channel will be prioritized based on a joint plan that is being developed by the Secretary and the Secretary of the Navy. Additionally, the managers believe the Corps should prioritize annual dredging for the harbor in Wilmington, Delaware. The Secretary may use his or her authority under section 9 of the Flood Control Act of 1946 (60 Stat. 643, chapter 596) to remedy the erosion issues on the Ohio River near Clarksville, Indiana. Ongoing cooperation between the Louisiana Coastal Protection and Restoration Authority and the Lafitte Area Independent Levee District relating to flood protection projects in Jean Lafitte, Louisiana, and the vicinity should continue. To the maximum extent practicable, the Secretary should support that cooperation in a manner that is consistent with Louisiana's Comprehensive Master Plan for a Sustainable Coast. The amendment to section 203 of WRDA 1986 (33 U.S.C 2231) made by section 1126 of WIIN 2016 (130 Stat. 1648), which concerns study of water resources development projects by non-Federal interests, was intended to supersede any conflicting laws. As water resources projects are vital to the nation's competitiveness, the Managers encourage robust annual funding. The Continuing Authorities ***Programs*** should receive full appropriations each fiscal ***year***. The authorization of appropriations under section 595(i) of WRDA 1999, for water, wastewater, environmental restoration and surface water protection projects in certain rural states should be robustly maintained. Section 2005 includes new grant opportunities for states to assist small and disadvantaged communities when contaminants are present or are likely to be present in drinking water provided by a public water system or underground source of drinking water. The Managers intend this legislation to assist states with small and disadvantaged communities to promptly respond to problems that potentially present an imminent and substantial endangerment. Section 2010 establishes new authority for states and EPA to address the challenges of water systems that have repeatedly violated drinking water standards and pose a risk to human health. The section includes limited liability protection for outside entities that help the system come back into compliance. The Managers do not intend this legislation to limit enforcement of drinking water violations not identified in the plan or to diminish the availability of injunctive relief to address unresolved drinking water violations. Section 2021 authorizes EPA, subject to the availability of appropriated funds carrying out the purposes of the section, to require drinking water systems serving between 3,300 and 10,000 persons to comply with mandatory unregulated contaminant testing for up to 30 unregulated contaminants. The legislation also authorizes $15 million in the ***years*** the monitoring is required to pay costs traditionally associated with such testing. Systems serving fewer than 3,300 persons will remain subject to random sampling and have their testing and mailing costs covered by EPA. Such systems will not be subject to a civil penalty for their inability to comply with sampled monitoring. Title II provides for Drinking Water Improvement. As Congress reauthorizes the Drinking Water SRF, the managers strongly support Congress providing robust funding of capitalization grants to States to fund SDWA SRFs established under section 1452 of the SDWA (42 U.S.C 300j-12) and the CWA SRFs established under title VI of the CWA (33 U.S.C 1381 et seq.). The managers also encourage the Administrator to work with the States to realize the full benefits of the renewed DWSRF authorization amounts. Section 3003 of this bill authorizes the Commissioner of the FERC to establish an expedite process for issuing and amending licenses under the Federal Power Act for qualifying facilities under that section. The Committee on Transportation is aware that certain projects owned or operated by the Corps of Engineers may fall within the scope of this section. However, nothing in section 3003 provides new authority to add hydropower to existing non-powered projects owned or operated by the Corps of Engineers where hydropower is not specifically an authorized purpose, established in law, for such projects. The decision and conditions to add hydropower to an existing, non-powered project of the Corps rests solely with the Secretary of the Army, through its existing regulatory authorities, and with the Committee on Transportation and Infrastructure in the U.S House of Representatives and the Committee on Environment and Public Works in the U.S Senate, through enactment of future water resources development legislation. Section 4102 establishes a Wastewater Technology Clearinghouse at EPA. Providing communities with the knowledge and resources necessary to fully use decentralized wastewater systems can provide affordable wastewater recycling and treatment to millions of people in the United States. Section 4103 provides Technical Assistance for Treatment Works in the CWA. The Managers recognize the importance of technical assistance for small, rural, and tribal water systems. It is the Managers' view that onsite technical assistance, provides the most effective means for communities that are struggling to implement the CWA. The Managers also acknowledge that the use of remote training does not always provide communities with sufficient assistance to comply with complicated and system-specific issues. Section 4201 amends the Water Infrastructure Finance and Innovation Act (WIFIA) by enhancing the process under WIFIA for financial assistance to those applying for state loan funds to carry out water and wastewater infrastructure projects, the Securing Required Funding for Water Infrastructure Now (SRF WIN). It allows states that combine projects and submit one application to the WIFIA ***program*** to receive additional considerations. This section provides specific selection criteria and expedites the evaluation of applications of these combined projects to 180 days, with feedback from the EPA on how to improve their application, if denied. This section also puts the application fee cost on the state financing authority and removes the burden from the bundled communities. It eliminates the need for these combined projects from having to do any duplicative environmental reviews and allows for the federal cost share of the project to cover up to 100% of the total project cost. These amendments utilize the leveraging power of WIFIA financing to enhance the ability of the state financing authorities to provide financial assistance to local communities. This will allow states to finance thousands of existing and vetted water and wastewater infrastructure projects expeditiously. Section 4301 establishes a mandatory requirement that not later than one ***year*** after the date of enactment of the Act that the EPA will enter into a memorandum of agreement with the Bureau of Reclamation (BOR) that will establish a structure for how EPA can provide technical assistance for any credit instrument that Reclamation may provide now or in the future. [[Page H8224]] Section 4302 directs the BOR, working with the Corps to create a flood action plan. The Managers recognize that 2017 was a record ***year*** for runoff in the Upper Snake River Basin, causing communities in the region to experience significant flooding. The Managers further recognize that landowners and stakeholders have serious concerns for how the BOR and the Corps have managed the spring runoff out of Jackson Lake and down the Snake River. The Managers seek assurances that the BOR will work with the Corps to protect communities to minimize flooding in the region. Section 4304 establishes a new workforce training ***program*** for workforce development in the water utility sector. The managers find that water and wastewater utilities provide a unique opportunity for access to stable, high-quality careers. This section also establishes a competitive grant ***program*** to promote the development of innovative activities relating to workforce development in the water utility sector. Section 4306 authorizes EPA's WaterSense ***program***, a voluntary ***program*** which identifies and promotes water efficient products through voluntary labeling, is authorized by this legislation. The bill requires EPA to review and revise the ***program***'s performance criteria to achieve additional water savings not more frequently than every 6 ***years***. The Managers expect EPA to conduct these reviews as required by the section and to review the requirements of the ***program*** and update them as needed and appropriate. Section 4312 recognizes the rehabilitation and restoration of Indian irrigation systems owned and operated by the Bureau of Indian Affairs (BIA) is essential to the success and livelihood of individuals and businesses across 17 reservations. Congress outlined these objectives in Public Law 114-322 and established the Indian Irrigation Fund for the BIA to carry out its trust responsibility for certain individual Indians and Tribes. This provision authorizes seven ***years*** of additional funding to complete this necessary rehabilitation, which will ensure the delivery of clean water, reduce the loss of water through seepage, and improve the safety of the systems. The Managers believe the Administration should prioritize the Indian Irrigation Fund in addressing restoration of these Indian irrigation systems. The Managers strongly encourage the Administration to fulfill the objectives outlined in Public Law 114-322. Mr. DeFAZIO. Mr. Speaker, I yield myself such time as I may consume. Mr. Speaker, I particularly want to thank the chairman for getting the Water Resources Development bills back on track. We had gone many ***years*** without an authorization, and the chairman made it a priority to do this every 2 ***years***. We also have created a new process through which we provide some direction to the Corps of Engineers on where to invest their scarce resources. If I had my way, or maybe if we have different leadership in the next Congress, we would go back to a much simpler, explicit process where we would designate high-priority local infrastructure investment as needed in the certain areas around the United States of America to better facilitate commerce. But that is for another day. This is a good bill. It is a bipartisan bill. There is, however, one problem. That problem is that Ronald Reagan worked with a Democratic Congress to create a harbor maintenance trust fund funded by a miniscule ad valorem tax on the value of goods that come in from overseas and pass through our ports. Consistently, Congress has underspent those funds under both Democratic and Republican leadership. Many ***years*** ago, I started to work with the chairman's father on this very issue. That is more than two decades ago now. We did make substantial progress in the last Congress and in this Congress. An amendment that I offered to the water resources bill put us on a track toward spending all of the tax that is collected for harbor maintenance on harbor maintenance. Now, I know that is kind of shocking in this town, that you would collect a tax from people and then spend it on the thing for which it is dedicated, but I think that would be right. My proposal was adopted unanimously in the committee twice. Then Speaker Ryan, through his control of the Rules Committee, reached into the bill and extracted that amendment. Why would they do that when we, on an average daily basis, have less than 40 percent of the authorized capacity at our 59 largest harbors? Why would we cripple United States commerce and shipping interests? Why would we do that? Well, so they can pretend that the deficit is a little tiny bit less. When it comes to taxes, a trillion dollars here, a trillion dollars there, we don't care about deficits. But when it comes to spending the harbor maintenance tax on harbor maintenance, we can skim off a few hundred million dollars every ***year*** and put it over here in an imaginary trust fund that we never spend. So it is a bunch of BS that we are doing that. You should not be collecting taxes from the American people and then not spending money on the intended and needed purpose. The Corps' estimate is that they need about $20 million to bring all harbors up to authorized depths in the next 10 ***years***. If we were spending the full harbor maintenance trust fund income on an annual basis and spending down the balance that has already accumulated, we could exceed that goal and deal with other issues, such as jetty problems and the like. The White House has come up with a brilliant and different solution. They want to reduce the harbor maintenance tax so we will never, ever bring up our ports to authorized depths. In any case, that is the major problem with this bill. The chairman has already mentioned a number of the attributes of this bill. There is a provision that potentially will make the Corps more efficient on dredging projects and look at multiyear as opposed to annual contracts. The Corps is getting some tools to respond to climate change--I can't believe we got that in there--sea level rise, and natural disasters. It requires the Corps to be more transparent in how it chooses projects. As I mentioned earlier, I think Congress should be a little more direct there. Again, that is for another day. It has provisions that are important to my district and my State, which are fully justified. Mr. Speaker, again, it is a good, bipartisan project, and I reserve the balance of my time. Mr. SHUSTER. Mr. Speaker, I just want to say the ranking member is 100 percent correct on his assessment of the harbor maintenance trust fund. I support it. He is absolutely right. I just want to make sure, when he is referring to BS, he is not referring to Bill Shuster. Mr. Speaker, I yield 2 minutes to the gentleman from Oregon (Mr. Walden), the chairman of the Energy and Commerce Committee. Mr. WALDEN. Mr. Speaker, I thank the ranking member for his help on this legislation. I, too, agree in terms of the harbor maintenance trust fund. I rise in support of America's Water Infrastructure Act of 2018. This legislation includes really important language to assist irrigators in the Klamath Basin who are enduring another challenging drought ***year***, and it helps ensure we are prepared if our farmers are hit again with severe drought conditions in the ***years*** ahead. This bill provides the Bureau of Reclamation with the authority to use the funds we secured earlier this ***year***, about $10 million, to implement measures such as groundwater pumping and other priorities for our irrigators, and ensures that they have the authority to survive difficult water ***years*** we may face over the next 4 ***years***. I also want to express, as chairman of the Energy and Commerce Committee, our support for a couple other titles in this bill. Title II of the legislation modernizes the Safe Drinking Water Act to address regulatory compliance and infrastructure challenges facing communities across our country. It brings greater investment to improve our aging drinking water systems and supports State-led efforts in large cities and rural communities alike. For the first time in 22 ***years***, Mr. Speaker, it authorizes capitalization grants for State drinking water revolving loan funds-- $4.4 billion over 3 ***years***, to be exact. This is a big infrastructure bill. These loans are a crucial tool to help communities address compliance issues and address drinking water threats. I urge EPA to help each State realize the promise of this new authorization. As we brace for the horrible impacts of Hurricane Florence, I want to point out that title II also authorizes $100 million for areas affected by natural disasters that need help repairing their drinking water systems to deliver clean, safe drinking water. Our prayers are with those in the storm's path, Mr. Speaker. While this legislation won't make them whole, it will help them recover. [[Page H8225]] Title III of the legislation will make substantial regulatory improvements to the hydropower licensing process, with the goal to deliver more clean, renewable, carbon-free, and affordable energy to consumers. This title incorporates several important bills that passed out of the Energy and Commerce Committee, and I am proud to support their inclusion in this legislation before us today. With that, I urge strong bipartisan support of the America's Water Infrastructure Act. I thank the gentlemen on both sides of the aisle and everyone involved for their work in getting this to the House floor, and I urge its passage. Mr. DeFAZIO. Mr. Speaker, I yield 3 minutes to the gentlewoman from California (Mrs. Napolitano), the ranking member of the Subcommittee on Water Resources and Environment. Mrs. NAPOLITANO. Mr. Speaker, I rise in strong support of S. 3021, America's Water Infrastructure Act of 2018. I thank Chairman Shuster, Ranking Member DeFazio, Chairman Graves, and our own respective staffs for their work on this legislation. It is encouraging to see the Transportation and Infrastructure Committee continue in a bipartisan fashion on this legislation every 2 ***years***. The bill authorizes Army Corps of Engineers' feasibility studies; chief's reports; and section 7001 water resource projects across the country for a diverse array of purposes, including flood damage reduction, ecosystem restoration, water supply, navigation, and other things. The bill also includes important provisions that both the House and the Senate have worked on to improve EPA water ***programs***. I am pleased to have coauthored several provisions that will assist communities experiencing stormwater challenges and drought with additional water supply and water treatment options. Section 4106 authorizes $450 million in grants to cities over the next 2 ***years*** to plan, design, and construct stormwater, water recycling, and sewer overflow projects. This is incredibly important in my area in Los Angeles, which is addressing a new MS4 stormwater permit and is implementing water recycling projects as a way to address long- term drought and climate change. Section 1164 requires the Corps to work with local governments on integrated water resources planning to incorporate locally developed plans for stormwater management, water quality improvement, and water recycling in Corps projects. Section 1146 makes permanent my provision from WRDA 16 that allows public agencies or private companies to remove sediment from Army Corps dams in order for the dams to be more efficient for water supply and flood control operations. There was a particular problem of sediment buildup in several of our dams, including the Santa Fe and San Gabriel Dams in my region. Section 4304 creates an EPA water infrastructure and workforce investment ***program***, which will provide grants to educational institutions, workforce development organizations, and water agencies to provide training in the water sector. The water agencies in my district have been strongly supportive of creating this ***program***, because many employees in the water sector are retiring and workforce training is needed for new water technologies. Section 4306 formally authorizes and improves the EPA WaterSense ***program***, which creates a national standard for the labeling of water- efficient products. Local, State, and Federal agencies can then give rebates to individuals and businesses that purchase these WaterSense- approved products, in order to decrease overall water consumption demands. Section 1222 requires the Corps to assess forecast-informed operations in water control manuals to ensure that dams are being used effectively to maximize local water supply. Some of them are more than 40 ***years*** old. The SPEAKER pro tempore (Mr. Francis Rooney of Florida). The time of the gentlewoman has expired. Mr. DeFAZIO. Mr. Speaker, I yield the gentlewoman from California an additional 30 seconds. Mrs. NAPOLITANO. I am confident that this bill, if enacted, will provide drought-prone regions like mine with the tools necessary to increase water supply through water recycling and capturing and treating stormwater. I want to thank my constituent water agencies for their input throughout this process, including the Upper San Gabriel Valley Municipal Water District; the Three Valleys Municipal Water District; the San Gabriel Valley Municipal Water District; the San Gabriel Valley WaterMaster; the Los Angeles County Department of Public Works; and my local Corps leadership in General Helmlinger, Colonel Gibbs, and David Van Dorpe. Mr. Speaker, I ask all my colleagues to support this bill. Mr. SHUSTER. Mr. Speaker, I yield 2 minutes to the gentleman from Louisiana (Mr. Graves), chairman of the Subcommittee on Water Resources and Environment. Mr. GRAVES of Louisiana. Mr. Speaker, I thank the chairman for yielding. Mr. Speaker, we have Hurricane Florence bearing down on our Nation now. The Carolinas and Georgia are inevitably going to have disaster, destruction, and damages. What happens in the aftermath, as folks begin looking at it, they ask the question: What could we have done differently? This bill, together with other legislation, is exactly what needs to be done. This begins the process of addressing this ridiculous backlog of $100 billion in projects that we need to move forward on, that we need to construct, and bringing efficiencies to the table, like allowing for States and local governments to advance these projects on their own, taking advantage of their capabilities of greater cost efficiencies, of streamlined permitting processes, and other efficiencies that they are capable of doing. This bill brings all sorts of solutions to the table, including, Mr. Speaker, looking at whether the U.S Army Corps of Engineers should even be within the Department of Defense. When I call Secretary Mattis and talk to him about Russia, China, North Korea, Syria, and Iran, should I introduce a wetlands permit in that conversation? I don't think I should. It is not compatible with the agency. So we are looking at where this mission can be a top priority, can be properly housed, and where we can accomplish these projects much faster than we are doing today. Mr. Speaker, this bill also has some important things for us back home, including recognizing the hundreds of millions of dollars in work that our State has done to restore our eroding coastline and the ecological productivity that goes along with it; looking at carrying out a pilot dredge ***program***, whereby we can issue dredging contracts over ***years*** over multiple channels, rather than doing one channel at a time, where we can benefit from economies of scale and, again, greater efficiency with taxpayer dollars; and, importantly, Mr. Speaker, ensuring that the old river control structure is not managed by a static 70-30 split that was determined decades ago, using updated science so we benefit navigation, the environment, and other important priorities. I want to thank Chairman Shuster, Congressman DeFazio, Congresswoman Napolitano, Congressman Sanford, Congressman Rouzer, and all those involved for their hard work on this. I urge its adoption. Mr. DeFAZIO. Mr. Speaker, I yield 3 minutes to the gentleman from New Jersey (Mr. Pallone). Mr. PALLONE. Mr. Speaker, I want to thank Mr. DeFazio, Mrs. Napolitano, and all the leadership on both the Energy and Commerce Committee and the Transportation and Infrastructure Committee for putting this bill together. Mr. Speaker, I wanted to talk about the Energy and Commerce jurisdiction, which is initially the Safe Drinking Water Act. Our Nation's public drinking water system serves more than 300 million people, but aging and failing infrastructure threatens access to safe drinking water in communities large and small. {time} 1330 The Environmental Protection Agency estimates that our water systems will require $472 billion in infrastructure repairs over the next 20 ***years***, but [[Page H8226]] investment simply has not kept pace with the need. This bill reauthorizes the Safe Drinking Water Act State Revolving Fund for the first time in 20 ***years*** and provides significant new funding to State and local governments in dire need. The bill nearly doubles the authorized funding from $1 billion to almost $2 billion in 2021 and increases funding for public water system supervision grants to States. Important provisions in the bill ensure that this money gets to the communities that need it most by raising the cap on special assistance to disadvantaged communities under the State Revolving Fund and setting a floor for such assistance to guarantee help for those communities. I want to thank Representative Tonko, the ranking member of our House Energy Subcommittee on Environment, who led the effort to reauthorize and improve the State Revolving Fund for many ***years***. Many of the provisions in this bill were incorporated from AQUA Act, which he authored. The bill also contains a provision first introduced by myself and Representative Rush establishing a grant ***program*** for replacing leaded drinking water fountains in schools and requiring, for the first time, a national inventory of lead service lines and the cost to replace them. The bill contains Representative Dingell's provision to make drinking water quality reports to consumers more frequent, comprehensive, and understandable. Significantly, the bill incorporates Representative Peters' provision to assist systems with resiliency to extreme weather, and it establishes new requirements to assess and address vulnerabilities to those threats. It also provides $100 million for grants to extend access to safe drinking water into areas impacted by natural disasters, responding to concerns raised by Representative Green. Additionally, the bill contains language championed by Representative McNerney authorizing a water sense ***program*** to encourage consumer product water efficiency, and it authorizes Buy America requirements for iron and steel products for 5 ***years***. Mr. Speaker, this bill won't solve all our drinking water challenges, but it makes important improvements and delivers real benefits. I am also pleased that this final bipartisan bill includes important energy provisions that I pushed, to include among them provisions authored by Representatives Kennedy, DeGette, and Peters. All in all, the drinking water and energy titles of this bill are critical, significant steps forward that will benefit America's families, industry, and the environment. Mr. Speaker, America's Water Infrastructure Act is a victory for all of us, and I urge my colleagues to support the legislation. Mr. SHUSTER. Mr. Speaker, I yield 1 minute to the gentleman from Missouri (Mr. Graves). Mr. GRAVES of Missouri. Mr. Speaker, I rise in support of America's Water Infrastructure Act, which includes the House-passed WRDA. The chairman's commitment to passing bipartisan WRDA bills every 2 ***years*** has been an impactful item at better managing the bureaucracy at the Army Corps and more regularly approving vital water projects. This is good government and a policy that I would like to see the committee remain committed to in the future. In my district, Mr. Speaker, this bill is extremely important to the ***agriculture*** economy and to everyone who relies on the Missouri and Mississippi Rivers. I am glad the final bill included my amendment to stop the Army Corps from building any new, unproven structures for endangered species along the Missouri, and, instead, they now are required to prove that it will actually work before spending millions of taxpayer dollars. The Corps has to prove that these structures do not negatively impact the other management priorities on the Missouri River. In closing, this is a good bill, and it is necessary to advance the important flood control projects and ensure our inland waterways remain reliable and efficient options for transporting goods. Mr. Speaker, I urge my colleagues to vote for S. 3021. Mr. DeFAZIO. Mr. Speaker, I yield 2 minutes to the gentlewoman from Michigan (Mrs. Dingell). Mrs. DINGELL. Mr. Speaker, I rise in support of S. 3021, America's Water Infrastructure Act of 2018. Every Member in this House should be able to support it. It is how Congress should work, and it is what the American people expect. Overall, the bill would authorize $6.1 billion in Federal funds for the Army Corps of Engineers to carry out new and existing projects critical to our Nation's economy, environment, public health, and safety, including the Great Lakes region. This legislation also includes the Drinking Water Systems Improvement Act, which the Energy and Commerce Committee approved last ***year***, in bipartisan fashion. These provisions will improve drinking water systems and authorize $4.4 billion for the State Drinking Water Revolving Loan Fund ***Program***, which will provide much-needed Federal financing for States and utilities to strengthen drinking water infrastructure. Everybody remembers Flint. Now we have PFAS. It is important that every American be able to trust the water they are drinking. This is why I am proud that this bill includes important provisions from legislation I introduced that would increase drinking water notifications and make consumer confidence reports on drinking water easier for every American to understand. It is an essential part of our response to drinking water crises in this country. We have a crisis of confidence in our systems, and consumers deserve clear and immediate notifications and transparency when it comes to the quality of the water they are drinking. By requiring large water systems to provide consumer confidence reports biannually, the American people will have more frequent reports on water quality, which will help identify and mitigate risks sooner. With 90 percent of Americans receiving their drinking water from a public drinking water system, it is our collective responsibility to provide strong funding authorizations for modernizing drinking water systems, and we must continue to find effective ways to keep the public informed. Mr. SHUSTER. Mr. Speaker, I yield 1\1/2\ minutes to the gentleman from California (Mr. Denham). Mr. DENHAM. Mr. Speaker, I rise in support of America's Water Infrastructure Act. This bill revitalizes our waterways, bolsters flood protection, and ensures our channels and harbors can supply America and the world with U.S goods. Most importantly, this bill includes my New WATER Act, a provision that will help us to build new water storage in California. The last time we built anything of substance in California for water storage was 1979. We have waited 50 ***years***--50 ***years***--because we don't have Federal financing and Federal authorization. Finally, under this bill, the New WATER Act will set up a bank for financing for these water storage projects, and we can finally get some of these big reservoirs under way: Shasta, raising Shasta; building Sites Reservoir, which has been studied for decades; building Los Vaqueros; building Temperance Flat. It is time to build water storage in California. We need to be solving our own problems, and the New WATER Act helps us with that financing. Below-ground water storage projects, water recycling, and desalination projects are also eligible. We want to look at all water in California, but this allows us a Federal financing plan to match State and local dollars as well. Also, I included the lower San Joaquin County Army Corps chief's report in this bill to enhance flood protection for more than 50,000 valley residents in San Joaquin County. This will reduce annual property damage and enhance security at 262 critical infrastructure sites, including French Camp. The SPEAKER pro tempore. The time of the gentleman has expired. Mr. SHUSTER. Mr. Speaker, I yield the gentleman from California an additional 15 seconds. Mr. DENHAM. French Camp will be the Army Corps' first VA project, building a megaclinic for our veterans [[Page H8227]] in our local community right in this area in between Lathrop and Manteca. We look at revitalizing America's infrastructure. This is a monumental step forward in America's water infrastructure, and I ask my colleagues to support this bill. Mr. DeFAZIO. Mr. Speaker, I yield 2 minutes to the gentleman from Massachusetts (Mr. Kennedy). (Mr. KENNEDY asked and was given permission to revise and extend his remarks.) Mr. KENNEDY. Mr. Speaker, I thank the ranking member for yielding. Mr. Speaker, I rise today in support of the bill before us, S. 3021; and specifically, Mr. Speaker, the Fair Ratepayer Accountability, Transparency, and Efficiency Standards Act written into title III, culminating more than 4 ***years*** of work on this issue. In 2014, due to an unintended loophole in the Federal Power Act, my constituents were locked out of challenging a nearly $2 billion rate increase, because at the time the Federal Energy Regulatory Commission was deadlocked 2 to 2 on whether to approve or deny the change. With this bill before us today, we can close that loophole and ensure that no ratepayer suffers the same consequence that continues to threaten the bank accounts and pocketbooks of my constituents. It is especially important today given that the commission currently has only four sitting commissioners. While this is not the bill that I first introduced more than 3 ***years*** ago and it is not the one that the House unanimously passed each of the last two Congresses, it is a compromise with our Senate colleagues and is an important step in the right direction. Mr. Speaker, I urge my colleagues to support this bill. Mr. Speaker, I rise today in support of the bill before us, H.R S. 2031. Specifically I rise in support of the Fair Ratepayer Accountability, Transparency, and Efficiency Standards Act, written into Title III, culminating more than four ***years*** of work on this issue. As my colleagues have heard time and time again, my constituents in New England pay among the highest retail electric rates across the country. And in 2014, due to an unintended loophole in the Federal Power Act, my constituents were locked out of challenging a nearly $2 billion rate increase because at the time, the Federal Energy Regulatory Commission was deadlocked two-to-two on whether to approve or deny the change. As written, the Federal Power Act allows for rate changes to take effect by operation of law if FERC fails to act within the statutory 60-day time period. Due to a deadlock in 2014, no action was taken. And as we have since learned, the Federal Power Act only allows for appeals of official FERC Actions, not rates that take effect by operation of law, including deadlocks like the one that left my constituents voiceless. With this bill before us today, we can ensure no ratepayer suffers the same consequence. It is especially important now given the current status of the Commission with only 4 sitting commissioners. This bill represents a compromise with my Senate colleagues. The bill states that any rates that take effect by operation of law, due to a deadlock or a Commission that lacks sufficient members for a quorum, are appealable both at FERC and in the courts. It is intended to ensure that FERC and the courts consider the merits of a rate change and whether such a change is just and reasonable as required by the Federal Power Act. It would not allow FERC or the courts to simply dismiss a challenge because FERC failed to issue an order. Additionally, I would like to highlight two concerns with this language and make clear congressional intent in the process. First, this bill would not apply to rates that the Commission either chooses, or inadvertently allows, to take effect upon expiration of the statutory clock. It has been my understanding and my experience that FERC can and will continue to address all rate filings with the due diligence and scrutiny each deserves, and I hope FERC will continue to do so even on the most contentious of cases. I expect FERC will abide by the requirements of this legislation and not take advantage of any loophole to avoid a contentious filing. Second, while unusual, this bill would require each of the sitting commissioners to explain in writing their view on the rate change. To my knowledge, there is no other similar requirement in any part of the Federal Power Act or Natural Gas Act. However, it is my belief that if and when the time comes to address a deadlock, commissioners will use the opportunity to explain their views for purposes of transparency and good government. While this is not the bill I first introduced more than three ***years*** ago, the one that passed the House unanimously in each of the last two Congresses, it is a good compromise and a significant step in the right direction. I urge my colleagues to support this bill. Mr. SHUSTER. Mr. Speaker, I yield 1 minute to the gentleman from Georgia (Mr. Woodall), a hardworking member of the House Transportation and Infrastructure Committee and a member of the Rules Committee. Mr. WOODALL. Mr. Speaker, I thank the chairman for his leadership on the committee. Mr. Speaker, this is probably the most important bill that most members of the United States of America citizenry will never have heard of. When I go back home, folks ask me to make smart and prudent investments that will make a difference in people's lives. They ask me to repeal unnecessary regulations that stand in the way of making those improvements. They ask me to pay for those things rather than passing the bill on to our kids and our grandkids. The bill that the chairman and the ranking member have brought before us today fulfills every single one of those challenges. In my district, Mr. Speaker, we are talking about preserving water quality in Lake Lanier, the sole water source for most of the metro Atlanta area. We are talking about funding the Savannah Harbor Expansion Project, a project of economic significance for the entire southeastern United States. We are talking about offering local officials the financing tools they need to bring projects to bear faster and cheaper than ever before. Mr. Speaker, median household income has never been higher. Small business optimism has never been higher. Unemployment is at its lowest point in decades. Job openings are at a record high. Manufacturing jobs are at a record high. This does not happen by accident. This happens when you create an environment in which success can breed. I want to thank the ranking member from Oregon. I particularly want to thank my chairman from Pennsylvania. Chairman Shuster said he was going to bring three bills to the floor. He said we are going to get back in the business of doing the people's business, not sometimes but always; and here, at the end of his third term as chairman, we are bringing our third WRDA bill to the floor. Mr. DeFAZIO. Mr. Speaker, I reserve the balance of my time. Mr. SHUSTER. Mr. Speaker, I yield 1 minute to the gentleman from Michigan (Mr. Mitchell), my good friend and another hardworking member of the Transportation and Infrastructure Committee. Mr. MITCHELL. Mr. Speaker, I rise today in support of the America's Water Infrastructure Act, a critical piece of legislation that authorizes water infrastructure projects across our Nation. One particular project is near and dear to my heart, critical to the State of Michigan and our national economy and security: the Soo Locks. This lock is the only waterway, the only connection between Lake Superior and the rest of the Great Lakes and the Saint Lawrence Seaway. Right now, that one lock accommodates almost all of the shipping of iron ore and many other goods from Minnesota through the Great Lakes. If that lock fails, the damage is instantaneous: economic damage--11 million people would lose their jobs within the first 90 days--and risks our national security. That is why construction of a second lock is so vital. This upgrade was authorized over 30 ***years*** ago. I guess it shouldn't surprise us that it has languished a bit. We now have bipartisan support, both sides of the aisle supporting the need to get this lock, a second large lock, built. We have recognition by the administration that this lock is critical for our economy and our national security. Mr. Speaker, I urge passage of this bill as the next step in building the 1,200-foot lock at the Soo Locks so we can ensure that our national security and our economy is not devastated by the failure of one lock. Mr. DeFAZIO. Mr. Speaker, I continue to reserve the balance of my time if the gentleman has more speakers. Mr. SHUSTER. Mr. Speaker, I have three more speakers. Mr. Speaker, I yield 1 minute to the gentleman from Michigan (Mr. Upton). [[Page H8228]] {time} 1345 Mr. UPTON. Mr. Speaker, safe drinking water for our families is something that we all should agree on, and this bill delivers on that promise. It makes certain that communities like Parchment, in my district, are able to deal with the PFAS contamination issue. In Parchment, thanks to the proactive efforts of the State of Michigan, we discovered PFAS in the water, and we immediately sprang into action to solve the problem in the short term--local, State, and Federal folks all working in tandem to fix the problem. Specifically, the bill does that by increasing authorization for the Drinking Water State Revolving Fund. It critically works to modernize our aging water infrastructure by providing more resources. Drinking water quality remains high across the country, but improvements can and must be made now. This bipartisan bill is yet a very important step forward. I look forward to supporting it and would urge all of my colleagues on both sides to do the same. I want to thank Chairman Shuster for getting this bill to the floor, and I look forward to ultimately getting it to the President for his signature. Mr. DeFAZIO. Mr. Speaker, I reserve the balance of my time. Mr. SHUSTER. Madam Speaker, I yield 2 minutes to the gentlewoman from Washington (Mrs. McMorris Rodgers), our conference chair. Mrs. McMORRIS RODGERS. Madam Speaker, I thank the chairman for his leadership and yielding the time. Today, I am proud to stand in support of the Water Resources Development Act. I appreciate all the work that has been done to help strengthen our Nation's ports, dams, and waterways. In this legislation, we are keeping our promise to the American people to rebuild our Nation's infrastructure. I was proud to offer two significant provisions to help the people of eastern Washington. The first is the Port of Whitman Economic Expansion Act. This will allow the Port of Whitman to purchase land from the Army Corps of Engineers to continue their mission of economic development in our region. The other provision is from bipartisan legislation that passed this House earlier titled the Hydropower Modernization Act of 2017. In Washington State, hydropower makes up nearly 70 percent of our electricity, and it is the Nation's largest source of clean, renewable, reliable, and affordable energy. We have some of the lowest electricity costs in the country because of clean hydropower, but there is still room for tremendous potential to increase the production of renewable energy as hydropower, but FERC doesn't incentivize investing in dams. Capital intensive projects like updating turbines or improving fish ladders are only included in the lifespan of a dam's license during the relicensing window. My provision will require FERC to include all protection, mitigation, and enhancement measures during the relicensing process. I appreciate Chairman Shuster and Chairman Walden and the staff for all of their work. Mr. DeFAZIO. Madam Speaker, I continue to reserve the balance of my time. Mr. SHUSTER. Madam Speaker, I yield 1 minute to the gentleman from Indiana (Mr. Bucshon). Mr. BUCSHON. Madam Speaker, unnecessary government red tape is preventing us from taking advantage of clean, renewable hydropower generation at existing nonpowered dams. The current regulatory process simply takes too long, taking up to a decade for the project to be approved. We can change this by supporting America's Water Infrastructure Act of 2018, which includes the Promoting Hydropower Development at Existing Nonpowered Dams Act, which I authored. This legislation instructs the Federal Energy Regulatory Commission, FERC, to create an expedited permitting process that will result in a final decision on an application in 2 ***years*** or less. The legislation also requires FERC, the U.S Army Corps of Engineers, and the Department of the Interior to develop a list of existing nonpowered dams that have the greatest potential for hydropower development. Streamlining the permitting process will incentivize investments in clean hydropower development and help modernize our existing infrastructure. I ask my colleagues to join me today in supporting this legislation. Mr. DeFAZIO. Madam Speaker, I yield myself such time as I may consume. Again, I want to particularly congratulate the chairman on his accomplishment of resuscitating regular WRDA reauthorizations, and this, of course, will be the last time in which he will be on the floor on this particular issue. I would also like to thank the staff, Ryan Seiger, Mike Brain; from Representative Napolitano's office, Joe Sheehy; and a special thanks to legislative counsel, whose staff tells me was absolutely fabulous on this, Kakuti Lin. And then, of course, I believe the chairman will thank his staff, but I would also extend thanks to them but not name them individually if he is going to do that. Madam Speaker, I yield back the balance of my time. Mr. SHUSTER. Madam Speaker, I yield myself such time as I may consume. Madam Speaker, I thank my partner in this, Ranking Member DeFazio, for his efforts on the bill, but also Ranking Member Napolitano and Subcommittee Chair Garret Graves for their great work on this bill. I thank the entire Republican staff on the Transportation and Infrastructure Committee. The following staff spent hours working on behalf of the Members of Congress to produce this final product: Ian Bennitt, Elizabeth Fox, John Pawlow, Victor Sarmiento, Peter Como, Geoff Gosselin, Fred Miller, Chris Vieson, Kathy Dedrick, Ryann Seiger, Joe Sheehy, Alex Burkett, Mike Brian, Richard Russell, Brian Clifford, Lizzy Oslen, Pauline Thorndick, Andy Hardy, Craig Thomas, Marry Francis Repko. John Drake, Andrew Rogers, Chris Baysinger, Mary Martin, Jerry Couri, Mike Bloomquist, Ryan Long, Karen Christian, Brandon Mooney, Annelise Rickerts, Jackie Cohen, Rick Kessler, Jean Fruci, Kakuti Lin, Allison Hartwich, Geoff Antell, Kiel Weaver, Cindy Herrle. Madam Speaker, I thank the Democratic staff for their partnership in crafting this legislation and now passing on the floor, and, hopefully, ultimately, we get it to the President's desk and signed into law. Thanks to all the folks on the other side of the aisle, the staff, for their willingness and hard work and the effort they put into it. I want to point out, though, Chris Vieson and Geoff Gosselin, the staff director and deputy staff director, for their great work and leadership on the committee. But also the Water Resources staff, Ian Bennitt, Jon Pawlow, Elizabeth Fox, Victor Sarmiento, and Peter Como for their efforts and long hours that I know they took to put this all together. And finally, I would just like to say, passing WRDA is personally very gratifying to me. When I became chairman, we had not passed a WRDA bill in 7 ***years***. Prior to that, for over 20 ***years***, WRDA bills were passed every Congress. It was regular order. Today, we will pass the third WRDA bill in three Congresses, and I want to thank the leadership on both sides of the aisle for working with us and helping us to get it to the floor. I thank all of my colleagues in the House. As I think we maybe said earlier, when we passed it out of the House, it was 408-2, overwhelmingly. And again, I can't thank my colleagues enough for working with me and helping to bring back regular order to WRDA. I ask all my colleagues to support this bill, and let's move on to the next bill. Madam Speaker, I yield back the balance of my time. The SPEAKER pro tempore (Ms. Foxx). The question is on the motion offered by the gentleman from Pennsylvania (Mr. Shuster) that the House suspend the rules and pass the bill, S. 3021, as amended. The question was taken; and (two-thirds being in the affirmative) the rules were suspended and the bill, as amended, was passed. The title of the bill was amended so as to read: ``An Act to provide for improvements to the rivers and harbors of the United States, to provide for the conservation and development of water and related resources, to provide for water pollution control activities, and for other purposes.''. [[Page H8229]] A motion to reconsider was laid on the table.

**Load-Date:** November 5, 2018

**End of Document**



[***IL&FS Solar Power Limited: Long-term ratings downgraded***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5T7J-41N1-JDVR-03S0-00000-00&context=1516831)

SeeNews Debt

September 11, 2018 Tuesday 8:59 AM EEST

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**Length:** 2230 words

**Byline:** SeeNews

**Body**

IL&FS Solar Power Limited

September 10, 2018

Summary of rated instruments Instrument Previous Rated Amount (Rs. crore) Current Rated Amount (Rs. crore) Rating Action

Term Loans

45

45

[ICRA]BBB (SO) (Negative); downgraded from [ICRA]A- (SO) (Stable)

Non-Convertible Debenture ***Programme*** -I (NCD I)

150

150

[ICRA]BBB (SO) (Negative); downgraded from [ICRA]A- (SO) (Stable)

Non-Convertible Debenture ***Programme*** - II (NCD II)

210

210

[ICRA]BBB (SO) (Negative) reassigned Total 405 405

\*instrument details are provided in Annexure-1

Rating action

ICRA has downgraded the long-term rating for the Rs. 150 crore NCD-I ***programme*** and Rs. 45 crore term loans of IL&FS Solar Power Limited (ISPL) to [ICRA]BBB (SO) (pronounced ICRA triple B structured obligation) from [ICRA]A- (SO) (pronounced ICRA A minus structured obligation). ICRA has reassigned the long-term rating for the Rs. 210 crore NCD-II ***programme*** of ISPL to [ICRA]BBB (SO) (pronounced ICRA triple B structured obligation) from [ICRA]A+ (SO) (pronounced ICRA A plus structured obligation). The outlook on the ratings are revised from Stable to Negative.

Rationale

The revision in the ratings and the outlook take into account the significant weakening of the financial risk profile of the parent company- IL&FS Energy Development Company Limited (IEDCL) and the ultimate holding company- Infrastructure Leasing & Financial Services Limited (IL&FS Limited, rated [ICRA]BB/[ICRA]A4). The rating on the Rs. 210 crores NCD II, guaranteed by IEDCL, has therefore been reassigned to [ICRA]BBB(SO) (Negative) consistent with the stand-alone credit quality of ISPL. While revising the ratings, ICRA has also considered the delays in acquiring the Non-***Agriculture*** (NA) status for the project land, pending which, Embassy Energy Private Limited (EEPL) hasn't commenced ***payments*** of the monthly instalments after project commercial operations date (COD) i.e. March 2018. However, the company has recently received approval for 50% of the project land and expects the same for the pending project land in the near term. While debt servicing till date has been supported by timely infusion of funds from IEDCL, ability of the company to acquire the NA status for the balance project land in the near term and consequently receive ***payments*** from EEPL remains highly critical and a key rating sensitivity.

The rating continues to remain constrained by the limited track record of operations of the solar plant as well as high leveraging level of the company as the entire project cost is funded through a mix of external loans and IL&FS Group debt. The ratings are also constrained by the high debt refinancing risk, with almost Rs. 450 crore debt due for refinancing during H2 FY2021.

The rating, however, takes into account the strengths arising from the timely commissioning of the solar photo voltaic (PV) project in March 2018. The rating also considers the deferred ***payment*** agreement (DPA) signed between ISPL and EEPL, which in turn has signed power purchase agreements (PPAs) at a tariff linked to the prevailing grid tariff with Embassy Group entities owning/operating specific commercial office parks. As per the terms of the DPA, EEPL is obligated to pay annual ***payment*** (in equal monthly instalments) to the company for a 15-***year*** period from the commercial operations date (COD). The solar power generated from the project is being utilised by the tenants of the office parks and will constitute about 50-60% of the overall power consumption by tenants. The rating also draws comfort from the presence of a defined escrow and ***payment*** mechanism as per which the PPA tariff receipts (i.e. related to electricity bills) from office park entities

2

of Embassy Group are to be deposited in an escrow account which will be used by EEPL to make statutory ***payments*** and fixed ***payments*** under the DPA to ISPL.

Outlook: Negative The outlook may be revised to Stable in case of a) the company acquiring necessary approvals for the balance project land and subsequent commencement of monthly ***payments*** from the Embassy Group and/or b) any improvement in the credit risk profile of company's parent arm and ultimate holding company.

Key rating drivers:

Credit strengths

Revenue visibility with a firm DPA with EEPL: ISPL has signed a DPA with EEPL as per which the entity is obligated to pay annual ***payment*** (in equal monthly instalments) to the company for a 15-***year*** period from the COD. EEPL in turn has signed PPAs at a tariff linked to the prevailing grid tariff with the office park entities of the Embassy Group. The solar power generated from the project will be utilised by tenants of the office park entities and will constitute about 50-60% of the overall power consumption by tenants.

Presence of escrow and waterfall mechanisms: The presence of a defined escrow and ***payment*** mechanism is a credit positive. As per the mechanism, the PPA tariff receipts (related to electricity bills) from office park entities of Embassy Group are to be deposited in an escrow account which will be used by EEPL to first make the statutory ***payments*** and then the monthly instalments to ISPL.

Credit challenges

Weakening of the credit profile of the parent company-IEDCL and the ultimate parent-IL&FS Limited: The credit profile of IEDCL and IL&FS Limited has significantly weakened owing to the elevated debt levels, high debt refinancing risk and slow progress on asset monetisation and deterioration in credit profile of key investee companies. IL&FS Limited is in the process of raising Rs. 8,000 crore of funds from the promoter group (through a mix of rights issue and long-term line of credit). ICRA notes that timely receipt of the same remains important to improve the overall liquidity profile of the company

Pending necessary approvals for the balance project land: While the project has been commissioned in a timely manner, monthly ***payments*** from EEPL has not commenced owing to the delays in acquiring the NA status for the project land. However, the company has recently received approval for 50% of the project land and expects the same for the pending project land in the near term. While debt servicing till date has been supported by timely infusion of funds from IEDCL, ability of the company to acquire the NA status for the balance project land in the near term and consequently receive ***payments*** from EEPL remains highly critical and a key rating sensitivity.

Highly-leveraged capital structure: The project has been set up with a capital outlay of Rs. 685 crore, which is entirely funded through a mix of external loans and IL&FS Group debt. While the capital structure of the company remains aggressive, its average debt service coverage ratio (DSCR) is expected to remain stable supported by the remunerative instalment structure.

Sizeable refinancing requirements: ISPL remains exposed to high refinancing risk with ~Rs. 450 crore due for refinancing during H2 FY 2021. However, the residual tenure of the DPA (12 ***years***) at the time of refinancing provides some comfort from credit perspective.

Limited track record of operations: Given that the project was commissioned in March 2018, it has limited track record of operations. As a result, the ability of the company to supply power to EEPL at the guaranteed supply level remains to be seen. Also, as per the O&M agreement entered between ISPL and EEPL, ISPL will be required to compensate EEPL in case of any shortfall in the generation compared to the guaranteed supply. However, to mitigate the risk, ISPL has entered into a back-to-back O&M agreement with Sterling and Wilson. As per the agreement, Sterling and Wilson will compensate ISPL

3

in case of any shortfall in generation due to performance-related issues. Also, ISPL has taken a weather insurance cover for solar irradiation, which is expected to mitigate the risk of any shortfall in generation due to lower irradiation to some extent.

Counterparty credit risk associated with the Embassy Group: ISPL remains exposed to the counterparty credit risk associated with the PPA offtakers.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

Rating Methodology for Solar power producers

Approach for rating debt instruments supported by structural features (Non-securitized transactions)

About the company:

IL&FS Solar Power Limited, a 100% subsidiary of IL&FS Energy Development Private Limited, has been set up to install a 100-MW (AC)/ 130-MW (DC) ground mounted solar PV power project at Ittigi (40 MW), Nellukudure (28 MW) and Mooregeri (32 MW) villages of the Bellary district of Karnataka. The project capital cost stood at about Rs. 685 crore. The project was developed under build, finance and ***transfer*** arrangement by ISPL. ISPL signed a DPA with EEPL as per which the latter, post commissioning, will be paying monthly ***payments*** to ISPL for the duration of 15 ***years***. The solar power generated by the project will be supplied to the various office parks/commercial properties operated by the Embassy Group.

Key financial indicators (Audited)

Not applicable as ISPL recently commissioned the solar power plant.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

4

Rating history for last three ***years***: Instrument Current Rating (FY2019) Chronology of Rating History for the past 3 ***years*** Type Amount Rated (Rs. crore) Amount Outstanding (Rs. crore) Date & Rating Date & Rating in FY2018 Date & Rating in FY2017 Date & Rating in FY2016 September 2018 March 2018 January 2018 - -

1

Term Loan

Long Term

45.00

45.00

[ICRA]BBB (SO) (Negative)

[ICRA]A-(SO) (Stable)

-

-

-

2

NCD-I

Long Term

150.00

150.00

[ICRA]BBB (SO) (Negative)

[ICRA]A-(SO) (Stable)

3

NCD-II

Long Term

210.00

210.00

[ICRA]BBB (SO) (Negative)

[ICRA]A+ (SO) (Stable)

-

-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [*www.icra.in*](http://www.icra.in)

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Annexure-1: Instrument Details ISIN No Instrument Name Date of Issuance / Sanction Coupon Rate Maturity Date Amount Rated (Rs. crore) Current Rating and Outlook

-

Term loan

10-Oct-2017

10.50%

27-Oct-2020

45.00

[ICRA]BBB (SO) (Negative)

INE656Y07018

NCD-I

02-Nov-2017

10.50%

02-Nov-2020

150.00

[ICRA]BBB (SO) (Negative)

INE656Y08016

NCD-II

27-Dec-2017

Zero Coupon\*

27-Dec-2020

210.00

[ICRA]BBB (SO) (Negative)

\*redemption premium to provide promised yield to the investors

Source: Company

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**Load-Date:** September 11, 2018

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[***IL&FS Solar Power Limited: Long-term rating downgraded***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TC6-YJH1-F19S-P449-00000-00&context=1516831)

SeeNews Debt

September 28, 2018 Friday 5:22 PM EEST

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**Length:** 2033 words

**Byline:** SeeNews

**Body**

IL&FS Solar Power Limited

September 27, 2018

Summary of rated instruments Instrument Previous Rated Amount (Rs. crore) Current Rated Amount (Rs. crore) Rating Action

Term Loans

45

45

[ICRA]BB+ (SO) (Negative); downgraded from [ICRA]BBB (SO) (Negative)

Non-Convertible Debenture ***Programme*** -I (NCD I)

150

150

[ICRA]BB+ (SO) (Negative); downgraded from [ICRA]BBB (SO) (Negative)

Non-Convertible Debenture ***Programme*** - II (NCD II)

210

210

[ICRA]BB+ (SO) (Negative); downgraded from [ICRA]BBB (SO) (Negative) Total 405 405

\*instrument details are provided in Annexure-1

Rating action

ICRA has downgraded the long-term rating for the Rs. 150 crore NCD-I ***programme***, 210 crore NCD-II ***programme*** and Rs. 45 crore term loans of IL&FS Solar Power Limited (ISPL) to [ICRA]BB+ (SO) (pronounced ICRA double B plus structured obligation) from [ICRA]BBB (SO) (pronounced ICRA triple B structured obligation). The outlook on the rating is Negative.

Rationale

The revision in the rating takes into account the delays in acquiring the Non-***Agriculture*** (NA) status for the project land, which prevented the execution of sale deed in the name of Embassy Energy Private Limited (EEPL) and ***payment*** of monthly instalments by EEPL to ISPL. Consequently, non-***payment*** of the monthly instalments coupled with the significant weakening of the financial risk profile of the parent company- IL&FS Energy Development Company Limited (IEDCL) and the ultimate holding company- Infrastructure Leasing & Financial Services Limited (IL&FS Limited, rated [ICRA]D) has stretched the liquidity profile of ISPL to significant extent. ICRA notes that ability of the company to receive monthly instalments from EEPL on a pro rata basis and execute the sale deeds for the remaining land parcel remain highly critical for timely debt servicing. The rating continues to remain constrained by the limited track record of operations of the solar plant as well as high leveraging level of the company as the entire project cost is funded through a mix of external loans and IL&FS Group debt. The ratings are also constrained by the high debt refinancing risk, with almost Rs. 450 crore debt due for refinancing during H2 FY2021.

The rating, however, takes into account the strengths arising from the timely commissioning of the solar photo voltaic (PV) project in March 2018. The rating also considers the deferred ***payment*** agreement (DPA) signed between ISPL and EEPL, which in turn has signed power purchase agreements (PPAs) at a tariff linked to the prevailing grid tariff with Embassy Group entities owning/operating specific commercial office parks. As per the terms of the DPA, EEPL is obligated to pay annual ***payment*** (in equal monthly instalments) to the company for a 15-***year*** period from the commercial operations date (COD). The solar power generated from the project is being utilised by the tenants of the office parks and will constitute about 50-60% of the overall power consumption by tenants.

Outlook: Negative The outlook may be revised to Stable in case of a) the company acquiring necessary approvals for the balance project land and subsequent commencement of monthly ***payments*** from the Embassy Group and/or b) any improvement in the credit risk profile of company's parent arm and ultimate holding company.

2

Key rating drivers:

Credit strengths

Firm DPA with EEPL: ISPL has signed a DPA with EEPL as per which the entity is obligated to pay annual ***payment*** (in equal monthly instalments) to the company for a 15-***year*** period from the COD. EEPL in turn has signed PPAs at a tariff linked to the prevailing grid tariff with the office park entities of the Embassy Group. The solar power generated from the project will be utilised by tenants of the office park entities and will constitute about 50-60% of the overall power consumption by tenants.

Credit challenges

Receipt of accrued monthly instalments on a pro rata basis remains highly critical for timely debt servicing: While the project has been commissioned in a timely manner, delays in acquiring the Non-***Agriculture*** (NA) status for the project land, led to non-receipt of monthly instalments by ISPL. Out of the total land parcel of 465 acres, ~ 260 acres of land is NA converted, out of which, the company has executed sale deed for 130 acres in the name of EEPL. ICRA notes that ability of the company to receive monthly instalments from EEPL on a pro rata basis and execute the sale deeds for the remaining land parcel remain highly critical for debt servicing and a key rating sensitivity.

Weakening of the credit profile of the parent company-IEDCL and the ultimate parent-IL&FS Limited: The credit profile of IEDCL and IL&FS Limited has significantly weakened owing to the elevated debt levels, high debt refinancing risk and slow progress on asset monetisation and deterioration in credit profile of key investee companies. IL&FS Limited is in the process of raising Rs. 8,000 crore of funds from the promoter group (through a mix of rights issue and long-term line of credit). ICRA notes that timely receipt of the same remains important to improve the overall liquidity profile of the company.

Highly-leveraged capital structure: The project has been set up with a capital outlay of Rs. 685 crore, which is entirely funded through a mix of external loans and IL&FS Group debt. While the capital structure of the company remains aggressive, its average debt service coverage ratio (DSCR) is expected to remain stable supported by the remunerative instalment structure.

Sizeable refinancing requirements: ISPL remains exposed to high refinancing risk with ~Rs. 450 crore due for refinancing during H2 FY 2021. However, the residual tenure of the DPA (12 ***years***) at the time of refinancing provides some comfort from credit perspective.

Limited track record of operations: Given that the project was commissioned in March 2018, it has limited track record of operations. As a result, the ability of the company to supply power to EEPL at the guaranteed supply level remains to be seen. Also, as per the O&M agreement entered between ISPL and EEPL, ISPL will be required to compensate EEPL in case of any shortfall in the generation compared to the guaranteed supply. However, to mitigate the risk, ISPL has entered into a back-to-back O&M agreement with Sterling and Wilson. As per the agreement, Sterling and Wilson will compensate ISPL in case of any shortfall in generation due to performance-related issues. Also, ISPL has taken a weather insurance cover for solar irradiation, which is expected to mitigate the risk of any shortfall in generation due to lower irradiation to some extent.

Counterparty credit risk associated with the Embassy Group: ISPL remains exposed to the counterparty credit risk associated with the PPA offtakers.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

Rating Methodology for Solar power producers

Approach for rating debt instruments supported by structural features (Non-securitized transactions)

3

About the company:

IL&FS Solar Power Limited, a 100% subsidiary of IL&FS Energy Development Private Limited, has been set up to install a 100-MW (AC)/ 130-MW (DC) ground mounted solar PV power project at Ittigi (40 MW), Nellukudure (28 MW) and Mooregeri (32 MW) villages of the Bellary district of Karnataka. The project capital cost stood at about Rs. 685 crore. The project was developed under build, finance and ***transfer*** arrangement by ISPL. ISPL signed a DPA with EEPL as per which the latter, post commissioning, will be paying monthly ***payments*** to ISPL for the duration of 15 ***years***. The solar power generated by the project will be supplied to the various office parks/commercial properties operated by the Embassy Group.

Key financial indicators (Audited)

Not applicable as ISPL recently commissioned the solar power plant.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three ***years***: Instrument Current Rating (FY2019) Chronology of Rating History for the past 3 ***years*** Type Amount Rated (Rs. crore) Amount Outstanding (Rs. crore) Date & Rating Date & Rating in FY2018 Date & Rating in FY2017 Date & Rating in FY2016 September 2018 September 2018 Apr 2018 January 2018 - -

1

Term Loan

Long Term

45.00

45.00

[ICRA]BB+ (SO) (Negative)

[ICRA]BBB (SO) (Negative)

[ICRA]A-(SO) (Stable)

-

-

-

2

NCD-I

Long Term

150.00

150.00

[ICRA]BB+ (SO) (Negative)

[ICRA]BBB (SO) (Negative)

[ICRA]A-(SO) (Stable)

3

NCD-II

Long Term

210.00

210.00

[ICRA]BB+ (SO) (Negative)

[ICRA]BBB (SO) (Negative)

[ICRA]A+ (SO) (Stable)

-

-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [*www.icra.in*](http://www.icra.in)

4

Annexure-1: Instrument Details ISIN No Instrument Name Date of Issuance / Sanction Coupon Rate Maturity Date Amount Rated (Rs. crore) Current Rating and Outlook

-

Term loan

10-Oct-2017

10.50%

27-Oct-2020

45.00

[ICRA]BB+ (SO) (Negative)

INE656Y07018

NCD-I

02-Nov-2017

10.50%

02-Nov-2020

150.00

[ICRA]BB+ (SO) (Negative)

INE656Y08016

NCD-II

27-Dec-2017

Zero Coupon\*

27-Dec-2020

210.00

[ICRA]BB+ (SO) (Negative)

\*redemption premium to provide promised yield to the investors

Source: Company

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency. Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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Rating Agency Website: [*http://www.icra.in*](http://www.icra.in)/

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**Load-Date:** September 28, 2018

**End of Document**



[***Week in Lithuania. Government to unveil new measures against shadow economy***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5S42-CRW1-F0YC-N3CB-00000-00&context=1516831)

Baltic Legal Updates

April 16, 2018 Monday

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**Length:** 1184 words

**Body**

Lithuania: Constitutional Court of the Republic of Lithuania has issued the following media release:

The Lithuanian government will next week unveil a set of measures to counter the shadow economy, Finance Minister Vilius Šapoka said on Thursday, April 12.

He did not however disclose further details about the proposed measures. The minister said in February that curtailing the shadow economy might open the way for lowering taxes. Based on different estimates, Lithuania’s shadow economy accounts for between 15 and 30 per cent of GDP. The government is currently finalising its work on structural reform measures that will cover an overhaul of the tax and pension system, certain innovation, education and healthcare changes, and new steps to cut down on the shadow economy.

Liberals leader urges MEP to step down

Eugenijus Gentvilas, the leader of Lithuania’s opposition Liberal Movement, has urged the party’s former member Antanas Guoga to step down from the European Parliament. The party said on Thursday, April 12, that Guoga, who had won his MEP mandate as part of the Liberal Movement, should step down after statements about Liberal MP Virginijus Alekna. According to Gentvilas, Guoga had been consistently working against the Liberal Movement’s interests for a long time. Although Gentvilas is the next politician in line, if Guoga gave up the MEP mandate, the Lithuanian MP would not seek the post.

PM: president’s criticism makes it hard for minister to stay

After President Dalia Grybauskaitė said that ***Agriculture*** Minister Bronius Markauskas can no longer remain in office, Prime Minister Saulius Skvernelis says that it would difficult for the minister to stay on. However, Ramūnas Karbauskis, the leader of the ruling Lithuanian Farmers and Greens Union that delegated the minister to the post, and Parliamentary Speaker Viktoras Pranckietis said they were happy with the minister’s performance in the post, adding that his fate was up to the government to decide. The 15min.lt news website has reported recently that Markauskas’ mother, Sofija Markauskienė, has been using several plots of land in the district of Klaipeda without the landowners’ permission for five to six ***years*** and that she has been receiving ***payments*** from the National Paying Agency for that land.

MP complains to NATO chief over Conservative MP‘s Facebook posts

Mindaugas Puidokas, a lawmaker of the ruling Lithuanian Farmers and Greens Union (LFGU), said that he has turned to NATO Secretary General Jens Stoltenberg and members of the NATO Parliamentary Assembly over Rasa Juknevičienė’s statements regarding his party. Juknevičienė, a member of the opposition Homeland Union–Lithuanian Christian Democrats, has, in turn, wrote a letter to NATO PA delegations to apologise for internal political squabbles having gone outside of the country, describing the LFGU lawmaker’s letter as an unprecedented affront. The lawmaker pointed out in the letter that Lithuania’s defence budget this ***year*** accounts for 2 percent of GDP, a considerable increase compared with 2017. He referred to Juknevičienė’s Facebook posts, in which she calls LFGU Chairman Ramūnas Karbauskis a Kremlin agent.

Pensioners rallied in Vilnius

Pensioners rallied in Vilnius on Thursday, April 12, demanding higher pensions and called on the government to stop ***transfers*** from the state social insurance fund Sodra to private pension funds. Protesters staged a rally outside the Presidential Palace before marching to the government building where they handed a list of demands to officials.

Vilius Simutis of the Lithuanian pensioners’ association Bočiai, the organizer of the rally and the march, said that participants wanted to remind the authorities of their promises to further raise pensions. The average monthly old-age pension is planned to reach around 332 euros this ***year***, up by 30 euros from late 2017.

Police won’t tolerate attempts to intimidate officers

The detention of two men suspected of planning an attack on law-enforcement officials in Klaipeda sends a message that attempts to intimidate officers will not be tolerated, Police Commissioner General Linas Pernavas said on Wednesday, April 11. The two men, who were detained in the port city on Wednesday morning, are suspected of planning an attack on the head of the Klaipeda police unit and a local prosecutor. Ramūnas Matonis, spokesman for the Police Department, confirmed that one of the suspects was a lawyer. According to the Police Department, the suspects allegedly collected information about the law-enforcement officers and planned to physically harm their health. Police searched the suspects’ homes and questioned them.

Prosecutors restrict Order and Justice’s rights to state budget allocations

Lithuanian prosecutors on Wednesday, April 11, temporarily restricted the Order and Justice Party’s rights to 223,000 euros in state budget allocations, the Prosecutor General’s Office said.

After receiving information from the Central Electoral Commission about budget allocations to Order and Justice, Prosecutor Rolandas Stankevičius of the Organised Crime and Corruption Investigation Department at the Prosecutor General’s Office decided to completely restrict the party’s rights to the money.

The decision is due to the Special Investigation Service, or STT, conducting a pre-trial investigation into suspected squandering of property, fraudulent and negligent management of accounts, influence peddling, and document forgery. It is suspected that over 377,000 euros in bribes have been accepted for the benefit of the party in exchange for promises and agreements to exert influence in various public procurement processes.

Seimas panel to ask anti-corruption body to look into procurement

The Lithuanian parliament’s investigative commission on the activities of Lithuanian Radio and Television (LRT) asked the Special Investigation Service, or STT, to assess the transparency of the public broadcaster’s ***program*** procurement, the panel’s chairman said on Wednesday, April 11. ***Program*** procurement at the public broadcaster is governed by a separate government resolution adopted in 2003, rather than by the Law on Public Procurement. The anti-corruption agency’s officials told the commission that the public broadcaster’s procurement practices had not been monitored by any supervisory authority for ***years***.

Lithuanian railway CEO signs long-term contract with Belaruskalij

Lietuvos Geležinkeliai (Lithuanian Railways, LG), the state-run railway company, has signed a long-term contract with Belarus’ sole potassium production and exports company Belaruskalij. Mantas Bartuška, CEO at Lietuvos Geležinkeliai, says that Belarus was one of the Lithuanian company’s main partners. According to him, contract with the country’s largest fertilizer producer Belaruskalij will allow us consolidate our competitive position and plan delivery operations more efficiently, better distribute our resources – cars and locomotives. Last ***year***, Lietuvos Geležinkeliai handled more than 10 million tons of Belaruskalij freight, which accounted for about 20 per cent of LG’s total volume of cargo.

**Load-Date:** April 16, 2018

**End of Document**



[***Programme summary of Iranian TV news 1730 gmt 11 Nov 18***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TPS-K9J1-DYRV-3038-00000-00&context=1516831)

BBC Monitoring Middle East - Political

Supplied by BBC Worldwide Monitoring

November 11, 2018 Sunday

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**Length:** 530 words

**Body**

Summary of ***programme*** broadcast on state-run Iranian TV channel one on 11 November at 17:30 gmt

A.1730 Headlines

1. 1733 A ceremony to commemorate the martyrs of Qazvin Province has been launched today after a video message by Supreme Leader Ayatollah Ali Khamenei was screened. The Supreme Leader had a meeting with those in charge of holding the ceremony earlier this week where he said martyrs contributed to the Islamic country's spiritual growth and move towards ideals.

2. 1738 A funeral ceremony was held in Tehran for army commander Sirous Lotfi.

3. 1739 Deputy head of state Tax Organisation has said institutions and foundations are not subjected to tax ***payment*** exemption.

4. 1739 About 700,000 barrels of crude oil has been sold in Iran's Energy Exchange to private sector buyers.

5. 1742 Report on the weekly presser held by the judiciary spokesperson, Gholamhossein Mohseni Ejei who spoke of the latest verdicts handed down to defendants; he also said two individuals were sentenced to death over financial corruption charges.

6. 1744 Minister of the Interior Abdolreza Rahmani-Fazli has chaired a social council meeting to discuss the role of state-run media in resolving social problems

7. 1746 Iran has launched a new Enqelab (Revolution) radio station to highlight the "achievements" of the 1979 Islamic Revolution.

8. 1747 Minister of ***Agricultural*** Jihad attended a ceremony in Tabas County where 800 hectares of farm lands received ***agricultural*** facilities.

9.1747 Commander of Army's naval forces is on a visit to the Indian capital of Delhi to attend a summit with members of the Indian Ocean littoral states.

10. 1757 Border Guards Commander Qassem Rezai has said narcotics smuggling has increased drastically along the Iranian borders.

11. 1758 Former German foreign minister as the head of a delegation is in Iran and has met with Iranian officials including Foreign Minister Javad Zarif.

12. 1749 Iranian companies have attended in an industrial exhibition in Iraq.

13.1752 Report on the rising death toll following a massive wildfire that has engulfed California in America

14. 1756 Report on the vote counting in the US after the mid-term elections

15. 1757 Report on a protest rally in Paris as the country marked the end of World War I centenary

16. 1800 Yemeni rebel minister who has fled to Saudi Arabia was hit by a shoe as he was addressing a group of journalist in a press conference.

17.1801 Report on Saudi-led air assaults on the Yemeni Hudaydah Port

18.1803 Report says Iran will increase its export to Kazakhstan

19.1807 President Hassan Rouhani has chaired a meeting with members of the cabinet where they discussed measures taken to reconstruct several areas in western Kermanshah Province a ***year*** after it was hit by a high-magnitude earth quake.

Editorial package

20. 1811 Presenter speaks to deputy governor-general Mehrdad Salari about the reconstruction process in Kermanshah one ***year*** after the 7.3-magnitude earth-quake jolted the province.

B.1822 News in brief

C.1823 Sport

D.1827 Weather

E.1829 ***Calendar*** and prayer times

F.1830 Recap of main headlines

1831 End of bulletin

Source: Vision of the Islamic Republic of Iran Network 1, Tehran, in Persian 1730 gmt 11 Nov 18

**Load-Date:** November 12, 2018

**End of Document**



[***MW Asset Rentals (RF) Ltd - Extension of New Ratings Accorded***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RN0-C5R1-JDVR-01R6-00000-00&context=1516831)

SeeNews Debt

February 14, 2018 Wednesday 9:41 AM EEST

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**Length:** 2512 words

**Byline:** SeeNews

**Body**

MW Asset Rentals (RF) Ltd - Extension of New Ratings Accorded

Johannesburg, 12 February 2018-Global Credit Ratings ("GCR") has extended the expiry date of the indicative, public long-term credit ratings accorded to the following Notes issued by MW Asset Rentals (RF) Ltd (the "Issuer") (the "Transaction") on 18 November 2016:

● Secured Class A Notes, stock code MWAR01;

R450,000,000;

AAA(ZA)(sf)

Stable Outlook. Indicative rating expiry date 30 March 2018.

GCR concurrently extended the expiry date of the indicative, public long-term credit ratings accorded the following the following Notes to be issued by the Issuer on or about 30 March 2018 ("New Issuance"):

● Secured Class A Notes, stock code TBD;

R300,000,000;

AAA(ZA)(sf)

Stable Outlook. Indicative rating expiry date 30 March 2018.

The Issuer had a Subordinated Loan of R44,645,000 that is unrated and held by Merchant West (Pty) Ltd, which may be increased to R64,645,000 following the New Issuance.

The indicative, public credit ratings accorded to the Class A Notes relate to timely ***payment*** of interest and ultimate ***payment*** of principal by their Final Redemption Date. The ratings exclude an assessment of the ability of the Issuer to pay either any (early repayment) penalties or any default interest rate penalties.

These ratings were originally scheduled to expire on 12 February 2018.

RATING RATIONALE

MW Asset Rentals (RF) Ltd is a R2.5bn Lease Receivables Backed Note ***Programme*** that issued R450m of Class A Notes on 18 November 2016. The Issuer indicated that a further R300m of new Class A Notes may be issued during March 2018 (previously January 2018).

The key covenant of this Transaction is the Asset Cover Ratio that has to be maintained above 1.25x. The covenant limit will be revised upwards to 1.28x for the Class A Notes. Although the covenant has been historically maintained at higher levels, GCR has only considered its minimum contractual level for the purpose of its rating analysis. GCR modelled the structure both with and without the New Issuance to be able to accord a rating to the existing Notes. GCR noted that a scenario without the New Issuance was more punitive to the cash flows that were modelled. This is due to the increased impact of fixed costs on a smaller asset portfolio and due to the dilution of existing defaults caused by the addition of new assets in the case of a New Issuance. For the purpose of the indicative ratings and given that the New Issuance has not occurred as yet, GCR retained the conclusions of the cash flow model in a scenario without the New Issuance.

The Transaction has a Liquidity Reserve, Capital Reserve and Arrears Reserve - all being maintained at their required limits since November 2016. The Liquidity Reserve may be utilised to fund ***payments*** of Liquidity Shortfalls. Only the Liquidity Reserve and Arrears Reserve have been taken into account for credit enhancement to the Class A Notes. The Capital Reserve may be utilised to purchase Additional Participating Assets & to fund the redemption of Notes and shall be maintained at 5% of the Principal Amount Outstanding during the Revolving Period. The Arrears Reserve will be utilised to provide for Non-Performing Leases ("NPLs") during the Revolving Period and the Arrears Reserve Required Amount in an amount equal to 50% of the aggregate Exposure to NPLs.

All receipts in respect of the Participating Assets and existing Assets held by the Seller are comingled in the Collections account which is administered by the Servicer on behalf of the Collections SPV, a bankruptcy remote entity. Any disbursements from the Collections SPV are made towards the Issuer's Transaction Account, held at Nedbank Ltd, within two business days, therefore minimising comingling risk.

The Originator, Seller and Servicer are Merchant West (Pty) Ltd, an asset-backed financier that offers tailored finance structured for finance leases, operating lease rentals, full maintenance leasing of office automation, ITC equipment, yellow metal equipment, vehicles, trucks and aviation to the public and corporate sector. Merchant West reported market comparable defaults, albeit non-granular. However, high to full recoveries are usually realised within the first 24 months.

The August 2017 portfolio consisted of a variety of assets with concentrations towards Office Equipment and IT Equipment (37.2%), Commercial and ***Agriculture*** (16.4%) and Mining/Construction (15.0%). Non-Government client leases are deemed non-performing if they are in arrears for more than 90 days, whist Government client leases are deemed non-performing if they are in arrears for more than 150 days. The Issuer reported R8.1m (1.32%) of bad debts as at August 2017.

RATINGS HISTORY

Security class

Stock code

Initial & Last Rating

Long-term Rating

Short-term Rating

Outlook

Secured Class A Notes

MWAR01

12 December 2017

AAA(ZA)(sf)

n.a

Stable

Secured Class A Notes (New Issuance)

TBD

12 December 2017

AAA(ZA)(sf)

n.a

Stable

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APPLICABLE METHODOLOGIES AND RELATED RESEARCH

Global Master Structured Finance Rating Criteria - Feb '17,

Consumer Asset Backed Securitisation Rating Criteria - May '17,

Global Master Criteria for Rating Banks and Other Financial Institutions - Mar '17, and

Nedbank Ltd Financial Institution Rating Report - May '17.

RATING LIMITATIONS AND DISCLAIMERS

ALL GCR'S CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [*http://globalratings.net/UNDERSTANDING-RATINGS*](http://globalratings.net/UNDERSTANDING-RATINGS). IN ADDITION, GCR'S RATING SCALES AND DEFINITIONS ARE ALSO AVAILABLE FOR DOWNLOAD AT THE FOLLOWING LINK:     [*http://globalratings.net/RATINGS-INFO/RATING-SCALES-DEFINITIONS*](http://globalratings.net/RATINGS-INFO/RATING-SCALES-DEFINITIONS). GCR'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, PUBLICATION TERMS AND CONDITIONS AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE AT    [*http://globalratings.net/*](http://globalratings.net/).

GLOSSARY OF TERMS/ACRONYMS USED IN THIS DOCUMENT AS PER GCR'S STRUCTURED FINANCE GLOSSARY

Arrears General term for non-performing obligations, i.e. obligations that are overdue.

Arrears Reserve An accounting provision made in a reserve fund for arrears.

Asset An item with economic value that an entity owns or controls.

Bad Debt A bad debt is an amount owed by a debtor that is unlikely to be paid when due, for example, to a company going into liquidation. This typically refers to default rather than delinquency.

Capital The sum of money that is used to generate proceeds.

Concentrations A high degree of positive correlation between factors or excessive exposure to a single factor that share similar demographics or financial instrument or specific sector or specific industry or specific markets.

Covenant A provision that is indicative of performance. Covenants are either positive or negative. Positive covenants are activities that the borrower commits to, typically in its normal course of business. Negative covenants are certain limits and restrictions on the borrowers' activities.

Credit A contractual agreement in which a borrower receives something of value now, and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company

Credit Enhancement Limited protection to a transaction against losses arising from the assets. The credit enhancement can be either internal or external. Internal credit enhancement may include: Subordination; over-collateralisation; excess spread; security package; arrears reserve; reserve fund and hedging. External credit enhancement may include: Guarantees; Letters of Credit and hedging.

Credit Rating An opinion regarding the creditworthiness of an entity, a security or financial instrument, or an issuer of securities or financial instruments, using an established and defined ranking system of rating categories.

Debt An obligation to repay a sum of money.

Default A default occurs when: 1.) The Borrower is unable to repay its debt obligations in full; 2.) A credit-loss event such as charge-off, specific provision or distressed restructuring involving the forgiveness or postponement of obligations; 3.) The borrower is past due more than 90 days on any debt obligations as defined in the transaction documents; 4.) The obligor has filed for bankruptcy or similar protection from creditors.

Exposure Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For a company, its exposure may relate to a particular product class or customer grouping. Exposure may also arise from an overreliance on one source of funding.

International Scale Rating LC International local currency (International LC) ratings measure the likelihood of repayment in the currency of the jurisdiction in which the issuer is domiciled. Therefore, the rating does not take into account the possibility that it will not be able to convert local currency into foreign currency or make ***transfers*** between sovereign jurisdictions.

Issuer The party indebted or the person making repayments for its borrowings.

Lease Agreement or temporary use and enjoyment of a corporeal thing (movable or immovable property) the whole or part thereof for rent. The essential elements of a contract of lease are: 1.) Undertaking of lessor to give the lessee the use and enjoyment of something; 2.) Agreement between the lessor and lessee that the lessee's right to use and enjoyment is temporary; and 3.) Lessee's undertaking to pay a sum or rent.

Liquidity The ability to repay short-term obligations or short-term availability of liquid assets to a market or entity.Loan A sum of money borrowed by a debtor that is expected to be paid back with interest to the creditor. A debt instrument where immovable property is the collateral for the loan. A mortgage gives the lender a right to take possession of the property if the borrower fails to repay the loan. Registration is a prerequisite for the existence of any mortgage loan. A mortgage can be registered over either a corporeal or incorporeal property, even if it does not belong to the mortgagee. Also called a Mortgage bond.

Long-Term Rating A long term rating reflects an issuer's ability to meet its financial obligations over the following three to five ***year*** period, including interest ***payments*** and debt redemptions. This encompasses an evaluation of the organisation's current financial position, as well as how the position may change in the future with regard to meeting longer term financial obligations.

Market An assessment of the property value, with the value being compared to similar properties in the area.

Operating Lease A lease where the risk and reward is not ***transferred***.

Originator An entity that created assets and hold on balance sheet for securitisation purposes.

Performing An obligation that performs according to its contractual obligations.

Principal The total amount borrowed or lent, e.g. the face value of a bond, excluding interest.

Receivables General term for economic benefit derived from an asset.

Recovery The action or process of regaining possession or control of something lost. To recoup losses.

Redemption The repurchase of a bond at maturity by the issuer.

Rent ***Payment*** from a lessee to the lessor for the temporary use of an asset.

Repayment ***Payment*** made to honour obligations in regards to a credit agreement in the following credited order: 3.) Satisfy the due or unpaid interest charges; 4.) Satisfy the due or unpaid fees or charges; and 5.) To reduce the amount of the principal debt.

Servicer A transaction appointed agent that performs the servicing of mortgage loans, loan or obligations.

Short-Term Rating A short term rating is an opinion of an issuer's ability to meet all financial obligations over the upcoming 12 month period, including interest ***payments*** and debt redemptions.

Stock Code A unique code allocated to a publicly listed security.

Subordinated Loan A loan typically given by the Issuer to the securitisation vehicle that is more junior than a junior tranche.

Timely ***Payment*** The principal debt, interest, fees and expenses being repaid promptly in accordance with the contractual obligation.

Transaction A transaction that enables an Issuer to issue debt securities in the capital markets. A debt issuance ***programme*** that allows an Issuer the continued and flexible issuance of several types of securities in accordance with the ***programme*** terms and conditions.

Ultimate ***Payment*** A measure of the principal debt, interest, fees and expenses being repaid over a period of time determined by recoveries.

For a detailed glossary of terms utilised in this document please click here.

SALIENT FEATURES OF ACCORDED RATINGS

GCR affirms that a.) no part of the ratings were influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument; and d.) the validity of the ratings is for a maximum of 12 months, or earlier as indicated by the applicable credit ratings document.

The Arranger participated in the rating process via face-to-face meetings, teleconferences and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible.

The credit ratings have been disclosed to the Arranger with no contestation of the ratings.

GCR has received the ***Programme*** Memorandum, Note Subscription Agreement, Applicable Pricing Supplement (MWAR01), Sale Agreement, Servicing Agreement, Administration and Agency Agreement, Subordinated Loan Agreement, Account Bank Agreement, Preference Share Subscription Agreement, Preference Share Certificate, Common Terms Agreement, Settlement and Services Agreement, Security SPV Guarantee, Issuer Indemnity, Security Cession, Issuer Owner Trust Guarantee, Issuer Owner Trust Cession and Pledge, Security SPV Owner Trust Deed, Collections SPV Trust Deed, Collections SPV Administration Agreement.

The ratings above were solicited by, or on behalf of the rated client, and therefore, GCR has been compensated for the provision of the ratings.

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**Load-Date:** February 14, 2018

**End of Document**



[***Register of Commission documents: European Parliament resolution of 17 April 2018 on the implementation of the 7th Environment Action Programme (2017/2030(INI)) Document date: 2018-04-17 P8\_TA-PROV(2018)0100 Texts adopted (provisional edition***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5S64-YDB1-F0YC-N1H1-00000-00&context=1516831)

Impact News Service

April 25, 2018 Wednesday

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**Body**

Brussels: Public Register European Parliament has issued the following document:

European Parliament 2014-2019 TEXTS ADOPTED Provisional edition P8\_TA-PROV(2018)0100 Implementation of the 7th Environment Action ***Programme*** European Parliament resolution of 17 April 2018 on the implementation of the 7th Environment Action ***Programme*** (2017/2030(INI)) The European Parliament, – having regard to Decision No 1386/2013/EU of the European Parliament and of the Council of 20 November 2013 on a General Union Environment Action ***Programme*** to 2020 ‘Living well, within the limits of our planet’1 (the ‘7th EAP’), – having regard to Articles 191 and 192 of the Treaty on the Functioning of the European Union, relating to preserving, protecting and improving the quality of human health and the environment, – having regard to the Paris Agreement, Decision 1/CP.21 and the 21st Conference of the Parties (COP 21) to the UNFCCC, held in Paris from 30 November to 11 December 2015, – having regard to the UN Sustainable Development Goals (SDGs) and their interconnected and integrated nature, – having regard to the European Environment Agency’s report of December 2016 entitled ‘Environmental indicator report 2016 – In support to the monitoring of the 7th Environment Action ***Programme***’, – having regard to the European Environment Agency’s report of November 2017 entitled ‘Environmental Indicator Report 2017 – In support to the monitoring of the 7th Environment Action ***Programme***’, – having regard to the Commission communication of 3 February 2017 entitled ‘The EU Environmental Implementation Review: Common challenges and how to combine efforts to deliver better results’ (COM(2017)0063), and the 28 accompanying country reports, – having regard to the Commission communication of 27 May 2016 entitled ‘Delivering the benefits of EU environmental policies through a regular Environmental 1 OJ L 354, 28.12.2013, p. 171. Implementation Review’ (COM(2016)0316), – having regard to its resolution of 16 November 2017 on the EU Environmental Implementation Review (EIR)1, – having regard to its resolution of 9 July 2015 on resource efficiency: moving towards a circular economy2, – having regard to its resolution of 2 February 2016 on the mid-term review of the EU’s Biodiversity Strategy3, – having regard to its resolution of 15 November 2017 on an Action Plan for nature, people and the economy4, – having regard to its recommendation of 4 April 2017 to the Council and the Commission following the inquiry into emission measurements in the automotive sector5, – having regard to the European Environment Agency’s report entitled ‘SOER 2015 – The European environment – state and outlook 2015’, – having regard to the European Environment Agency’s report of 19 May 2015 entitled ‘State of Nature in the EU’, – having regard to the European Implementation Assessment study of November 2017 on the ‘Mid-term review of the implementation of the 7th Environment Action ***Programme*** (2014-2020)’ carried out by the European Parliamentary Research Service, including its annexed study, – having regard to its resolution of 20 April 2012 on the review of the 6th Environment Action ***Programme*** and the setting of priorities for the 7th Environment Action ***Programme*** – A better environment for a better life6, – having regard to the Commission communication of 22 November 2016 entitled ‘Next steps for a sustainable European future’ (COM(2016)0739), – having regard to the Convention on Biological Diversity (CBD), – having regard to the Commission communication of 20 September 2011 entitled ‘Roadmap to a Resource Efficient Europe’ (COM(2011)0571), – having regard to the Commission communication of 29 November 2017 entitled ‘The Future of Food and Farming’ (COM(2017)0713), – having regard to Rule 52 of its Rules of Procedure, as well as Article 1(1)(e) of, and 1 Texts adopted, P8\_TA(2017)0450. 2 OJ C 265, 11.8.2017, p. 65. 3 OJ C 35, 31.1.2018, p. 2. 4 Texts adopted, P8\_TA(2017)0441. 5 Texts adopted, P8\_TA(2017)0100. 6 OJ C 258 E, 7.9.2013, p. 115. Annex 3 to, the decision of the Conference of Presidents of 12 December 2002 on the procedure for granting authorisation to draw up own-initiative reports, – having regard to the report of the Committee on the Environment, Public Health and Food Safety (A8-0059/2018), A. whereas the 7th EAP sets legally binding objectives in the fields of environment and climate change to be achieved by 2020; whereas it also sets out a long-term vision for 2050; B. whereas the 7th EAP does not contain a mid-term review clause; whereas the report of the Committee on the Environment, Public Health and Food Safety on the implementation of the 7th EAP is an opportunity to assess this EAP’s progress and to make evidence-based recommendations for the further implementation of the current EAP and any future EAPs; whereas this report should go beyond restating well-known problems, and should focus on proposing solutions for achieving the goals laid down in the 7th EAP; C. whereas the Commission is working on an evaluation report, the focus of which will be on the structure and strategic role played by the 7th EAP; whereas that report is intended, in particular, to check whether the agreed framework is helping to deliver the nine priority objectives in a smart manner; D. whereas the EU has strong environmental legislation, the weak and ineffective implementation thereof is a long-standing problem; whereas these implementation gaps threaten sustainable development, have adverse trans-boundary impacts on the environment and human health and entail important socio-economic costs; whereas, moreover, the implementation gaps undermine the EU’s credibility; E. whereas progress towards the 2020 objectives has so far been mixed: it is unlikely that objective 1 (protecting natural capital) will be met, but likely that some of the sub-objectives under objective 2 (low carbon economy and resource efficiency) will be met; it is uncertain whether objective 3 (reducing environmental pressures and risks to human health) will be met; F. whereas the continuing failure to implement legislation and integrate specialised knowledge into policy-making in areas such as air quality, environmental noise and exposure to chemicals poses severe health threats and reduces quality and length of life for EU citizens; G. whereas the most recent data published by the European Environment Agency confirms the general trends described above for each thematic objective but also reports a slowing of progress in some areas; whereas, in some cases, such as greenhouse gas emissions and energy efficiency, the outlook for achieving the sub-objectives remains unchanged by these new trends; H. whereas it is now uncertain whether the target for ammonia emissions will be met and unlikely that the land take target will be met; I. whereas much uncertainty exists with regard to implementation owing to a lack of indicators and the limitations of existing indicators; whereas knowledge gaps continue to hinder progress on three levels: understanding of risk; formation of appropriate policy to manage and reduce risk; and monitoring of the effectiveness of policies; J. whereas knowledge often exists but is not used in policy-making or ***transferred*** to the parties responsible for implementation; whereas this is often due to a lack of political will and competing interests which are not perceived to be consistent with the EAP or environmental policy goals in general; whereas continued economic growth is also dependent on a clean environment; K. whereas synergy between the high-level instruments of Union policy and the EAP needs to be improved in order to achieve the objectives of the ***programme***; L. whereas there is inadequate funding at some levels for the proper implementation of the 7th EAP; whereas funding at EU level has sometimes failed to deliver the expected results and this has, in multiple cases, been the result of poorly administered financing rather than a lack of money; M. whereas the scope of the 7th EAP is relevant to current needs in the field of environmental policy, although many stakeholders recommend the addition of new sub-objectives to increase the ***programme***’s relevance in the future; N. whereas stakeholders also express a preference for a less complex, more focused EAP; O. whereas there is general support for an 8th EAP; Main conclusions 1. Considers that the 7th EAP has added value and a positive influence on environmental policies at EU and Member State level, with benefits for citizens, nature and economic stakeholders; 2. Reiterates that the 7th EAP has a clear long-term vision for 2050 in order to provide a stable environment for sustainable investment and growth, within the planet’s ecological limits; 3. Welcomes the positive past trends in regard to numerous sub-objectives of the 7th EAP and the encouraging outlook for some of the 2020 objectives; 4. Stresses, however, that there is still great potential for improvement and calls on the Commission and the competent authorities in the Member States for increased political will at the highest level to implement the 7th EAP; 5. Regrets that the priority objective to protect, conserve and enhance the Union’s natural capital are unlikely to be met; notes with concern, furthermore, that the targets of the EU’s 2020 Biodiversity Strategy and the Convention on Biological Diversity will not be met without immediate, substantial and additional efforts; 6. Notes that there has been some progress in certain areas for priority objective 2, in particular for climate and energy related targets; notes, however, that more must be done on resource efficiency; reiterates the potential of the Ecodesign Directive1 and the Ecolabel Regulation2 to improve the environmental performance and resource efficiency of products throughout their lifecycle, by addressing, inter alia, product durability, reparability, re-usability, recyclability, recycled content and product lifespan; 7. Regrets that the sub-objective of achieving good quality status of surface water bodies by 2020 will not be achieved owing to the pressure exerted by pollution, interventions in the morphology of watercourses and excessive consumption due to the large amounts of water drawn off for the generation of hydroelectric power; 8. Underlines that the objectives of the 7th EAP are minimum targets, and that considerable additional efforts are needed to achieve the aims of the Paris Agreement and the Sustainable Development Goals (SDGs); 9. Recalls that the EU and its Member States are all signatories to the Paris Agreement, and therefore committed to its objectives, and that they have submitted a Nationally Determined Contribution delivering 40 % economy-wide greenhouse gas emission reductions in the Union by 2030; underlines the need to fully integrate the 2030 target and the long-term net-zero emissions goal into all Union policies and funding ***programmes***; calls on the Commission to keep the climate and energy framework targets under review, in the context of the 2018 Facilitative Dialogue and the five-***yearly*** global stocktakes, and to prepare a mid-century zero emissions strategy for the EU, providing a cost-efficient pathway towards reaching the net-zero emissions goal adopted in the Paris Agreement; 10. Notes that there is considerable uncertainty regarding the progress towards objectives for human health and well-being; underlines that knowledge gaps and limited indicators hinder policy development and monitoring; 11. Welcomes existing initiatives which contribute to reducing knowledge gaps, including: the ‘Driving Force – Pressure – State – Exposure – Effects – Action’ (DPSEEA) model for understanding the drivers which disrupt ecosystem services; ‘human biomonitoring’ (HBM) for estimating exposure of human populations to contaminants and the possible health effects thereof; and the ‘Information Platform for Chemical Monitoring’ (IPCheM); 12. Is concerned that specialised knowledge and scientific evidence are not always appropriately considered in policy-making or ***transferred*** to the parties responsible for implementation; highlights the examples of bioenergy, palm oil, plant protection products, endocrine disrupters, food production and consumption, GMOs, urban planning and design, air and noise pollution, and urban food waste as areas where scientific evidence of risks to human health and the environment has been sidelined in public and political debates; believes that broad scientific knowledge, as well as adherence to the precautionary principle in the absence of sufficient scientific data, should guide responsible political decision making; recalls the importance of the 1 Directive 2009/125/EC of the European Parliament and of the Council of 21 October 2009 establishing a framework for the setting of ecodesign requirements for energy-related products (OJ L 285, 31.10.2009, p. 10). 2 Regulation (EC) No 66/2010 of the European Parliament and of the Council of 25 November 2009 on the EU Ecolabel (OJ L 27, 30.1.2010, p. 1). scientific advice of EU agencies in that context; underlines that other guiding principles in EU environmental law and policy include the polluter-pays principle, preventative action, and tackling environmental damage at source; 13. Condemns the Commission’s failure to meet deadlines set out by law for drafting harmonised hazard-based criteria for the identification of endocrine disruptors and for reviewing Regulation (EC) No 1223/20091 (‘Cosmetics Regulation’) with regard to endocrine disruptors; calls on the Commission to immediately review the Cosmetics Regulation with regard to endocrine disruptors without any further delays; regrets that the failure to make sufficient progress on endocrine disruptors poses health risks to citizens and hinders the achievement of priority objective 3 of the 7th EAP; 14. Regrets the lack of progress on developing a Union strategy for a non-toxic environment, the promotion of non-toxic material cycles and reducing exposure to harmful substances including chemicals in products; highlights the fact that further efforts are needed to ensure that, by 2020, all relevant substances of very high concern, including substances with endocrine-disrupting properties, are placed on the REACH candidate list, as laid down in the 7th EAP; calls on the Commission and the Member States to ensure that the combination effects of chemicals are effectively addressed in all relevant Union legislation as soon as possible, with a special emphasis on risks to children arising from exposure to hazardous substances; welcomes the Commission strategy on plastics and calls for its swift implementation; reiterates, in this context, that the promotion of non-toxic material cycles is essential for the sound development of a functioning secondary raw materials market; 15. Underlines that the lack of integration of environmental concerns into other policy areas is one of the root causes of implementation gaps in environmental legislation and policy; considers that synergies between other high-level EU policy instruments (such as the common ***agricultural*** policy (CAP), the common fisheries policy (CFP), the structural funds and the cohesion policy) and improved coherence between high level political priorities remain fundamental to achieving the objectives of the 7th EAP; calls for the Commission and Council, in all their formations, to improve the policy coordination and integration of the objectives of the 7th EAP; underlines, furthermore, the need to integrate all outstanding aspects of the 7th EAP into high level instruments, including the European Semester; 16. Underlines that the potential for establishing new financial mechanisms for biodiversity conservation with a view to reaching the 2020 targets is limited due to the timeframe of the current multiannual financial framework (MFF); calls, in this connection, for the maximum use of resources within the current MFF, including LIFE, CAP and Structural Funds and calls on the inclusion of new financial mechanisms for biodiversity conservation in the next MFF; 17. Welcomes the improvements in the CFP and cohesion policy, which have increased coherence with the 7th EAP; regrets, however, that despite improvements to the regulatory framework the CFP continues to suffer from poor implementation; recalls the importance of healthy fish stocks; 1 Regulation (EC) No 1223/2009 of the European Parliament and of the Council of 30 November 2009 on cosmetic products (OJ L 342, 22.12.2009, p. 59). 18. Recognises that the CAP has progressively integrated environmental concerns but still presents challenges to the achievement of the EAP’s objectives, particularly as regards resource-intensive production and biodiversity; recalls that the CAP has the challenging task of preventing environmental degradation caused by inappropriate ***agricultural*** practices (such as unsustainable biofuels), unsustainable ***agricultural*** intensification and land abandonment, while providing better quality and increased quantities of food and ***agricultural*** raw materials to the ever-growing world population; stresses that further initiatives and support for environmentally sustainable farming methods, including crop rotation and nitrogen fixing plants, are essential and need to consider ***agriculture*** and farmers as part of the solution; 19. Underlines that protecting and enhancing food security in the long term by preventing environmental damage and moving towards a sustainable food system which provides food at reasonable prices for consumers should be key priorities of a reformed CAP; highlights that these objectives can only be achieved by sustainable management of natural resources and policy intervention which ensures the protection of ecosystems; 20. Recalls that, in the context of climate change and a growing world population, the rising demand for diets rich in animal protein is exerting significant environmental pressures on ***agricultural*** land and increasingly fragile ecosystems; underlines also that diets with excessive amounts of animal fat are increasingly linked to the non-communicable disease burden; 21. Recalls the Commission’s 2016 commitment to mainstream the SDGs into EU policies and initiatives; acknowledges that this commitment lacks a clear strategy and concrete proposals for institutional structures and a governance framework to ensure the mainstreaming of the SDGs into EU policies, legislative proposals, implementation and enforcement; considers it important for the EU to be fully committed, as a pioneer, to attaining the objectives of the 2030 Agenda and sustainable development; underlines, furthermore, that the 7th EAP is a key instrument for the implementation of the SDGs; 22. Notes the high quality of drinking water in the EU; expects the revision of Directive 98/83/EC1 (‘Drinking Water Directive’) to provide the necessary updates to this legal framework; encourages the Commission and the Member States to further integrate the EU’s water objectives into other sectoral policies under the EAP, in particular the CAP; 23. Welcomes the improvements brought by some EU-funded projects, but regrets the missed opportunities to deliver better results as highlighted by the European Court of Auditors (ECA); underlines that the post-2020 MFF must be oriented towards sustainable development and mainstreaming of environmental policy in all funding mechanisms and budgetary lines; emphasises the need to increase green investment, innovation and sustainable growth using new financing tools, both public and private, and different approaches to current investment policy such as the phasing out of environmentally harmful subsidies in order to achieve the long-term vision of the 7th EAP; considers that clearly defined sustainability criteria and performance-based objectives should apply to all EU structural and investment funds; calls for a more efficient and targeted use of the current MFF and the funds under the cohesion and 1 Council Directive 98/83/EC of 3 November 1998 on the quality of water intended for human consumption (OJ L 330, 5.12.1998, p. 32). regional development policies, and for the aforementioned problems referred to by the ECA to be urgently addressed; calls for the Commission and the Member States to support the continuation of and a possible increase in the earmarking of EU budget resources for environment- and climate change-related action; 24. Regrets the persistent shortcomings in the treatment of urban waste water in various regions of Europe; underlines the potential of wastewater treatment and reuse to alleviate water stress situations, reduce direct water withdrawals, produce biogas and guarantee better management of water resources particularly through irrigation for ***agriculture***; looks forward to the legislative proposal on the reuse of waste water, which will be presented by the Commission in early 2018; 25. Notes that the biggest environmental threats to health are most evident in urban areas but also affect peripheral areas and suburban agglomerations, and that by 2020, 80 % of the population is expected to be living in urban and suburban areas; highlights the fact that emissions of atmospheric pollutants, combined with inadequate planning and infrastructure, have dramatic economic, social, public health and environmental consequences; notes that air pollution already causes more than 400 000 premature deaths in the EU1 and that health-related external costs range from EUR 330 billion to EUR 940 billion; 26. Notes that at least 10 000 premature deaths in the EU are caused by noise-related illnesses and that in 2012 approximately a quarter of the population of the EU was exposed to levels of noise in excess of the limit values; calls on the Member States to prioritise the monitoring of noise levels in line with Directive 2002/49/EC2, so as to ensure that the applicable limit values for indoor and outdoor environments are respected; 27. Acknowledges the progress on reducing certain atmospheric pollutants, particularly in urban areas, but regrets the persistent problems with air quality, to which emissions from road transport and ***agriculture*** are a significant contributory factor; acknowledges the ‘mobility package’ presented by the Commission in November 2017 and the European Strategy for Low Emission Mobility presented in 2016, which could pave the way for low-emission mobility within the Union; 28. Welcomes the progress made on the circular economy package legislation; urges all parties to strive to reach an agreement with ambitious targets; Recommendations 29. Calls on the Member States to assess their progress towards the objectives of the 7th EAP and to reorient their actions where necessary; urges the Member States to make the results publicly available; 30. Calls on the Commission to ensure that any new legislative proposals fully implement the objectives and measures of the 7th EAP; 1 EEA Report No 13/2017 of 11 October 2017 on ‘Air quality in Europe 2017’. 2 Directive 2002/49/EC of the European Parliament and of the Council of 25 June 2002 relating to the assessment and management of environmental noise (OJ L 189, 18.7.2002, p. 12). 31. Calls on the Commission to ensure the active inclusion of civil society organisations in the assessment of the implementation of EU environmental legislation; 32. Requests that the relevant EU institutions and agencies prioritise research and close knowledge gaps in the following areas: environmental thresholds (tipping points), the circular economy paradigm, the combined effects of chemicals, nanomaterials, hazard identification methods, the impacts of microplastics, the interaction between systemic risks and other health determinants, soil and land use and invasive alien species; 33. Welcomes the Environmental Implementation Review (EIR) as a positive mechanism to improve implementation of EU environmental legislation and policy, which can contribute to the monitoring of the implementation of the 7th EAP, as already stressed in its resolution of 16 November 2017 on the EU Environmental Review; considers that the EIR should fully involve all the relevant stakeholders, including civil society, and should cover the full scope of the EAP’s thematic priority objectives; 34. Calls for the Union and the Member States quickly and definitively to abandon environmentally harmful subsidies; 35. Calls on the Commission and the Member States to increase and coordinate efforts to promote the development and validation of alternative methods to animal testing so that they contribute to the achievement of priority objective No 5 of the 7th EAP; 36. Urges the Commission and the Member States to do more to improve the cognitive and scientific bases of the EU’s environmental policies, increasing the accessibility of data for citizens and fostering public involvement in scientific research; 37. Calls for the EU institutions, as well as national and regional governments where appropriate, to make full use of available specialist knowledge about risks to the environment and human health when making and monitoring policies; 38. Calls for an improved pesticide authorisation system in the EU, based on peer reviewed scientific studies and full transparency on the degree of human and environmental exposure and health risks; calls for improved standards for the monitoring of pesticides and targets for reducing their use; takes note of the Commission communication of 12 December 2017 on the European Citizens’ Initiative ‘Ban glyphosate and protect people and the environment from toxic pesticides’ (C(2017)8414); 39. Calls for sufficient material and human resources to be provided so that EU agencies can conduct their missions and provide the best scientific data, analysis and evidence; 40. Calls on the Commission to ensure that long-term actions with a view to reaching the objective of a non-toxic environment are identified by 2020; 41. Asks the relevant EU agencies and the Commission to increase the quantity and quality of indicators used to monitor progress; calls on the Commission and the Member States to cooperate in the production and collection of new data to create new indicators and improve existing ones; 42. Calls for the issue of implementation to feature as a recurring item in trio-Presidency priorities and ***programmes***, that it be discussed at the Environment Council at least once a ***year***, perhaps through a dedicated Implementation Council, and that this be complemented by another forum in which Parliament and the Committee of the Regions would also be involved; calls for joint Council meetings to address the implementation of cross-sectoral, horizontal issues and common challenges, as well as emerging issues with possible cross-border impacts; 43. Calls for the full implementation of the EU Biodiversity Strategy to be stepped up without delay; 44. Calls for infrastructure projects, particularly those related to TEN-T, to fully consider environmental impacts at regional and project level; notes that coherence between different environmental policies is also relevant; stresses the importance of taking the environment and biodiversity into account in infrastructure projects for renewable hydroelectric and marine power generation; 45. Urges the Member States to make greater efforts to preserve the use and integrity of fresh water reserves, given the uncertainty surrounding the possibility of achieving the sub-objective set out in this regard in the 7th EAP; calls on the Member States to remedy as a matter of priority the poor state of surface waters as the objectives in this area are unlikely to be met by 2020; calls on the competent authorities in the Member States to tackle the pressures on water bodies, by eliminating the causes of water pollution at source, establishing areas where it is forbidden to draw off water for hydroelectric purposes and ensuring the maintenance of ecological flows along rivers; calls on the Commission not to delay in drawing up the conformity assessment for the second cycle of river basin management plans adopted by the Member States under the Water Framework Directive; 46. Urges further reform of the CAP to align sustainable food production and environmental policy targets, including biodiversity targets, in order to safeguard food security now and in the future; underlines the need for a smart ***agricultural*** policy with strong commitment to deliver public goods and ecosystem services related to soil, water, biodiversity, air quality, climate action and the provision of landscape amenities; calls for an integrated policy with a more targeted and ambitious yet flexible approach, where the granting of support to the ***agricultural*** sector is linked to both food security and the delivery of environmental outcomes; calls on the Member States to recognise agroforestry as ecological focus area in accordance with Article 46 of Regulation (EU) No 1307/20131; calls on the Commission to ensure that environmentally beneficial farming practices are afforded appropriate support in any future revision of the CAP; 47. Calls on the Member States and the Commission to increase the uptake of solutions to environmental challenges, especially where technical solutions exist but are not yet fully deployed, such as reduction of ammonia in ***agriculture***; 48. Calls on the Commission to significantly improve the volume, use and administration of EU funds for the EAP’s objectives; calls for better monitoring, transparency and accountability; calls for the mainstreaming of climate and other environmental issues in 1 Regulation (EU) No 1307/2013 of the European Parliament and of the Council of 17 December 2013 establishing rules for direct ***payments*** to farmers under support schemes within the framework of the common ***agricultural*** policy and repealing Council Regulation (EC) No 637/2008 and Council Regulation (EC) No 73/2009 (OJ L 347 of 20.12.2013, p. 608). the EU budget; 49. Calls on the Commission to develop, without delay, a comprehensive, overarching framework strategy on the implementation of the SDGs in the EU, addressing all policy areas and including a review mechanism to assess progress of implementation; requests the Commission to establish an SDG check of all new policies and legislation and to ensure full policy coherence in the implementation of SDGs; 50. Calls on the Commission to guarantee the enforcement of existing EU law and ensure Member States’ full compliance with the objectives of 7th EAP by utilising all tools at its disposal, e.g infringement procedures; 51. Welcomes the existing special reports and performance audits of the ECA and invites the ECA to further analyse other areas relevant to the EAP which have not been included in the work ***programme*** thus far; 52. Calls on the Commission and the competent authorities in the Member States to provide appropriate guidance so that EU funds are more accessible, including for local projects, particularly as regards green infrastructure, biodiversity, and the Birds and Habitats Directives; 53. Calls on the Member States to ensure full implementation of the air quality legislation; calls on regional authorities to provide a supporting framework, particularly with regard to urban planning and local policy-making, in order to improve health outcomes in all areas, and in particular the worst-affected ones; 54. Urges the competent national and regional authorities to adopt plans comprising credible measures to put an end to the problem of exceeding the daily and annual limit values set by EU legislation on fine and ultra-fine particles in agglomerations where air quality is poor; highlights the fact that this is essential to achieve priority objectives Nos 2, 3 and 8 of the 7th EAP; 55. Proposes the following actions to improve air quality in urban areas: establishment of low-emission zones; promotion of car-sharing and ride-sharing facilities and services; phasing-out of preferential tax treatment for highly polluting vehicles; introduction of ‘mobility budgets’ for employees as an alternative to company cars; application of parking policies which reduce traffic volumes in congested areas; improvement of infrastructure to encourage cycling and increase multi-modal connections and to improve cycling safety; establishment of pedestrian zones; 56. Calls for enhanced urban planning and development at the appropriate governance levels to adapt infrastructure for electric and clean vehicles as soon as possible, e.g by installing charging infrastructure, and to deliver environmental and health benefits such as reducing the heat island effect and increasing physical activity, e.g by increasing green infrastructure and recovering abandoned or degraded industrial areas; recognises that these measures would improve air quality, combat diseases and premature mortality caused by pollution, and enable progress to be made towards zero-emission mobility; 57. Calls on the Commission and the Member States to ensure fair intermodal competition and a shift to sustainable transport modes; 58. Calls on the Commission to come forward, by 2019 at the latest, with an overarching Union Environmental Action ***Programme*** for the period after 2020, as required by Article 192(3) of the TFEU; highlights the importance of transparency and democratic accountability when monitoring EU policy; stresses, therefore, that the next EAP should include measurable, results-based midway milestones; 59. Calls on the next Commission to dedicate a priority area of the next legislative term to sustainable development, environmental and climate protection in general and the objectives of the 7th EAP and a forthcoming 8th EAP in particular; º º º 60. Instructs its President to forward this resolution to the Council, the Commission, the European Court of Auditors, the European Environment Agency, and the governments and parliaments of the Member States.

**Load-Date:** April 26, 2018

**End of Document**



[***MW Asset Rentals (RF) Ltd - New Ratings Accorded***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5R60-5441-F19S-P26S-00000-00&context=1516831)

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**Body**

MW Asset Rentals (RF) Ltd - New Ratings Accorded

Johannesburg, 12 December 2017-Global Credit Ratings ("GCR") has accorded the following indicative, public long-term credit ratings to the following Notes issued by MW Asset Rentals (RF) Ltd (the "Issuer") (the "Transaction") on 18 November 2016:

● Secured Class A Notes, stock code MWAR01;

R450,000,000;

AAA(ZA)(sf)

Stable Outlook.

GCR concurrently accorded the following indicative, public long-term credit ratings to the following Notes to be issued by the Issuer on or about 31 January 2018 ("New Issuance"):

● Secured Class A Notes, stock code TBD;

R300,000,000;

AAA(ZA)(sf)

Stable Outlook.

The Issuer had a Subordinated Loan of R44,645,000 that is unrated and held by Merchant West (Pty) Ltd, which may be increased to R64,645,000 following the New Issuance.

The indicative, public credit ratings accorded to the Class A Notes relate to timely ***payment*** of interest and ultimate ***payment*** of principal by their Final Redemption Date. The ratings exclude an assessment of the ability of the Issuer to pay either any (early repayment) penalties or any default interest rate penalties.

These ratings are scheduled to expire on 12 February 2018.

RATING RATIONALE

MW Asset Rentals (RF) Ltd is a R2.5bn Lease Receivables Backed Note ***Programme*** that issued R450m of Class A Notes on 18 November 2016. The Issuer indicated that a further R300m of new Class A Notes may be issued during January 2018.

The key covenant of this Transaction is the Asset Cover Ratio that has to be maintained above 1.25x. The covenant limit will be revised upwards to 1.28x for the Class A Notes. Although the covenant has been historically maintained at higher levels, GCR has only considered its minimum contractual level for the purpose of its rating analysis. GCR modelled the structure both with and without the New Issuance to be able to accord a rating to the existing Notes. GCR noted that a scenario without the New Issuance was more punitive to the cash flows that were modelled. This is due to the increased impact of fixed costs on a smaller asset portfolio and due to the dilution of existing defaults caused by the addition of new assets in the case of a New Issuance. For the purpose of the indicative ratings and given that the New Issuance has not occurred as yet, GCR retained the conclusions of the cash flow model in a scenario without the New Issuance.

The Transaction has a Liquidity Reserve, Capital Reserve and Arrears Reserve - all being maintained at their required limits since November 2016. The Liquidity Reserve may be utilised to fund ***payments*** of Liquidity Shortfalls. Only the Liquidity Reserve and Arrears Reserve have been taken into account for credit enhancement to the Class A Notes. The Capital Reserve may be utilised to purchase Additional Participating Assets & to fund the redemption of Notes and shall be maintained at 5% of the Principal Amount Outstanding during the Revolving Period. The Arrears Reserve will be utilised to provide for Non-Performing Leases ("NPLs") during the Revolving Period and the Arrears Reserve Required Amount in an amount equal to 50% of the aggregate Exposure to NPLs.

All receipts in respect of the Participating Assets and existing Assets held by the Seller are comingled in the Collections account which is administered by the Servicer on behalf of the Collections SPV, a bankruptcy remote entity. Any disbursements from the Collections SPV are made towards the Issuer's Transaction Account, held at Nedbank Ltd, within two business days, therefore minimising comingling risk.

The Originator, Seller and Servicer are Merchant West (Pty) Ltd, an asset-backed financier that offers tailored finance structured for finance leases, operating lease rentals, full maintenance leasing of office automation, ITC equipment, yellow metal equipment, vehicles, trucks and aviation to the public and corporate sector. Merchant West reported market comparable defaults, albeit non-granular. However, high to full recoveries are usually realised within the first 24 months.

The August 2017 portfolio consisted of a variety of assets with concentrations towards Office Equipment and IT Equipment (37.2%), Commercial and ***Agriculture*** (16.4%) and Mining/Construction (15.0%). Non-Government client leases are deemed non-performing if they are in arrears for more than 90 days, whist Government client leases are deemed non-performing if they are in arrears for more than 150 days. The Issuer reported R8.1m (1.32%) of bad debts as at August 2017.

RATINGS HISTORY

Security class

Stock code

Initial & Last Rating

Long-term Rating

Short-term Rating

Outlook

Secured Class A Notes

MWAR01

12 December 2017

AAA(ZA)(sf)

n.a

Stable

Secured Class A Notes (New Issuance)

TBD

12 December 2017

AAA(ZA)(sf)

n.a

Stable

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APPLICABLE METHODOLOGIES AND RELATED RESEARCH

Global Master Structured Finance Rating Criteria - Feb '17,

Consumer Asset Backed Securitisation Rating Criteria - May '17,

Global Master Criteria for Rating Banks and Other Financial Institutions - Mar '17, and

Nedbank Ltd Financial Institution Rating Report - May '17.

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GLOSSARY OF TERMS/ACRONYMS USED IN THIS DOCUMENT AS PER GCR'S STRUCTURED FINANCE GLOSSARY

Arrears General term for non-performing obligations, i.e. obligations that are overdue.

Arrears Reserve An accounting provision made in a reserve fund for arrears.

Asset An item with economic value that an entity owns or controls.

Bad Debt A bad debt is an amount owed by a debtor that is unlikely to be paid when due, for example, to a company going into liquidation. This typically refers to default rather than delinquency.

Capital The sum of money that is used to generate proceeds.

Concentrations A high degree of positive correlation between factors or excessive exposure to a single factor that share similar demographics or financial instrument or specific sector or specific industry or specific markets.

Covenant A provision that is indicative of performance. Covenants are either positive or negative. Positive covenants are activities that the borrower commits to, typically in its normal course of business. Negative covenants are certain limits and restrictions on the borrowers' activities.

Credit A contractual agreement in which a borrower receives something of value now, and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company

Credit Enhancement Limited protection to a transaction against losses arising from the assets. The credit enhancement can be either internal or external. Internal credit enhancement may include: Subordination; over-collateralisation; excess spread; security package; arrears reserve; reserve fund and hedging. External credit enhancement may include: Guarantees; Letters of Credit and hedging.

Credit Rating An opinion regarding the creditworthiness of an entity, a security or financial instrument, or an issuer of securities or financial instruments, using an established and defined ranking system of rating categories.

Debt An obligation to repay a sum of money.

Default A default occurs when: 1.) The Borrower is unable to repay its debt obligations in full; 2.) A credit-loss event such as charge-off, specific provision or distressed restructuring involving the forgiveness or postponement of obligations; 3.) The borrower is past due more than 90 days on any debt obligations as defined in the transaction documents; 4.) The obligor has filed for bankruptcy or similar protection from creditors.

Exposure Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For a company, its exposure may relate to a particular product class or customer grouping. Exposure may also arise from an overreliance on one source of funding.

International Scale Rating LC International local currency (International LC) ratings measure the likelihood of repayment in the currency of the jurisdiction in which the issuer is domiciled. Therefore, the rating does not take into account the possibility that it will not be able to convert local currency into foreign currency or make ***transfers*** between sovereign jurisdictions.

Issuer The party indebted or the person making repayments for its borrowings.

Lease Agreement or temporary use and enjoyment of a corporeal thing (movable or immovable property) the whole or part thereof for rent. The essential elements of a contract of lease are: 1.) Undertaking of lessor to give the lessee the use and enjoyment of something; 2.) Agreement between the lessor and lessee that the lessee's right to use and enjoyment is temporary; and 3.) Lessee's undertaking to pay a sum or rent.

Liquidity The ability to repay short-term obligations or short-term availability of liquid assets to a market or entity.Loan A sum of money borrowed by a debtor that is expected to be paid back with interest to the creditor. A debt instrument where immovable property is the collateral for the loan. A mortgage gives the lender a right to take possession of the property if the borrower fails to repay the loan. Registration is a prerequisite for the existence of any mortgage loan. A mortgage can be registered over either a corporeal or incorporeal property, even if it does not belong to the mortgagee. Also called a Mortgage bond.

Long-Term Rating A long term rating reflects an issuer's ability to meet its financial obligations over the following three to five ***year*** period, including interest ***payments*** and debt redemptions. This encompasses an evaluation of the organisation's current financial position, as well as how the position may change in the future with regard to meeting longer term financial obligations.

Market An assessment of the property value, with the value being compared to similar properties in the area.

Operating Lease A lease where the risk and reward is not ***transferred***.

Originator An entity that created assets and hold on balance sheet for securitisation purposes.

Performing An obligation that performs according to its contractual obligations.

Principal The total amount borrowed or lent, e.g. the face value of a bond, excluding interest.

Receivables General term for economic benefit derived from an asset.

Recovery The action or process of regaining possession or control of something lost. To recoup losses.

Redemption The repurchase of a bond at maturity by the issuer.

Rent ***Payment*** from a lessee to the lessor for the temporary use of an asset.

Repayment ***Payment*** made to honour obligations in regards to a credit agreement in the following credited order: 3.) Satisfy the due or unpaid interest charges; 4.) Satisfy the due or unpaid fees or charges; and 5.) To reduce the amount of the principal debt.

Servicer A transaction appointed agent that performs the servicing of mortgage loans, loan or obligations.

Short-Term Rating A short term rating is an opinion of an issuer's ability to meet all financial obligations over the upcoming 12 month period, including interest ***payments*** and debt redemptions.

Stock Code A unique code allocated to a publicly listed security.

Subordinated Loan A loan typically given by the Issuer to the securitisation vehicle that is more junior than a junior tranche.

Timely ***Payment*** The principal debt, interest, fees and expenses being repaid promptly in accordance with the contractual obligation.

Transaction A transaction that enables an Issuer to issue debt securities in the capital markets. A debt issuance ***programme*** that allows an Issuer the continued and flexible issuance of several types of securities in accordance with the ***programme*** terms and conditions.

Ultimate ***Payment*** A measure of the principal debt, interest, fees and expenses being repaid over a period of time determined by recoveries.

For a detailed glossary of terms utilised in this document please click here.

SALIENT FEATURES OF ACCORDED RATINGS

GCR affirms that a.) no part of the ratings were influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument; and d.) the validity of the ratings is for a maximum of 12 months, or earlier as indicated by the applicable credit ratings document.

The Arranger participated in the rating process via face-to-face meetings, teleconferences and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible.

The credit ratings have been disclosed to the Arranger with no contestation of the ratings.

GCR has received the ***Programme*** Memorandum, Note Subscription Agreement, Applicable Pricing Supplement (MWAR01), Sale Agreement, Servicing Agreement, Administration and Agency Agreement, Subordinated Loan Agreement, Account Bank Agreement, Preference Share Subscription Agreement, Preference Share Certificate, Common Terms Agreement, Settlement and Services Agreement, Security SPV Guarantee, Issuer Indemnity, Security Cession, Issuer Owner Trust Guarantee, Issuer Owner Trust Cession and Pledge, Security SPV Owner Trust Deed, Collections SPV Trust Deed, Collections SPV Administration Agreement.

The ratings above were solicited by, or on behalf of the rated client, and therefore, GCR has been compensated for the provision of the ratings.

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**Load-Date:** December 15, 2017

**End of Document**



[***Programme summary of Iranian East Azarbayjan Province TV news 1600 gmt 21 Dec 17***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5R89-Y9R1-JC8S-C4GK-00000-00&context=1516831)

BBC Monitoring Middle East - Political

Supplied by BBC Worldwide Monitoring

December 25, 2017 Monday

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**Length:** 208 words

**Body**

A. Headlines:

B. Provincial news:

1. 1601 The Supreme Leader's representative in the province, Hojjat ol-Eslam val-Moslemin Al-Hashem, met with a group of commanders and personnel of the Islamic Revolution Guards Corps' (IRGC) airplane security forces of the province. Presenter-read report over video.

2. 1603 Iranians will celebrate Yalda Night (the longest night of the ***year***) tonight.

3. 1606 Video report on a ceremony to praise a group of researchers of the Medical Sciences University of Tabriz.

C. 1609 Weather.

D. Provincial news in brief:

1. 1610 Report on a conference in Malekan dedicated to ***agriculture***, and environment protection. The level of water of Orumiyeh Lake is decreased by 22 centimetres compared to the same period last ***year***.

2. 1640 Members of the Crisis Management Council of Bonab County held a meeting to discuss compensation ***payment*** to farmers for damaged products.

3. 1611 Report on the start of seeding pea in Hashtrud County.

E. Other news:

1. 1611 A survey to register wild animals in Kaghazkonan reserve was conducted in Miyaneh County.

F. 1613 Sports news.

G. 1615 ***Calendar*** and prayer times.

1615 End of bulletin.

Source: Vision of the Islamic Republic of Iran East Azarbayjan Provincial TV, Tabriz, in Persian 1600gmt 21 Dec 17

**Load-Date:** December 26, 2017

**End of Document**



[***Northern Arc Capital Limited: Ratings upgraded for Pooled Loan Issuance (PLI) programme - IFMR Capital PLI IV November 2017***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5T2X-3901-JDVR-00BT-00000-00&context=1516831)

SeeNews Debt

August 20, 2018 Monday 2:52 PM EEST

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**Length:** 4417 words

**Byline:** SeeNews

**Body**

Northern Arc Capital Limited

August 17, 2018

Summary of Rated Instruments Sl. Borrower Name Initial Loan Amount (Rs. crore) Amount after previous surveillance exercise (Rs. crore) Amount after Jul-18 payouts (Rs. Crore) Rating action

1

Akme Fintrade (India) Limited

10.00

Not Applicable

8.31

Ratings upgraded to [ICRA]A-(SO) from [ICRA]BBB+(SO) 2 Aris Capital Private Limited (Aris) 5.00 Not Applicable 4.15 Ratings upgraded to [ICRA]A-(SO) from [ICRA]BBB+(SO)

3

Aye Finance Private Limited (Aye)

15.00

Not Applicable

12.44

Ratings upgraded to [ICRA]A-(SO) from [ICRA]BBB+(SO) 4 Essel Finance Business Loan Limited (Essel) 12.50 Not Applicable 10.36 Ratings upgraded to [ICRA]A-(SO) from [ICRA]BBB+(SO)

5

Fino Finance Private Limited (FINO)

14.00

Not Applicable

10.23

Ratings upgraded to [ICRA]A-(SO) from [ICRA]BBB+(SO) 6 Visage Holdings and Finance Private Limited (Visage) 15.00 Not Applicable 12.43 Ratings upgraded to [ICRA]A-(SO) from [ICRA]BBB+(SO)

7

Pahal Financial Services Private Limited (Pahal)

10.00

Not Applicable

8.32

Ratings upgraded to [ICRA]A-(SO) from [ICRA]BBB+(SO) 8 Samunnati Financial Intermediation & Services Private Limited (Samunnati) 8.00 Not Applicable 5.85 Ratings upgraded to [ICRA]A-(SO) from [ICRA]BBB+(SO)

9

Satya Microcapital Limited (SML)

5.00

Not Applicable

4.17

Ratings upgraded to [ICRA]A-(SO) from [ICRA]BBB+(SO) 10 Shri Ram Finance Corporation Private Limited (SRFCPL) 7.00 Not Applicable 5.81 Ratings upgraded to [ICRA]A-(SO) from [ICRA]BBB+(SO)

11

Svasti Microfinance Private Limited (Svasti)

5.00

Not Applicable

4.16

Ratings upgraded to [ICRA]A-(SO) from [ICRA]BBB+(SO)

TOTAL

106.50

-

86.23

\*Instrument details are provided in Annexure I

Rating Action

ICRA has upgraded the ratings assigned to each of the loan facilities (aggregating to Rs. 106.50 crore initially) given under Pooled Loan Issuance (PLI) ***programme*** of eleven borrowers mentioned in the table above

Rationale

The upgrade of ratings is on the basis of the timely ***payment*** made to the lender, security available in the form of exclusive specific charge over identified receivables of the borrowers and enhanced credit enhancement cover for the rated loans over the shorter residual tenure.

2

Key rating drivers

Credit Strengths

· Enhanced credit enhancement cover of the guarantee due to amortization of the loan facilities under the PLI ***programme***;

· Exclusive specific charge over identified receivables of the Borrowers with cover of at least 1.1 times as security

· The PLI structure provides geographical diversification with the 11 borrower entities having operations across multiple states

· The PLI structure provides industry diversification with the 11 borrower entities from varied industries

Credit Weaknesses

· Weak to moderate stand-alone credit quality of the borrowers in long-term

· An adverse sector-wide development could impact the stand-alone credit quality of multiple Borrowers in the ***programme***; also, the asset quality and consequently the credit quality of the Borrowers could be correlated and is vulnerable to various political, communal and environmental issues -these could in turn result in downgrade of the PLI ***programme***; however, given the moderate tenure of the loans, likelihood of such a development should be low

Description of key rating drivers highlighted above:

The ratings for the loans factor in the benefit of the common Corporate Guarantee to the extent of 18.5% of the outstanding value of the aggregate PLI amount (15.00% of the initial value of the aggregate PLI amount), which enhances the credit quality of the loans under the PLI ***programme*** over the respective borrower's stand-alone credit quality. The stand-alone credit quality of the borrowers is weak to moderate with modest liquidity profile and low to moderate length of operating track record. Most of the borrowers have demonstrated their ability to raise debt from banks and other institutional lenders. However, the number of lenders for some of the borrowers has been limited. The capitalization profile can be characterized as modest to good for the borrowers.

While the scheduled interest and principal repayments for each of the loans is on a monthly basis, the common guarantee is non-amortizing in nature, as a result of which the guarantee cover builds up1 with time in percentage terms. The ratings also draw comfort from the fact that the loans are supported by security in the form of charge over receivables with security cover of 1.1 times.

However, the ratings are constrained by the weak to moderate stand-alone credit quality of the borrowers in the long-term. While the borrowers' areas of operations are well spread geographically, the ratings are also constrained by the vulnerability of the borrowers to any adverse sector-wide development and to any political or environmental issues that could adversely affect their portfolios.

Key rating assumptions

In the present PLI ***programme***, the servicing of each loan is firstly the obligation of the individual borrower. However, even in the event of stress on borrower's financial position to meet the scheduled ***payments*** on the loans, the Lender's Agent can utilize the common Corporate Guarantee to meet the shortfall. Thus, for rating the said PLI ***programme***, the approach has been to factor in the likelihood of an individual Borrower defaulting on its debt obligations (which is a function of its stand-alone credit rating) and the Corporate Guarantee. Shortfall in meeting scheduled lender payout is to be met through the common guarantee till it is available. The resulting probability of default on the lender-which would

1 The guarantee build-up is subjected to a pre-decided cap of 35%, after which the guarantee amount could be reduced with prior approval of ICRA if the reduced cover maintains the existing rating.

3

be lower than that of the stand-alone default probability of the individual borrowers owing to the benefit of the credit enhancement---is then compared with ICRA's internal benchmarks for the PLI rating.

The ratings are sensitive to certain features of the transaction structure such as potential acceleration of the loan repayments under certain events (defined below "event of default") which could trigger downgrade of the loans. Moreover, the credit enhanced ratings have been assigned taking into account the relative share of each borrower in the PLI ***programme***.

Analytical approach:

The rating action is based on the credit profile of the underlying borrowers, industry co-relation between the various Borrowers, the performance of the PLI ***programme*** till Jul-18 payout month, and the credit enhancement available over the balance tenure of the PLI ***programme***.

Links to applicable Criteria

Rating Methodology for Securitisation Transactions

ICRA Rating Methodology for Partially Guaranteed Debt

About the Originators:

Akme Fintrade Limited (Akme)

Akme Fintrade Limited is the flagship company of the Akme group. It is an NBFC, which is into two-wheeler financing and is permitted from RBI to accept public deposits. The operations of the two group entities, Akme Fincon Limited and Akme Fintrade Limited, have been clubbed together, within the group. On a consolidated basis the two entities have a combined customer base of 1, 00,000 individuals. While Akme Fincon operates mostly out of rural areas, Akme Fintrade on the other hands operates in both rural and urban markets. As on Sep-17, the company has a managed asset book of Rs. 209.41 crore spread across the states of Rajasthan, Maharashtra, Gujarat and Madhya Pradesh.

The company reported a PAT of Rs. 3.06 crore on a total revenue base of Rs. 22.24 crore in FY2017 compared to a PAT of Rs. 2.04 crore on a total revenue base of Rs. 13.23 crore in FY2016.

Aris Capital Private Limited (Aris)

Aris Capital Private Limited is a Non-Banking Finance Company engaged primarily in the financing of old commercial vehicles. The company finances light, medium and heavy vehicles coupled with used and new tractors. The company operates in West Bengal, Sikkim and Jharkhand with a branch network of 21 branches as on September 2017. Aris was incorporated in February 1995. The company leverages its vast experience of over four decades of transport industry visits group company named Associated Transport Organization Ltd.

In FY2017, Aris reported muted net profit growth of 7.1% to Rs. 2.12 crore. The company's operating expenses increased by ~90% during FY2017 mainly due to addition in employee base. The portfolio managers as of FY2017 were 31 as compared to 8 in FY2016. There was recruitment in senior management as well. The total employee base increased to 44 as on FY2017 from 24 as on FY2016.

Aye Finance

Delhi-based AFPL is a non-banking financial company (NBFC) lending to micro-enterprises in rural and semi-urban areas. The company, which commenced operations in November 2013, is promoted by Mr. Sanjay Sharma and Mr. Vikram Jetley, both having prior experience in retail lending. The company raised capital of Rs. 147 crores in June 2018 led by Capital G ad current investors LGT Impact Ventures and SAIF Partners. The company operated through 73 branches in 10 states, namely Uttar Pradesh, Rajasthan, Haryana, Punjab, Uttarakhand, Delhi NCR, Karnataka, Tamil Nadu, Andhra Pradesh and Madhya Pradesh as on May 31, 2018.

4

AFPL reported a net profit of Rs. 2.30 crore on a managed asset base of Rs. 560 crores in FY2018 vis- à-vis a net loss of Rs. 7.19 crore on a managed asset base of Rs. 163 crores in FY2017.

Key Financial Indicators (Audited) FY2017 FY2018

Total income

26.16

82.23 Net interest income 13.96 45.26

Profit before tax

(7.19)

2.30 Profit after tax (7.19) 2.30

Net advances

129.48

466.93 Total managed assets 163.00 559.72

Total managed portfolio

130.61

469.65 Net worth 86.93 89.38

% Tier 1

61.28%

19.54% % CRAR 61.28% 19.54%

Gearing

0.81

4.53 % Net Profit / Average managed assets -6.3% 0.6%

% Return on net worth

-8.3%

2.6%

% Gross NPAs

0.9%

1.39% % Net NPAs 0.5% 0.89%

Net NPA / Net worth

0.7%

4.67

Source: Company, ICRA Research

Essel Finance Business Loans Ltd (Essel)

Essel Finance Business Loans Ltd (Essel) was incorporated by the state of Maharashtra in 1996 as a private limited company named Blue Blend Equity Ltd. The Essel group acquired 52% stake in the company in fiscal 2014 and the remaining in fiscal 2015. It got its present name in April 2015. Essel is currently 77.3% held by Dakshin Mercantile Pvt Ltd and the remaining is held by Essel Finance Management LLP. The company is the lending arm of the Essel group and started operations in fiscal 2015. It primarily provides financial services to MSMEs. The company reported a PAT of Rs. 1.33 crore during FY2017 compared with Rs. 0.98 crore during FY2016. NIMs as a percentage of managed assets were supported by higher income from loans but offset by higher operating costs including higher interest expense and resulted in muted profitability. The company had a loan portfolio of Rs. 284 crore with 30+ dpd standing at 14.2% and 90+ dpd at 11.2% as on Dec-17.

Fino Finance Private Limited (Fino)

Fino Finance Private Limited (FFPL) is a microfinance institution and a non-deposit accepting NBFC registered with the Reserve Bank of India. FFPL was acquired by Fino PayTech Limited (FINO) in 2010. The company provides microfinance loans to women, based on the Grameen Bank Joint Liability Group model. FFPL is currently operating through a network of 220 branches spread over 77 districts across the four states of Maharashtra, Madhya Pradesh, Uttar Pradesh and Bihar and had a managed portfolio of Rs. 439.42 crore as on December 31, 2017.

FFPL reported a profit after tax (PAT) of Rs. (42.01) crore in FY2018 on a total asset base of Rs. 573.21 crore compared with a PAT of Rs. 0.20 crore in FY2017 on a total asset base of Rs. 407.94 crore.

ICRA has ratings outstanding of [ICRA]BBB-(Stable) for the long term bank lines of the company.

Key Financial Indicators (Audited) Parameters (Amount in Rs. Crore) FY2017 FY2018

Total Income

81.17

119.16 Operating Profit 2.94 14.81

5

PAT (reported)

0.20

(42.01) Yield on Average Loans 26.84% 23.93%

Cost of Average Interest-Bearing Funds

15.26%

11.69% Net Interest Margin (adj. for BO costs)/ ATA 8.67% 9.68%

Operating Profit / ATA

2.02%

3.83% PAT / ATA 0.06% (8.56%)

PAT / Average Net worth

0.39%

(60.64) % Net worth 52.77 85.76

Gearing

6.39

5.35 CRAR 27.15% 20.30%

Gross NPA

0.77%

13.29 Net NPA - 3.40

Visage Holdings and Finance Private Limited (VHFPL)

Visage Holdings and Finance Private Limited (VHFPL) is a non-deposit taking Non-Banking Finance Company, incorporated in Delhi in 1996. The current promoters of the company acquired VHFPL in September 2011 and commenced lending operations in November 2011.

VHFPL offers credit facilities to small businesses (manufacturing and trading) under the brand name 'Kinara Capital'. The company offers secured (hypothecation) and unsecured term loans and working capital facilities with a maximum ticket size of Rs.20.0 lakh. Currently, the company operates in Tamil Nadu, Karnataka, Maharashtra, Gujarat, Andhra Pradesh, Orissa, Madhya Pradesh and Telangana, with its head office in Bangalore. As on December 31, 2017, VHFPL had been operating in eight states, and has a portfolio of Rs.295.6 crore.

The company reported a profit after tax of Rs.4.6 crore on a total managed asset base of Rs. 422 crore during FY2018. During FY2017, the company had reported a profit after tax of Rs. 1.8 crore on a total managed asset base of Rs. 248 crores. ICRA has a rating outstanding of [ICRA]BBB-(Stable) for the long-term instruments of VHFPL.

6

Key Financial Indicators (Audited) FY2017 FY2018

Net income (Rs. crore)

32.7

70.1 Profit after tax (Rs. crore) 1.8 4.6

Net Worth

25.4

97.0 Total Managed Assets (Rs. crore) 248.1 421.8

CRAR (%) 23.5% 37.4%

Gearing (times)

7.5

3.3

% Return on Managed Assets

1.1%

1.3% % Return on net worth 7.4% 7.5%

% Gross NPAs/Gross Advances

1.3%

1.3% % Net NPA's/Gross Advances 0.4% 0.8%

Net NPA/Net worth

2.9%

2.7%

Pahal Financial Services Private Limited (Pahal)

Pahal Financial Services Private Limited is an Ahmedabad-based NBFC-MFI registered with Reserve Bank of India. The company started its operations in March 2011 by acquiring the existing operations of Lok Vikas Nidhi, a trust operational in Gujarat for over 25 ***years***. The current promoters of Pahal - Mr. Kartik Mehta and Ms. Purvi Bhavsar- acquired the portfolio of Rs. 2.6 crore spread over 15 branches, along with the field staff from Lok Vikas Nidhi and subsequently ***transferred*** the acquired portfolio to an NBFC, along with an equity contribution of Rs. 2 crores. The NBFC was renamed as Pahal Financial Services Private Limited. Pahal follows the Grameen model of lending to poor women primarily in rural and semi-urban areas of Gujarat, Maharashtra and MP.

Pahal reported a loss of Rs 6.57 crore in FY2018 on a total managed base of Rs 223.02 crore compared with a net profit of Rs. 1.88 crore on a total managed base of Rs 128.48 crore in FY2017. Pahal reported a CRAR of 24.05% (tier-1 12.95%) as on March 31, 2018.

ICRA has ratings outstanding of [ICRA]BB+(Stable) for the Non-Convertible Debenture ***Programme*** of the company.

Key Financial Indicators (Audited) Parameters (Amount in Rs. Crore) FY2017 FY2018

Total income (Rs. crore)

36.98

40.09 PAT (Rs. crore) 1.88 (6.57)

Net worth (Rs. crore)

28.66

39.77 Total managed portfolio (Rs. crore) 128.48 223.02

Return on managed assets (%) 1.11% (2.93)%

Return on equity (%)

8.45%

(19.19)% NIM/AMA 6.60% 8.54%

Operating expenses/AMA

6.66%

6.40% Net worth/managed assets (%) 22.31% 15.14%

Gearing (managed book); times

5.10

4.90 CRAR NA 24.05%

7

Samunnati Financial Intermediation Services Private Limited (Samunnati)

Incorporated in June 2014, Samunnati is a registered NBFC providing financial services in the ***agricultural*** value chain. As on Sep-17, the company had 19 branches spread across six states with a managed portfolio of Rs. 127.6 crore. During FY2017, the company raised Rs.30.0 crore capital in the form of CCPS from external investors including Elevar Equity and Accel India (Mauritius) Limited.

Samunnati's wholly-owned subsidiary Samunnati Agro is engaged in trading of ***agricultural*** produce,

mainly fruits and vegetables. While Samunnati provides financial services for the ***agricultural*** value chain, the subsidiary provides trade solutions, thus complementing the range of services offered.

In FY2017, Samunnati reported a net loss of Rs. 7.6 crore on a managed asset base of Rs. 103.2 crore, as compared to a net loss of Rs. 4.0 crore on a managed asset base of Rs. 38.3 crore in FY2016. On a consolidated basis, Samunnati reported a net loss of Rs. 7.8 crore on the managed asset base of Rs. 108.8 crore in FY2017 compared with a net loss of Rs. 4.8 crore on the managed asset base of Rs. 38.3 crore in FY2016.

Key Financial Indicators (Audited) FY 2016 FY 2017

Total Income

1.3

8.7 PAT -4.1 -7.6

Net worth

14.8

37 Total Portfolio 19.8 78.9

Total Assets

38.3

103.2 Return on Total Assets -18.10% -10.70%

Return on Net worth

-46.00%

-29.30% Gearing 0.2 1.5

Gross NPA (%)

0.00%

0.40% Net NPA(%) 0.00% 0.40%

CAR%

100%

47%

Satya MicroCapital Limited

Satya MicroCapital Limited (formerly known as TFC Finvest Limited) is a Delhi based NBFC which was incorporated as a Limited Company in the ***year*** 1995. Satya started its microfinance operations by adopting the JLG model with a fortnightly collection cycle in November 2016. The Company had started its microfinance operations from Sikandrabad Branch, Bulandshar District of Uttar Pradesh and the first token disbursement was done on 1st November 2016.

As on March 31, 2018, the company has operations spread across 7 states and 42 branches with a portfolio size of Rs. 218.8 crore. The company has reported net loss of Rs. 1.46 crore in FY2017 on a total managed assets base of Rs. 50.12 crore.

ICRA has a rating outstanding of [ICRA]BB+(Stable) and an MFI grading of M2 on Satya MicroCapital Ltd.

8

Key financial indicators (Audited) FY2017 9MFY2018\*

Total income

0.96

14.90 Net interest income 0.20 3.85

Profit before tax

(1.45)

(3.67) Profit after tax (1.46) (3.67)

Net advances

26.11

107.66 Total managed assets 50.12 211.62

Total managed portfolio

26.11

126.47

Net worth

8.16

25.23 % Tier 1 25.73% 17.71%

% CRAR

38.82%

24.99% Gearing 1.47 0.81

% Net profit / average managed assets -5.67% -3.74%

% Return on net worth

-30.56%

-29.30%

% Gross NPAs

0.00%

0.00% % Net NPAs 0.00% 0.00%

Net NPA / net worth

0.00%

0.00%

\*provisional ; Amounts in Rs. crore

Source: ICRA Research

Shri Ram Finance Corporation Private Ltd (Shri Ram)

Shri Ram Finance Corporation Private Ltd (Shri Ram) was incorporated in April 2004 by Mr. Ganesh Bhattar. Shri Ram had received non-banking finance company (NBFC) license from RBI in July 2008. The company is engaged in the business of financing two wheelers, three/four wheelers, SME lending and microfinance loans. As on Dec-17, the company had a loan portfolio of Rs.165.31 crore spread across the states of Chhattisgarh (62.3%), Madhya Pradesh (31.3%) and Orissa (6.5%). The asset quality of the company has been moderate with 30+ dpd of 3.86% and 90+ dpd of 1.29% as on Dec-17.

Svasti Microfinance Pvt Ltd (Svasti)

Svasti Microfinance Pvt Ltd (Svasti) is a Mumbai based MFI that aims to provide comprehensive financial services to the low income segments of society in Mumbai. It was started by P Arunkumar (Lawyer) & B Narayanan (CA) with support from Michael and Susan Dell Foundation, as a Sec 25 Company named Svasti Foundation, in August 2008. In March 2010, it acquired an existing NBFC (Easy Housing and Finance Limited) for its NBFC license by raising Rs.5.45 Crore from MSDF, Kotak Bank and HNIs. The company is headquartered in Mumbai and as on Mar-18, Svasti operates out of 30 branches across three states and has a portfolio of Rs. 226.67 crore.

The delinquency levels for the JLG Loans, which is the key product of Svasti, had remained negligible in the past, especially prior to demonetisation. However, the delinquencies rose sharply in the portfolio in the aftermath of the demonetisation with 0+ dpd rising to 4.24% in Mar-17. The asset quality has improvement in the last 12 months with 0+ dpd standing low at 1.32% in Mar-18. There were no write-offs in Svasti's portfolio in FY 2018.

In FY2017, the company reported a PAT of Rs. 0.15 crore on a total income of Rs. 20.71 crore. In FY2018, the company reported a PAT of Rs. 0.96 crore on a total income of Rs. 37.61 crore.

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Key Financial Indicators Particulars FY2017 FY2018\* Net worth (Rs. Crore) 19.23 31.88

Total income

20.71

37.61 Profit after tax (Rs. crore) 0.15 0.96

PAT/Average Total Assets

0.16%

0.54% PAT/Average Net worth 0.81% 3.75%

Gearing (times)

5.11

6.20

\*Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

10

Rating history for last three ***years***:

Table: S. No Name of Instrument Current Rating (2019) Chronology of Rating History for the past 3 ***years*** Type Initial Rated Amount (Rs.Crores) Amount Outstanding (Rs. Crores) Month-***year*** & Rating August 2018 Month-***year*** & Rating April 2018 Month- ***year*** & Rating in December 2017 Month- ***year*** & Rating in FY2016

1

IFMR CAPITAL PLI IV November 2017

Akme Fintrade (India) Limited

10.00

8.31

[ICRA]A-(SO)

[ICRA]BBB+ (SO)

Provisional [ICRA]BBB+ (SO)

- Aris Capital Private Limited (Aris) 5.00 4.15 [ICRA]A-(SO) [ICRA]BBB+ (SO) Provisional [ICRA]BBB+ (SO) -

Aye Finance Private Limited (Aye)

15.00

12.44

[ICRA]A-(SO)

[ICRA]BBB+ (SO)

Provisional [ICRA]BBB+ (SO)

- Essel Finance Business Loan Limited (Essel) 12.50 10.36 [ICRA]A-(SO) [ICRA]BBB+ (SO) Provisional [ICRA]BBB+ (SO) -

Fino Finance Private Limited (FINO)

14.00

10.23

[ICRA]A-(SO)

[ICRA]BBB+ (SO)

Provisional [ICRA]BBB+ (SO)

- Visage Holdings and Finance Private Limited (Visage) 15.00 12.43 [ICRA]A-(SO) [ICRA]BBB+ (SO) Provisional [ICRA]BBB+ (SO) -

Pahal Financial Services Private Limited (Pahal)

10.00

8.32

[ICRA]A-(SO)

[ICRA]BBB+ (SO)

Provisional [ICRA]BBB+ (SO)

- Samunnati Financial Intermediation & Services Private Limited (Samunnati) 8.00 5.85 [ICRA]A-(SO) [ICRA]BBB+ (SO) Provisional [ICRA]BBB+(SO) -

Satya Microcapital Limited (SML)

5.00

4.17

[ICRA]A-(SO)

[ICRA]BBB+ (SO)

Provisional [ICRA]BBB+ (SO)

- Shri Ram Finance Corporation Private Limited (SRFCPL) 7.00 5.81 [ICRA]A-(SO) [ICRA]BBB+ (SO) Provisional [ICRA]BBB+ (SO) -

Svasti Microfinance Private Limited (Svasti)

5.00

4.16

[ICRA]A-(SO)

[ICRA]BBB+ (SO)

Provisional [ICRA]BBB+ (SO)

-

Complexity level of the rated instrument: Highly Complex

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [*www.icra.in*](http://www.icra.in)

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Annexure-1: Instrument Details Sl. Trust Name Instrument Date of Issuance Interest Rate^ Scheduled Maturity Date Rated Amount (Rs. crore) Current Rating

1

IFMR CAPITAL PLI IV November 2017

Akme Fintrade (India) Limited

November 2017

Blended yield of 11.50%

November 2020

8.31

[ICRA]A-(SO) Aris Capital Private Limited (Aris) November 2020 4.15 [ICRA]A-(SO)

Aye Finance Private Limited (Aye)

November 2020

12.44

[ICRA]A-(SO) Essel Finance Business Loan Limited (Essel) November 2020 10.36 [ICRA]A-(SO)

Fino Finance Private Limited (FINO)

November 2020

10.23

[ICRA]A-(SO) Visage Holdings and Finance Private Limited (Visage) November 2020 12.43 [ICRA]A-(SO)

Pahal Financial Services Private Limited (Pahal)

November 2020

8.32

[ICRA]A-(SO) Samunnati Financial Intermediation & Services Private Limited (Samunnati) November 2020 5.85 [ICRA]A-(SO)

Satya Microcapital Limited (SML)

November 2020

4.17

[ICRA]A-(SO) Shri Ram Finance Corporation Private Limited (SRFCPL) November 2020 5.81 [ICRA]A-(SO)

Svasti Microfinance Private Limited (Svasti)

November 2020

4.16

[ICRA]A-(SO)

^ weighted average interest rate to lender

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**Load-Date:** August 20, 2018

**End of Document**



[***New legislation in Saudi Arabia to attract foreign investment***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5WS6-C4X1-DXYV-7408-00000-00&context=1516831)

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**Body**

In 2017 the Kingdom witnessed a level of regulatory reform and change in the legal landscape unprecedented in its recent history. The Saudi Stock Exchange (Tadawul) has been very active on a number of fronts. Furthermore, a number of ministries have also been considering new laws and regulations with many of these expected to come into force in early and mid-2018.

With the aim of consolidating the Kingdom as one of the world's ten most competitive nations and one of the most lucrative markets for investing, the Saudi Arabian government has embarked on an ambitious ***programme*** to reduce its dependency on oil and to increase private sector participation. Vision 2030 sets out a blueprint for the future of Saudi Arabia. The implementation of Vision 2030 and the National Transformation ***Programme*** 2020 is being overseen by the Council of Economic and Development Affairs (CEDA), which is chaired by Crown Prince Mohammed bin Salman Al Saud. The coming months will continue to see much in the way of legal and regulatory reforms.

In February 2017 Tadawul launched Nomu, the first parallel market in the GCC, which features less restrictive listing rules and should therefore increase the number of companies which are eligible to be listed in Saudi Arabia. Then came the issuance of the T+2 regulations, including the Securities Borrowing and Lending Regulations and the Short Selling Regulations. The Capital Market Authority (CMA) then issued new mergers and acquisitions (M&A) regulations in October 2017.

A new VAT Law was approved in July 2017 and its Implementing Regulations were issued at the same time. The new VAT regime was set to come into force in early 2018. Separately, the new Insolvency Law is also expected to come into force in early 2018, and the new Procurement Law is also due to be issued imminently.

**Nomu Parallel Market**

Nomu is restricted to qualified investors, has a minimum market capitalisation requirement of SR10m ($2.7m) and at least 20% of an issuer's shares should be publicly offered. Many reporting and disclosure obligations remain on the issuers, including continuing obligations, and the rules allow for a greater degree of fluctuations in the share price (±20%). Between the launch of Nomu and December 2017, nine companies had already listed and another company was preparing for listing on Nomu.

**New Tadawul Regulations**

In April 2017 Tadawul announced a move from T+0 (same day settlement for listed securities) to a T+2 regime - consistent with international markets - and introduced securities lending and short-selling of its listed securities. The move to T+2, where all types of securities' transactions are completed after two business days following the transaction execution date, is designed to provide enough time to investors to scrutinise and verify transactions and for Tadawul to deal with errors should they arise, thus ensuring asset safety for investors.

Tadawul also issued the Securities Borrowing and Lending Regulations (SBL). These regulations permit and regulate the borrowing and lending of Tadawul-listed securities. SBL transactions may only be entered into in respect of Tadawul-listed securities that have been approved by the Securities Depository Centre and may only be entered into between eligible participants (i.e., legal persons, investment funds and clients of Saudi-licensed asset managers, where the decision to enter into the transaction was made by the asset manager on behalf of the client). SBL transactions may not last beyond 12 months, and a written SBL agreement, containing certain prescribed terms and conditions as set out in the regulations, must be executed. The borrower is obliged to maintain collateral, which at all times covers 100% of the market value of the securities borrowed.

Tadawul also issued Short Selling Regulations which permit and regulate covered short-selling of Tadawul-listed securities. Short-selling transactions may only be entered into in respect of securities that have been borrowed pursuant to an SBL agreement, and the restrictions in the SBL in respect of the securities and classes of persons that may be involved in an SBL transaction would apply similarly to a short-selling transaction. The rules also require that before the execution of the sale, the seller has borrowed the relevant security and that it has been ***transferred*** to the seller's short-selling account opened in accordance with the Securities Depository Centre Rules.

**New M&A Regulations**

The new M&A regulations issued by the CMA serve to encourage increased M&A activity in publicly listed shares including block trades as well as consolidation across a number of sectors. The regulations apply to transactions involving purchases and sales of listed voting shares resulting in a person owning or controlling (individually or collectively by acting in concert) over 10% of the relevant target company. They also cover transactions involving an offer (i.e., a tender offer or a merger of the target company) to acquire voting shares of a listed company, pursuant to which the offeror increases its ownership ( individually or collectively by acting in concert), or the shares under its control, to 10% or more of the share capital.

One of the key new developments is the introduction of the concept of regulating private sale transactions where a sale or purchase of shares carrying voting rights in a listed company may be negotiated between the offeror and the selling shareholder(s) without making an offer or involving the other shareholders or directors of the offeree company. The rules cover the exchange and sharing of confidential and price-sensitive information, as well as the announcement obligations of the various parties involved. Further, the selling shareholder(s) and the offeror may agree on any purchase price they deem appropriate for the relevant shares, and this may be at a premium or a discount at their discretion. A further significant development is the introduction of a squeeze-out rule for transactions involving acquiring 100% of the shares in a listed company in exchange for listed shares in the acquirer. Under the new rules, such a transaction will be binding to all shareholders of the target if the transaction is approved by shareholders representing 75% of attending shareholders in a duly convened extraordinary general assembly.

The old permissive offer regime (at 30%) has been removed and under the new regulations, any person acquiring 40% or more of the voting shares of a listed company (or having control over them) may not dispose of such shares in a six-month period without the prior approval of the CMA instead. The new regulations also place disclosure obligations on the purchaser who has reached or exceeded the 40% threshold. The new regulations also now cover partial offers and have widened to cover the concept of "acting in concert".

**New Vat Regime**

The Value-Added Tax (VAT) Law outlined in the Unified Agreement for VAT of the Cooperation Council for the Arab States of the Gulf, was approved in July 2017 and came into force early 2018. The standard rate of VAT is set at 5% and will be imposed on all goods and services that are bought and sold by businesses, with a few exceptions such as certain medicines and medical equipment.

**New Insolvency Law**

The new draft Insolvency Law is geared towards attracting foreign investment, encouraging private sector activity, and more importantly, preserving value. The previous bankruptcy regime, which was based on a chapter from the Commercial Court Law and a Royal Decree giving effect to the Law of Settlement Preventing Bankruptcy, faced criticism for not providing respite from creditor actions and for having a history of lower recovery for its creditors.

The new draft law has drawn on the experiences in other jurisdictions and therefore restructurings will likely become more common in insolvency situations in the future. It provides a moratorium against creditor actions, and there will be some aspects of preferential creditors in place. The draft new law also establishes a Bankruptcy Commission within the Ministry of Commerce and Investment, and introduces the new mechanisms of conciliation and rehabilitation.

Under the concept of conciliation, companies may enjoy a moratorium from creditor actions (by way of a standstill agreement, for example) either before or after the company enters into an insolvency process. Any restructuring will be proposed with the aim of fairness to all creditors, who will then be bound by a majority vote of creditors of equal standing. However, creditors will have the opportunity to challenge any proposed restructuring in court. Companies can also benefit from a stay against creditor claims, which may then be settled within the liquidation. Capital injections will be permitted, and those injecting such capital in a conciliation will enjoy a preferential status over other creditors.

Under the concept of rehabilitation, companies that are seen as capable of returning to profit and recovering from their financial difficulties will be allowed to consider restructuring plans, which will have the support of the courts who can impose this on creditors. The companies will also be supported by way of rescheduling or cancellation of debt, asset disposals and debt for equity swaps. Capital injection will be permitted, and those injecting such capital under the concept of rehabilitation will enjoy a preferential status over other creditors, as in conciliation.

The new draft law also includes provisions that would ensure simplified and swift remedial action to deal with small and medium-sized enterprises (SMEs) in case of financial difficulty. Owing to these new provisions, the new law will no doubt provide a greater degree of certainty on the outcome of the insolvency proceedings for investors.

**New Procurement Law**

The government of Saudi Arabia undertook a review of the procurement law, focusing on key areas such as boosting value, increasing transparency and greater participation, particularly in local content and SMEs. The new draft of the procurement law was launched for public consultation and appears to deliver on those key areas of focus. Under this draft law, a Strategic Procurement Unit will be established to finalise framework agreements for commonly procured goods and services whilst ensuring competitive pricing. A committee will also be formed to determine the percentage of such goods and services that are to be sourced from local content and for SMEs.

The new draft law also introduces the concept of advance planning and the annual publication of these plans through an online portal, which will contain the records of projects and procurement needs of each governmental body. Also introduced are the concepts of pre- and post-qualification of bidders, along with performance measurement. To ensure greater participation, SMEs, non-profit organisations and endowments will not be obliged to submit bid bonds. Instead, a commitment would be required from the bidder that they will provide performance guarantees should the contract be awarded to them.

The new draft law also introduces mechanisms where both price and non-price criteria are considered as part of the bid evaluation. New procurement methods such as multi-stage tendering and electronic reverse auctions will also be expanded. Tender submission and bid opening shall run through an integrated electronic portal to allow for greater visibility. A standstill period will also be introduced between the announcement of the winning bid and the awarding of the contract to allow for any of the losing bidders to raise complaints.

***Payments*** made to contractors will be linked to the level of performance, and ***payments*** may be reduced if the performance is not satisfactory. In the event of changes in the prices of the main materials, Customs tariff or taxes, the new draft law includes provisions to ensure appropriate compensation to the contractors.

**Investment Policies**

Saudi Arabia's growing economy and large-scale infrastructure investments attract a large amount of foreign investment. There is a real drive to promote Saudi Arabia as being open for business to the world. It is the largest destination for foreign direct investment in the Arab world, with the US and China being the largest sources of foreign direct investment in the Kingdom. Foreign investment is generally permitted in all sectors of the Saudi economy, and exceptions to this general rule are included in a so-called "negative list". In 2000 the Saudi Government enacted the Foreign Investment Law which introduced major regulatory incentives including:

· The establishment of the Saudi Arabian General Investment Authority (SAGIA), which considerably improved the investment process and transparency;

· Accelerated investment application, business registration and set up processes;

· Direct property ownership for licensed companies, in accordance with regulations;

· ***Transfer*** of capital and repatriation of profits;

· Flexibility for ***transferring***/allocating shares of companies between shareholders, in accordance with regulations; and

· Sponsorship for the investor and its employees (non-Saudis) by the company. Financial incentives include:

· Availability of financing;

· No personal income taxes;

· Corporate taxes are at 20% of total profits of companies;

· Ability to ***transfer*** losses for future ***years*** in regard to taxes; and

· Foreign investors have access to generous regional and international financial ***programmes*** and incubators. As per regional incentive policies, GCC members enjoy various privileges when it comes to trade and investments within the GCC. In Saudi Arabia, GCC companies enjoy equal treatment as Saudi companies, save for certain exceptions such as real estate ownership in the holy cities of Makkah and Medina. However, it is worth noting that in order to take advantage of these privileges, a GCC firm will only be considered a GCC national if 100% of its shares are owned by GCC nationals.

**Qualified Foreign Investors**

Since 2015 qualified foreign investors (QFIs) have been able to invest in shares listed on the Saudi Arabian Stock Exchange. QFIs must be a financial institution with a certain amount of assets under management. The CMA has recently published proposed amendments to the QFIs regime for public consultation. Those amendments are aimed at significantly simplifying the qualification process by reducing the qualification conditions and simplifying the application process.

**Anti-Trust & Competition**

Saudi Arabia has strict competition laws which should be kept in mind in the context of pricing policies. Saudi Arabia's Competition Law was enacted by royal decree in June 2004. The Competition Law has a broad scope and applies to all plants, establishments, companies and associations carrying out commercial, ***agricultural***, industrial or service works, or buying and selling goods or services in the Saudi markets, whether or not they are physically located in Saudi Arabia. Public corporations and wholly state-owned corporations are exempt from this law. The Competition Law establishes independent body recently renamed the Competition Authority, which is responsible for approving cases of merger, acquisition, or the combining of two or more managements into one joint management, resulting in a dominant position in the market.

The Competition Law prohibits all practices, agreements and contracts - whether written or verbal, expressed or implied - between competing establishments or likely competing establishments where the intention or the result of such practices, agreements or contracts is to restrict commerce or limit competition between establishments. The Competition Law also prohibits any establishment or group of establishments that is able to influence the market price of a product or service through control of a certain percentage of the aggregate demand from engaging in practices that limit competition between establishments.

There are hefty fines for any violation of the Competition Law, and the Competition Authority has the power to demand the violator remedy the violation of the Competition Law within a set period of time and/ or to dispose of some of its assets, shares or property rights.

**Anti-Dumping**

Saudi Arabia acceded to the World Trade Organisation (WTO) in 2005 and signed the agreement on anti-dumping. In its latest Trade Policy Review for Saudi Arabia, the WTO noted that Saudi Arabia had no national laws or regulations related to anti-dumping but had adopted the GCC Common Law on Anti-Dumping, Safeguards and Countervailing Measures through royal decree. The GCC Common Law has now been ratified by all member states, which will allow the GCC to begin investigating anti-dumping cases. We understand that the GCC-Bureau of Technical Secretariat for Anti Injurious Practices in International Trade administers the cases relating to anti-dumping and safeguard measures, and according to publicly available information, this body has started to investigate cases relating to anti-dumping and safeguard measures.

**Wholesale And Retail Activities**

Commercial agencies are restricted to Saudi nationals and companies. However, some GCC nationals and companies may also be allowed to become agents on the basis of reciprocity. In line with the Foreign Investment Law and the WTO Accession Rules, foreign investors can own up to 75% of the capital of a wholesale and retail company, provided that the capital contribution of the foreign investor is at least SR20m ($5.3m). However, the Saudi government has also approved the rules and regulations for issuing licences to foreign investors for owning 100% of the capital in wholesale and retail companies in Saudi Arabia. Under these rules, the foreign investor applicant must be present in at least three regional or international markets. The initial share capital of the local company to be established by the foreign investor must be at least SR30m ($8m), and the foreign investor must invest at least SR200m ($53.3m) over a period of five ***years*** commencing from the date of issuance of the foreign investment licence for the company by SAGIA.

The foreign investor is required to commit that the local company will employ the required number of Saudi nationals in order to comply with Nitaqat as well as train at least 30% of the Saudi employees annually. It will also be required to provide a plan that allows Saudi nationals to hold key positions during the first five ***years*** in the company and ensure continuation of their employment.

The local company must achieve one or more of the following development targets, within five ***years*** of its incorporation:

· At least 30% of products distributed by it have been manufactured in the Kingdom;

· At least 5% of its total sales revenue must be allocated for research and development ***programmes*** in the Kingdom; or

· It must establish a centre to provide logistic, distribution and after-sales services in the Kingdom. Notwithstanding the minimum capital contribution requirements, foreign investors who invest SR300m ($80.0m) in the Kingdom over a period of five ***years*** (inclusive of the initial SR30m [$8m] capital contribution) from the date of receipt of the investment licence by SAGIA are not required to comply with any of the above-mentioned development targets.

SAGIA's Board may grant exemptions from compliance with all of the licensing conditions. Whilst no specific criterion is set out for the granting of any exemption, the rules provide that exemptions must be granted on the basis of general, clear and non-discriminatory principles.

The foreign investor wishing to be directly involved in retail in Saudi Arabia should bear in mind that while a Saudi partner is no longer required, the conditions to set up a wholly foreign owned retail or wholesale company are stringent.

By and large, the Saudi Government is encouraging foreign investors to reduce the state's dependency on oil as the main source of income, and at the same time opening employment opportunities for the Saudi population, which has a low median age.

**Saudiisation**

The term Saudiisation refers to the various initiatives of the government of Saudi Arabia to encourage the employment of Saudi nationals in the private sector. The latest Saudiisation initiative, which has been launched under the auspices of the Ministry of Labour and Social Development (MLSD), is the Nitaqat ***programme***. All Saudi companies (whether owned by Saudis or non-Saudis) with at least 10 employees are required to comply with the Nitaqat ***programme***.

The Saudi Labour Law provides that Saudi nationals must comprise at least 75% of an employer's workforce, although the MLSD has the authority to change this percentage, based on business requirements and the availability of Saudi nationals. The Saudi Labour Law requires that the initial employees of the Saudi joint venture company, or any limited liability company for that matter, be Saudi nationals. Only after the appointment of a Saudi national, can work visas and then Iqamas (Saudi Arabian residence permits) be issued to non-Saudis.

Under the ***programme***, companies are categorised in accordance with a basic colour scheme: red, yellow, green and premium as per the levels of compliance. Eligibility of benefits and applications of sanctions will be linked to the level of compliance. LAND/REAL ESTATE: Real estate in Saudi Arabia recognises the two principal interests in land, namely legal ownership and leasehold interests. Until recently, ownership of real estate by non-Saudi companies was restricted. However, these rules have been relaxed recently. Ownership of real estate is traditionally evidenced by title deeds which are held and administered by designated notaries. However, the Realty in Kind Registration Law established the legal framework for a central land registry; though, in practice, much real estate is still evidenced by title deeds.

The Registered Real Estate Mortgage Law provides the legal framework for the creation and registration of real estate mortgages along with provisions regarding the rights of parties and other matters such as ranking assignment and termination. If a property is registered, any mortgage thereupon must also be registered. If a mortgage is unregistered, the interest is endorsed on the title deeds and the associated registry by the relevant court or notary.

The Real Estate Ownership and Investment by Non-Saudis Law allows non-Saudis to own real estate required for the conduct of their licensed professional, technical or economic activities, subject to obtaining the approval of the licensing authority. This includes real estate for their private residences or the housing of their employees. However, non-Saudis are not permitted to own real estate in the holy cities of Makkah or Medina, except through inheritance or endowment.

The law also permits non-Saudis to invest in real estate as long as the total cost of any real estate investment project, both land and construction, is not less than SR30m ($8m) in each instance. The restrictions on non-Saudis do not affect privileges granted to GCC nationals, who have broader rights of real estate ownership in Saudi Arabia.

**Courts And Judicial Committees**

There are a number of courts and judicial committees in Saudi Arabia that have jurisdiction in relation to certain types of claims. The following is a brief description of the main courts and judicial committees in Saudi Arabia.

**General Courts**

Criminal, civil and commercial cases that are not specifically assigned to any other court or judicial committee and disputes relating to land are generally heard before general courts. Appeals against decisions of the general courts may be made to the Court of Appeal. Where a sentence of capital punishment is issued, this is automatically referred to the Supreme Court for review.

**The Grievances Board**

The Grievances Board is the main administrative court in Saudi Arabia, with exclusive jurisdiction to hear - among other things - claims against the Saudi Government bodies/entities and to supervise insolvency/bankruptcy proceedings. Appeals against decisions of the Grievances Board may be made to the Court of Appeal and decisions of the Grievances Board on certain issues are subject to automatic appeal.

**Sama Committee**

Disputes of a banking nature involving Saudi Arabian or foreign banks are usually resolved before the Banking Disputes Committee under the administrative supervision of the Saudi Arabian Monetary Authority (SAMA) Committee.

**CRSD**

The Committee for Resolution of Securities Disputes (CRSD) examines disputes in public and private rights and has jurisdiction over all cases that fall within the scope of the Capital Market Law and its implementing regulations, as well as the regulations of the CMA and Tadawul, in addition to their rules and instructions in terms of public and private rights.

**Precedent And Interpretation Of Legislation**

There is no concept of judicial precedent in Saudi Arabia, which means that the decisions of a court or a judicial committee will have no binding authority in respect of another case. There is also no system of court reporting. However, there is a drive to increase transparency, and it has been widely reported that the Board of Grievances and the CRSD now publish judgments online. It is not always possible to reach a conclusive interpretation on Saudi Arabian law and how a Saudi Arabian court or committee would view a particular transaction.

The Saudi Government enacted the Sharia Court Procedure Law, which sets out the rules and procedures as to how cases are adjudicated by the Islamic law courts. The Sharia Court Procedure Law offers certainty as to who can initiate a claim and how this is to be done. It also details the evidential requirements, in accordance with Islamic law principles, and provides a clear procedure for processing cases before Saudi Arabia's Islamic law courts, ensuring the reliability, fairness and integrity of the legal process.

**Arbitration**

The Implementing Regulations of the Arbitration Law were approved by the Council of Ministers in May 2017 and came into force in June 2017. Parties to a contract in Saudi Arabia may agree to resort to arbitration pursuant to the Saudi Arbitration Law 2012 (save that Saudi Government bodies may only do so upon approval from the president of the Council of Ministers or if authorised by law). The new law is based on the UN Commission on International Trade Law Model Law. The new law can be applied to Saudi and international arbitration and recognises the right of the parties to choose the language of proceedings, the applicable law, the seat of the arbitration (whether inside or outside Saudi Arabia), the arbitrators, the use of temporary and precautionary measures, and the procedural rules that they want to use in the arbitration, provided that Islamic law as enforced in Saudi Arabia is not violated.

To provide easier and more cost-effective access to dispute resolution, the Saudi Centre for Commercial Arbitration (SCCA) was established by Cabinet Decree in March 2014. SCCA administers arbitration procedures in civil and commercial disputes subject to parties agreeing to refer their disputes to SCCA arbitration.

Subject to invalidation, an arbitral award once issued is final, not appealable and enforceable, but the successful party must obtain an enforcement order from the courts, which may, among other things, of their own volition, declare that the award is incompatible with Islamic law as enforced in Saudi Arabia. ENFORCEMENT OF FOREIGN JUDGMENTS AND ARBITRAL AWARDS: In principle, judgments issued by courts outside of Saudi Arabia can be enforced in Saudi Arabia. An application to enforce a foreign judgment will be assessed on two main bases:

· Reciprocity: the jurisdiction that issued the foreign judgment must reciprocally enforce judgments of Saudi courts; and

· Consistencies with Islamic law as enforced in Saudi Arabia. Consistency with Islamic law is a requirement that foreign judgments frequently cannot meet. Many commercial practices upheld in common law and civil law jurisdictions, such as conventional insurance and the charging of interest, are generally unenforceable under Islamic law as applied in Saudi Arabia.

In relation to the enforcement of arbitral awards, Saudi Arabia has acceded to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. However, when it did so it invoked a "reciprocity reservation" so as to limit its recognition of awards made in foreign jurisdictions. A "competent authority" (Saudi court) has the power to hear an application to invalidate the arbitral award.

In summary, it is possible to enforce a foreign judgment or arbitral award in Saudi Arabia, and the courts are gradually becoming more and more willing to do so.

**Load-Date:** March 12, 2020

**End of Document**



[***Roxgold releases 2017 Q4 and full year results***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5S12-WK21-JC0X-H44S-00000-00&context=1516831)

MarketLine NewsWire (Formerly Datamonitor)

March 28, 2018 Wednesday 12:00 AM GMT

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**Section:** METALS AND MINING

**Length:** 3832 words

**Highlight:** Roxgold has reported its fourth quarter and full ***year*** financial results for the period ended December 31, 2017.

**Body**

HIGHLIGHTS:For the twelve-month period ended December 31, 2017, the Company:Achieved over 4,000,000 hours free of lost time injuries ("LTI") since the mine commenced operations;Produced 126,990 ounces of gold, exceeding the upper limit of the increased guidance range 115,000 to 125,000 ounces, compared to 75,078 ounces for the seven-month period in 2016;Sold 126,555 ounces of gold totalling revenues of $159.4 million in fiscal ***year*** 2017 compared to $41.4 million during the three-month period of commercial production in 2016 ($98.0 million during the seven-month period of 2016);Incurred a cash operating cost1 of $438 per ounce produced for a total cash costof $491 per ounce sold and an all-in sustaining cost1 of $740 per ounce sold, including additional investment to advance underground development ahead of the initial mine plan compared to $705 for the seven months ended December 31, 2016;Generated cash flow from mining operationstotalling $83.9 million for cash flow from mining operations per share1 of $0.23 (C$0.28/share);Became net cash positivewith a cash balance of $63 million and a long-term debt face value3 balance of $47 million;Connected to the Burkina Faso high voltage grid which provides 95% of the power utilized at the Yaramoko mine site;Funded thirty projects originating from the local communities;Successfully passed Lenders&#39; Completion test and amended its $75M Initial Facility to a $60M Amended Facility;Graduated to the Toronto Stock Exchange on March 30, 2017;Completed a positive Feasibility Study for the Bagassi South Project that showed an after-tax IRR of 53.2% with 1.8 ***year*** payback on initial capital; andCommenced construction work at site to facilitate the Bagassi South expansion project;For the three-month period ended December 31, 2017, the Company:Achieved record tonnes mined of 108,094 tonnes leading to a record quarterly mill throughput of 70,815 tonnes;Produced 35,016 ounces of gold and sold 34,876 ounces for gold sales totalling $45.5 million;Incurred a cash operating costof $417 per ounce produced for a total cash cost1 of $488 per ounce sold and an all-in sustaining costof $609 per ounce sold;Generated cash flow from mining operationstotalling $22,035,000 for cash flow from mining operations per shareof $0.06 (C$0.07/share); andReceived permitting approval in January 2018 to develop the Bagassi South Project."In 2017,the Yaramoko gold mine outperformed on several fronts providing strong cash flow as a result of robust operating performance where production exceeded our increased guidance and costs came in below and at the low end of guidance.Our continued operational success has allowed us to build a strong balance sheet providing the flexibility to achieve our accretive growth objectives, while continuing to build net cash," stated John Dorward, President and Chief Executive Officer."In looking ahead, 2018 is expected to be another exciting ***year*** for Roxgold as we shift our focus to expanding our proven operations at the 55 Zone by completing construction of our second high-grade mine, Bagassi South, while executing on our extensive regional exploration ***program***."2017 GOALS AND ACHIEVEMENTS:In 2017, the Company&#39;s main operational focus was to achieve annual gold production at its Yaramoko gold mine between the range of 115,000 and 125,000 ounces (increased from 105,000 to 115,000 ounces in Q3 2017) while being a low-cost producer maintaining a cash operating costat $445-$490 and an all-in sustaining cost1 at $740-$790.The Company also wanted to pursue its organic growth, with the completion of a Feasibility study for its Bagassi South Project.During the full ***calendar*** ***year*** for 2017 there were no lost time injuries ("LTI").There were 2.1 million LTI free hours worked during 2017, with a total of 4 million LTI free hours worked since the start of the operations to December 31, 2017.Roxgold exceeded the upper limit of the increased guidance range with gold production of 126,990 ounces in 2017. Cash operating costof $438 was below guidance and all-in sustaining costof $740 was at the low end of guidance.The Company continued its organic growth with the completion of a positive feasibility study for the Bagassi South Project located less than two kilometers from the Company&#39;s Yaramoko processing facility.

The Feasibility Study envisions a satellite underground operation at Bagassi South and an expanded processing facility at Yaramoko. The Bagassi South project has an after-tax IRR of 53.2% with a 1.8-***year*** payback on initial capital, average total cash cost of $426 per ounce (including royalties) and an average all-in sustaining cost of $630 per ounce.The pre-production capital is estimated at $30 million and is anticipated to be funded entirely from the Company&#39;s balance sheet without recourse to external financing.2018 OUTLOOK:Gold production between 110,000 and 120,000 ounces;Cash operating costbetween $450 and $500/ounce;All-in sustaining costsbetween $780 and $830/ounce;Underground capital expenditure between $22 million and $26 millionBagassi South pre-production capital expenditure of $30 millionExploration budget of $9 millionDue to sequencing of activities within the underground mine, gold production is expected to be slightly higher in the second and third quarters relative to the respective comparative period of prior ***year***. In 2018, the Company also expects to see a greater proportion of the mill feed met by stoping activities as opposed to ore development. Grades from the mine are expected to be in line with those seen in 2017 with an average of 13.7 grams per tonne of gold ("g/t Au") expected across the ***year***.In the third and fourth quarters of 2018, the processing plant tie-ins for the Bagassi South expansion are expected to occur, slightly affecting mill operating time in those periods; however, it is planned that these exercises will largely occur within planned maintenance stoppages.With current cash on hand totalling approximately $63 million as of December 31, 2017, combined with the terms of the Amended Facility, the Company has the flexibility to pursue its organic and strategic growth objectives.MINE OPERATING ACTIVITIES:The Company declared commercial production on October 1, 2016. As a result, there is no comparable twelve-month period of mining operations nor mining operating profit for 2016.The Company considers that pre-commercial production operations at the Yaramoko Gold Project commenced in June 2016 as the construction of the processing plant was completed. As such, the seven-month period ended December 31, 2016 includes three months of commercial production and four months of pre-commercial production. The Company believes that these seven months are the best comparison for the twelve months of operation ended December 31, 2017.Health and safety performance:Health and Safety is a fundamental value for Roxgold and is a constant priority at the Yaramoko gold mine. The Company believes that every individual working for the Company or visiting Roxgold&#39;s premises should be able to return safely and without injury to their home after a day spent at our operations. The team at the Yaramoko gold mine exhibit their commitment to safety daily through their activities with toolbox meetings, departmental reviews and frequent task safety analyses.With the project being put into production in 2016, the Company&#39;s Operational Health and Safety Management systems have been effectively implemented and are now operating smoothly with a continuous improvement and review ***program*** in place. As the Company considers that that everyone, regardless of position, has the ability to involve, influence, motivate and enable others to contribute to Roxgold Health and Safety culture by encouraging personal and collective leadership, accountability and responsibility, each employee has a personal performance objective related to safety embedded within their annual appraisal process. An award and recognition ***program*** has also been implemented at site.With steady state operations being established in 2017, the focus has evolved from establishing a strong reporting culture that encourages proactive identification of risk and therefore swift rectification of hazards and sub-par operating practices in 2016 to now implementing Health and Safety training ***programs*** for all employees in 2017 with more than 18,000 hours of training provided.These values and actions resulted in a solid safety performance observed in 2017. During the ***year*** ended December 31, 2017, the Company did not observe any Lost Time Injury ("LTI") and to date achieved a significant milestone of more than 4,300,000 hours LTI free since the mine commenced operations.Operational performance:During the ***year*** ended December 31, 2017, 319,855 tonnes of ore were extracted from the underground mine. Mine development in 2017 totalled 6,819 metres compared to 6,739 in 2016.As at December 31, 2017, 14 sublevels had been developed throughout the extents of the resource. The Company took advantage of higher than planned productivity rates from the underground mining contractor to advance mine development ahead of budgeted requirements. As a result, the Company is significantly ahead of the initial mine plan and is, as such, benefiting from additional flexibility.In 2017, approximately 52% of the mill feed was sourced from stoping activities as opposed to 29% during the seven-month of operation in 2016.In September 2017, a second production rig arrived onsite which supported an increase in stoping capacity over the final months of the ***year***. At the end of the ***year***, nine stoping panels were developed for extraction.Stoping activities during the course of 2017 were focused between the 5270 and 5168 levels while development took place between the 5151 and 5049 levels. Reconciliation of mined material against the Company&#39;s resource model performed well on a tonnage basis but underperformed on a grade basis by approximately 11%. While the stoping areas between the 5270 and 5168 levels generally performed well, the areas that were developed between 5151 and 5049 demonstrated variability against expectations. Grade variability is expected at the 55 Zone, as in 2016, the resource model under predicted actual gold mined by 2% and early indications for 2018 are that grade reconciliation has improved.To better understand the distribution of grade between the 5151 and 5049 levels, the Company is planning an 11,000 meter drilling ***program*** from surface and underground to better test the eastern and western extents of the 55 Zone in this particular area.The processing facility ran at an average operating time of 96% with excellent metallurgical performance representing an improvement from 93.3% achieved during the seven-month period ended December 31, 2016.Accordingly, in 2017, 266,599 tonnes of ore were processed for an average throughput of 730 tonnes per day including a record throughput of 70,815 tonnes in the fourth quarter. Average head grade for 2017 was 15.3 grams per tonne. The 2017 average recovery was 98.9% in line with the recovery achieved in 2016 while the gravity circuit contribution to the overall recovery increased to between 65% and 70% during 2017 from 58% in 2016.Based on the foregoing, 126,990 ounces of gold were poured during the ***year*** ended December 31, 2017 compared to 75,078 ounces of gold for the seven-month period ended December 31, 2016.Financial Performance:During the ***year*** ended December 31, 2017, a total of 126,555 ounces of gold were sold resulting in revenues from gold sales totalling $159 million at an average realized gold price of $1,260 per ounce sold compared to an average market gold price of $1,257 per ounce.During the four-month pre-commercial production period ended September 30, 2016, a total of 42,844 ounces of gold were sold resulting in pre-commercial production revenues of $57 million (at an average realized gold price of $1,322 per ounce sold). This amount was recorded to Mineral properties under development within property, plant and equipment ("PP&E"). From the declaration of commercial production on October 1, 2016 to December 31, 2016, 34,271 ounces of gold were sold at an average realized gold price of $1,208 per ounce for gold sales revenue totalling $41 million. Accordingly, the Yaramoko gold mine generated $98 million of pre-commercial and operational revenue during the seven months in which it was it was in operation during the twelve-month period ended December 31, 2016.Mine operating expenses represent mining, processing, and mine site-related general and administrative expenses. The cash operating costtotalled $438 per ounce for 2017 below the lower-end of the 2017 guidance range of $445 to $490 per ounce produced. The variation with the 2016 comparable period is a result of lower head grade combined with a higher cash operating costper tonne processed. The difference between the cash operating costper tonne processed of $208 in 2017 and the cash operating cost1 per tonne processedof $196 for the comparative period of 2016 is mainly due to costs associated with standard preventive maintenance which occurred in 2017 as the mill facility had been in operation for more than twelve months along with reagents costs that were included in the first fill pre-production costs in 2016.In 2016, the Company made the strategic decision to continue to invest in the underground mine development during 2017, to ensure mine operational flexibility and resilience as well as to benefit from the opportunity provided by the high availabilities of the mill. As such, Roxgold invested $25,515,000 in underground mine development including $10,039,000 spent eighteen months ahead of the current mine plan schedule, representing a sustaining capital cost1 of $202 per ounce sold. As a result, the Company achieved a site all-in sustaining costof $692 per ounce sold and an all-in sustaining costof $740 per ounce sold representing the low end of the 2017 guidance compared to all-in sustaining costof $705 per ounce sold for the comparable period in 2016. The variation ***year*** over ***year*** is essentially due to a higher cash operating cost resulting from lower head grade and a slightly higher cash operating costper tonne as previously explained.Based on the financial performance discussed above, the Company achieved cash flow from mining operationsof $83,944,000 for the ***year*** ended December 31, 2017, for cash flow from mining operations per share of $0.23 (C$0.28/share), which allowed the Company to become net cash positiveduring the fourth quarter of 2017.Comparatively, the Company generated cash flow from mining operations of $59,106,000 during the seven-month period ended December 31, 2016.The variation between both periods is due to the timing of the start of the operations in 2016.CORPORATE AND SOCIAL RESPONSIBILITY ACTIVITIES ("CSR"):2017 highlights:Roxgold has established a collaborative and participative approach with the community investment ***program*** in the communities surrounding the Yaramoko gold mine.In 2017, the key areas of activity have included community investment, community health and safety, cultural heritage and road infrastructure development, along with socio-economic development to enhance local procurement and employment opportunities.The Company&#39;s main ***program***, the community investment ***program***, aims to improve the education, health, water and sanitation and economic development of the host communities with the financial support of projects that originate from the local communities themselves. This ***year***, 30 projects were funded with a focus on youth and women&#39;s development, which include the following:Support for the opening of a municipal occupational training center;Solar electrification or boreholes in four schools;School construction;Capacity building of women&#39;s association (e.g. ***agricultural*** business);Development of Bagassi electrification system.Along with the Environmental and Social permitting process undertaken in 2017 for the mine extension project at Bagassi South, Roxgold has strengthened the relations and trust between the Company and the community with the identification of additional future shared benefit opportunities in community investment projects, local employment and local procurement.In collaboration with the Canadian project West Africa Governance & Economic Sustainability in Extractive Areas (WAGES) managed by the CECI and WUSC organizations the Company has worked in partnership with communities, local government, mining companies, and other stakeholders, to enable communities, particularly women and youth, to maximize the socio-economic benefits from extractive resource investment in West Africa. In 2017, the group has been successful in opening the municipal occupational training center and local suppliers&#39; capacity building events.2018 CSR ***program***:Based on the success of previous ***years***, the 2018 CSR activities will keep the same approach of grassroots-based initiatives, collaboration, transparency and partnership to maximize the benefit, sustainable growth and creation of local community opportunities from the Company&#39;s operation and extension project, especially through human capital and economic development. Furthermore, the six main ***programs*** as described above will be further strengthened. In addition, the extensive stakeholder engagement ***programs*** currently in place contribute to the viability of Roxgold&#39;s projects and secure future growth.REVIEW OF ANNUAL 2017 FINANCIAL RESULTS:Mine operating profit:During the ***year*** ended December 31, 2017, revenues totalled $159,414,000 while mining operating expenses and royalties totalled $55,681,000 and $6,443,000, respectively. The Company achieved total cash cost1 per ounce sold of $491 for the ***year*** ended 2017 period representing a mining operating margin1 of $769 per ounce sold.The Company declared commercial production on October 1, 2016 and consequently there is no comparable mine operating profit for the full twelve-month period ended December 31, 2016. Pre-commercial production revenue totalling $56,625,000 associated with gold ounces sold during the period June 1 to September 30, 2016 has been offset against mine operating costs, totalling $14,728,000, and other capitalized costs, including previously capitalized development costs, on the statement of financial position. Accordingly, mine operating profit totalling $21,493,000 for 2016 presented in the Financial Statements relates solely to the 34,271 ounces of gold sold during the fourth quarter of 2016, representing a mining operating margin1 $746 per ounce sold, and a total cash cost1 per ounce sold of $461.General and administrative expenses:General and administrative expenses totalled $4,627,000 for the ***year*** ended December 31, 2017 period compared $3,395,000 for the corresponding period in the prior ***year***. Higher corporate development costs and non-recurring professional fees associated with graduating as a listed issuer on the Toronto Stock Exchange, affected the corporate expense in 2017. Additional corporate personnel were also hired to position the Company for future growth.Sustainability and other in-country costs:Sustainability and in-country costs totalled $1,612,000 for the ***year*** ended December 31, 2017, respectively compared to $398,000 for the twelve-month comparative period. These expenditures are incurred to maintain Roxgold&#39;s social licence to operate in Burkina Faso, and include investments made in sustainability and community projects related to current operations. Costs totaling $460,000 incurred during the pre-commercial period in 2016 were capitalized in PP&E.Exploration and evaluation expenses ("E&E"):Exploration and evaluation expenses totaled $12,757,000 compared to $6,039,000 for the ***year*** ended December 31, 2017 and December 31, 2016, respectively.Drilling costs incurred during the period totalled $5,760,000 and $3,658,000 for the ***year*** ended December 31, 2017 and 2016 period, respectively. The 2017 drilling ***program*** for the Bagassi South area included a total of 214 drill holes for a total of 23,535 meters of drilling while the 2016 drilling costs reflected a ***program*** which included 4,225 metres of diamond drilling.The cost incurred for the economic and feasibility studies for the ***year*** ended December 31, 2017 period include expenses associated with the updated mineral resource estimate, the preparation of the Bagassi South project Feasibility Study and the filing requirements to get the permitting approval for Bagassi South project.Share-based ***payment***:Share-based ***payment*** totalled $2,522,000 compared to $2,135,000 in the ***year*** ended December 31, 2017 and 2016 period, respectively. Stock option costs reflect the decrease in stock options granted combined with a modification of the vesting conditions which since January 2017 are vesting over thirty-six months as opposed to twenty-four months.Performance share units ("PSU") and Deferred share unit costs reflect expenses associated with the units granted to senior management and directors, respectively in 2017. The variation with the prior ***year*** is due to the implementation of the PSU plan early in 2017 and a change in directorship in 2016.Financial expenses:Net financial expense totalled $14,214,000 for the ***year*** ended December 31, 2017, compared to $10,601,000 for the comparable period in 2016. The $3,613,000 variation period over period is mainly attributable to the change in the fair value of the Company&#39;s gold forward sales contracts and increased interest expense in relation to the Company&#39;s Amended facility as these were capitalized in 2016 until the declaration of Commercial Production on October 1, 2016.Deferred income tax expense:The deferred income tax expense mainly reflects future income tax impact associated with temporary differences between the accounting and the tax basis of the Company&#39;s assets offset by future benefits related to non-capital loss carry forwards.Net income (loss):The Company&#39;s net income for the ***year*** ended December 31, 2017 was $23,423,000 compared to a net loss of $1,071,000 in the comparable period of the ***year*** prior. The variation is a result of the Company&#39;s operations as the Company was in the development stage until it declared commercial production on October 1, 2016.Consequently, the Company&#39;s income per share was $0.05 per share in 2017 to a loss of $0.01 per share for the comparative, 2016 period.Income Attributable to Non-Controlling Interest:For the ***year*** ended December 31, 2017, the income attributable to the non-controlling ("NCI") interest was $4,400,000. The Government of Burkina Faso holds a 10% carried interest in Roxgold SANU SA and as such is considered Roxgold&#39;s NCI. The NCI attributable income is based on IFRS accounting principles and does not reflect dividend payable to the minority shareholder of the operating legal entity in Burkina Faso.

**Load-Date:** April 15, 2018

**End of Document**



[***Ncondezi Energy Limited Annual Financial Report -4-***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SNY-3971-JCXB-21FC-00000-00&context=1516831)

London Stock Exchange Aggregated Regulatory News Service (ARNS)

June 29, 2018 Friday 7:00 AM GMT

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**Body**

Net cash from financing activities was US$1.3 million (2016: US$1.9 million) mainly related to the short term loans described above and share issues in 2017.

The resulting ***year*** end cash and cash equivalents held totalled US$0.6 million (2016: US$0.2 million). As at 18 June 2018 the Company held cash and cash equivalents totalling US$1.34 million.

Outlook

As at 18 June 2018 the Group had cash reserves of approximately US$1.34 million. Based upon projections the current cash reserves will cover non project corporate costs until the beginning of July 2019, subject to the Shareholder Loan being extended or restructured. The Shareholder Loan matures on 2 September 2018, and the Company is currently evaluating options to extend or restructure the loan together with proposals received from a number of parties for refinancing of the loans.

The Directors continue to explore options in respect of raising further funds to continue with the power plant and mine development ***programmes***. At present there are no binding agreements in place and there can be no certainty as to the Group's ability to raise additional funding.

The Group will need to extend, refinance or settle the US$5.1 million Shareholder Loan (principal and redemption premium) in equity by their maturity date, of which US$0.91 million of the principal was lent by Directors. In addition, further funding will be required by the end of June 2019 to meet operating cash flows under current forecasts or in the event of accelerated project advancement. The Directors are exploring a number of funding and working capital solutions beyond the 2 September 2018 maturity of the Shareholder Loan. The financial statements have been prepared on a going concern basis in anticipation of a positive outcome but it is important to highlight that there are no binding agreements in place and there can be no certainty that the Shareholder Loan will be restructured, settled in equity or refinanced and that additional funding will be raised.

These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern. Such adjustments would principally be the write down of the Group's non-current assets.

Environmental and Social Responsibility

Ncondezi Social Development ***Programme***

Ncondezi's Social Development ***Programme*** has been put on hold pending positive development being made on the JDA.

Achievements from previous ***years*** include:

-- The drilling of 14 boreholes in several villages within the Tete province.

-- Four students completed their Master's degree in Mining Engineering at Coimbra University benefiting from a full bursary from Ncondezi.

-- A 4x4 ambulance was purchased to assist villagers in more remote areas.

-- Ncondezi built a new primary school at Waenera village.

-- Upgrading of the Mameme clinic and the construction of a new maternity wing.

-- An ***Agricultural*** Project based on conservation farming. This included the villages of Catabua and Canjedza as an initial model. The objective being a platform to educate the local communities in all aspects of crop husbandry using their own resources.

Director's Biographies

Michael Haworth / Non-Executive Chairman

Michael Haworth has over 20 ***years*** finance experience, predominantly in emerging markets and natural resources. Mr Haworth co-founded Greenstone Resources a private equity fund specialising in the mining and metals sector in 2013 and is a Senior Partner of Greenstone Capital LLP and a Director of Greenstone Management Limited. In addition, Mr Haworth is a Non-Executive Director of Zanaga Iron Ore Company Limited. Mr Haworth was previously a Managing Director at J.P. Morgan and Head of Mining and Metals Corporate Finance in London.

Christiaan Schutte / Non-Executive Director (resigned as Chief Operating Officer in May 2017)

Christiaan Schutte's career in the power sector spans over 20 ***years*** during which time he held a number of senior management positions at Eskom, the South African electricity public utility which is the largest producer of electricity in Africa.

Most recently he was Senior General Manager of the Group Technology Division and responsible for all the engineering functions at Eskom, including design accountability for new power stations, transmission lines and distribution development. Prior to this he was Senior General Manager of the Generation Division, managing five power stations with over 18,000MW total installed capacity, an operational budget of 3.8 billion Rand and a capital budget just under 4 billion Rand. Operational experience was gained at Majuba power station, which he also integrated into a single cluster operation, and Kendal power station. He holds a degree in mechanical engineering as well as an MBL from Unisa.

Estevão Pale / Non-Executive Director

Estevão Pale has more than 30 ***years***' experience in the mining industry. He is the Chief Executive Officer of Companhia Moçambicana de Hidrocarbonetos S.A., a Mozambican natural gas company. Between 1996 and 2005, Mr Pale was the National Director of Mines in the Ministry of Mineral Resources and Energy, where he was responsible for the supervision and control of mineral activities in Mozambique and the formulation and implementation of the mining and geological policy approved by the Government of Mozambique.

Mr Pale has been a director of numerous companies in the mining sector including Promaco SARL and the Mining Development Company, as well as the General Director and Chief Executive of Minas Gerais de Moçambique. Mr Pale has a postgraduate diploma in Mining Engineering from the Camborne School of Mines in Cornwall and a masters degree in Financial Economics from the University of London (SOAS). He completed a course in Gas Business Management in Boston at the Institute of Human Resources Development Corporation in 2006.

Jacek Glowacki / Non-Executive Director

Jacek Glowacki has over 30 ***years*** of international experience in the power sector and is currently Chief Executive Officer and Chairman of the Board of Polenergia Group, a Polish Independent Power Producer and a subsidiary of Kulczyk Investments S.A. one of Poland's largest private investment companies.

During his career, he has held senior executive positions at Kulczyk Investments, AEI Corporation (USA), Trakya Elektrik (Turkey) and Prisma Energy Europe. Mr Glowacki's operating experience includes General Manager of Nowa Sarzyna, which was owned by ENRON and Chief Production Engineer at Cracow Combined Heat and Power Plant, owned by EDF. He holds a degree in engineering from the University of Mining and Metallurgy in Cracow and an MBA from the University of Chicago.

Aman Sachdeva / Non-Executive Director

Aman Sachdeva has more than 20 ***years*** experience in the infrastructure industry, specializing in the energy sector; ranging from project finance, management consulting, regulatory affairs, mergers and acquisitions, power system planning, energy conservation and marketing. Mr Sachdeva is currently the founder and Chief Executive Officer of Synergy Consulting, an independent consulting practice with a focus on project finance, which has to date closed projects worth US$12 billion. Mr Sachdeva is also an advisor to the World Bank, Energy Sector for Central Asia, South Asia and Africa on a variety of projects.

Directors' Report

The Directors present their Annual Report and the audited group financial statements headed by Ncondezi Energy Limited for the ***year*** ended 31 December 2017.

Principal activities

The principal activity of the Group is the development of an integrated 300MW power plant and mine to produce and supply electricity to the Mozambican domestic market.

Business review and future developments

Details of the Group's business and expected future developments are set out in the Chairman's Statement, the Operations Review and in the Financial Review.

Principal risks and uncertainties

The Group operates in an uncertain environment that may result in increased risk, cost pressures and schedule delays. The key risk factors that face the Group and their mitigation are set out below.

Additionally, the Group's multi-national operations expose it to a variety of financial risks such as market risk, foreign currency exchange rates and interest rates, liquidity risk, and credit risk. These are considered further in notes 1 and 17.

Key performance indicators

The key performance indicators of the Group are as follows:

2017 2016 2015

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Mine exploration expenditure

(US$'000) 3 13 21

Power development expenditure

(US$'000) 48 249 939

Share price at 31 December

(pence) 3.63 5.3 3.6

Cash at bank at 31 December

(US$'000) 614 152 402

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Results and dividends

The results of the Group for the ***year*** ended 31 December 2017 are set out below.

The Directors do not recommend ***payment*** of a dividend for the ***year*** (2016: nil). The loss will be ***transferred*** to reserves.

Events after the reporting date

See note 20 for further information.

Financial instruments

Details of the use of financial instruments by the Company, its subsidiary undertakings and financial risk management are contained in note 17 of the financial statements.

Going concern

As at 18 June 2018 the Group had cash reserves of approximately US$1.34 million. The current cash reserves are sufficient to fund ongoing costs until beginning of July 2019, subject to the Shareholder Loan being extended or restructured. Details on going concern are contained in note 1 of the financial statements.

**Load-Date:** June 29, 2018

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[***FEDERAL REGISTER: Common Crop Insurance Regulations; Cultivated Clam Crop Insurance Provisions Pages 61134 - 61140 [FR DOC # 2017-27894]***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5R8R-X2Y1-JDG9-Y1N4-00000-00&context=1516831)

Impact News Service

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**Body**

Washington: Office of the Federal Register has issued the following notice:

DEPARTMENT OF ***AGRICULTURE*** Federal Crop Insurance Corporation 7 CFR Part 457 [Docket No. FCIC-17-0003] RIN 0563-AC59 Common Crop Insurance Regulations; Cultivated Clam Crop Insurance Provisions AGENCY: Federal Crop Insurance Corporation, USDA. ACTION: Final rule with request for comments. ----------------------------------------------------------------------- SUMMARY: The Federal Crop Insurance Corporation (FCIC) amends the Common Crop Insurance Regulations to provide Cultivated Clam insurance. The provisions will be used in conjunction with the Common Crop Insurance Policy Basic Provisions (Basic Provisions), which contain standard terms and conditions common to most crop ***programs***. The intended effect of this action is to convert the Cultivated Clam pilot crop insurance ***program*** to a regulatory insurance ***program*** for the 2019 and succeeding crop ***years***. DATES: Effective date: This final rule is effective December 27, 2017. Applicability date: The changes are applicable for the 2019 and succeeding crop ***years***.

Comment due date: FCIC will accept written comments on this final rule until close of business January 26, 2018. FCIC may consider the comments received and may conduct additional rulemaking based on the comments. ADDRESSES: FCIC prefers that comments be submitted electronically through the Federal eRulemaking Portal. You may submit comments, identified by Docket ID No. FCIC-17-0003, by any of the following methods:  Federal eRulemaking Portal: [*http://www.regulations.gov*](http://www.regulations.gov) Follow the instructions for submitting comments.      Mail: Director, Actuarial and Product Design Division, Risk Management Agency, United States Department of ***Agriculture***, P.O Box 419205, Kansas City, MO 64141-6205.     FCIC will post all comments received, including those received by mail, without change to   [*http://www.regulations.gov*](http://www.regulations.gov), including any personal information provided. Once these comments are posted to this website, the public can access all comments at its convenience from this website. All comments must include the agency name and docket number or Regulatory Information Number (RIN) for this rule. For detailed instructions on submitting comments and additional information, see   [*http://www.regulations.gov*](http://www.regulations.gov) If interested persons are submitting comments electronically through the Federal eRulemaking Portal and want to attach a document, FCIC requests that the document attachment be in a text-based format. If interested persons want to attach a document that is a scanned Adobe PDF file, it must be scanned as text and not as an image, thus allowing FCIC to search and copy certain portions of the submissions. For questions regarding attaching a document that is a scanned Adobe PDF file, please contact the Risk Management Agency (RMA) Web Content Team at (816) 823-4694 or by email at [*rmaweb.content@rma.usda.gov*](mailto:rmaweb.content@rma.usda.gov)     Privacy Act: Anyone is able to search the electronic form of all comments received for any dockets by the name of the individual submitting the comment (or signing the comment, if submitted on behalf of an association, business, labor union, etc.). You may review the complete User Notice and Privacy Notice for Regulations.gov at   [*http://www.regulations.gov/#!privacyNotice*](http://www.regulations.gov/#!privacyNotice).

FOR FURTHER INFORMATION CONTACT: Ron Lundine, Director, Product Management, Actuarial and Product Design Division, Risk Management Agency, United States Department of ***Agriculture***, Beacon Facility, Stop 0812, Room 421, P.O Box 419205, Kansas City, MO 64141-6205, telephone (816) 926-3854.

SUPPLEMENTARY INFORMATION:

Background

    FCIC offered a pilot crop insurance ***program*** for cultivated clams beginning with the 1999 crop ***year***. The ***program*** is offered in nine counties in Massachusetts, South Carolina, and Virginia. After a ***program*** evaluation, in 2014 the FCIC's Board of Directors authorized the Cultivated Clam Pilot Crop Insurance ***Program*** to be converted from a pilot to a permanent ***program*** in Massachusetts, South Carolina, and Virginia. For the 2016 crop ***year***, 42 policies were sold and 352,563,049 clams were insured in Massachusetts, South Carolina, and Virginia. This rule will add the Cultivated Clam ***Program*** to the Code of Federal Regulations.     The FCIC is issuing this final rule without opportunity for prior notice and comment. The Administrative Procedure Act (APA) exempts rules ``relating to agency management or personnel or to public property, loans, grants, benefits, or contracts'' from the statutory requirement for prior notice and opportunity for public comment (5 U.S.C 553(a)(2)). A Federal crop insurance policy is a contract and is thus exempt from APA notice-and-comment procedures. Previously, changes made to the Federal crop insurance policies codified in the Code of Federal Regulations were required to be implemented through the notice- and-comment rulemaking process. Such action was not required by the APA, which exempts contracts. Rather, the requirement originated with a notice USDA published in the Federal Register on July 24, 1971 (36 FR 13804), stating that the Department of ***Agriculture*** would, to the maximum extent practicable, use the notice-and-comment rulemaking process when making ***program*** changes, including those involving contracts. FCIC complied with this notice over the subsequent ***years***. On October 28, 2013, USDA published a notice in the Federal Register (78 FR 64194) rescinding the prior notice, thereby making contracts again exempt from the notice-and-comment rulemaking process. This exemption applies to the 30-day notice prior to implementation of a rule. Therefore, the policy changes made by this final rule are effective upon publication in the Federal Register.     However, FCIC is providing a 30-day comment period and invites interested persons to participate in this rulemaking by submitting written comments. FCIC may consider the comments received and may conduct additional rulemaking based on the comments.

Executive Orders 12866, 13563, 13771 and 13777

    Executive Order 12866, ``Regulatory Planning and Review,'' and Executive Order 13563, ``Improving Regulation and Regulatory Review,'' direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). Executive Order 13563 emphasized the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. Executive Order 13777, ``Enforcing the Regulatory Reform Agenda,'' established a federal policy to alleviate unnecessary regulatory burdens on the American people. The Office of Management and Budget (OMB) designated this rule as not significant under Executive Order 12866, ``Regulatory Planning and Review,'' and therefore, OMB has not reviewed this rule. The rule is not subject to Executive Order 13771,

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``Reducing Regulation and Controlling Regulatory Costs.''

Paperwork Reduction Act of 1995

    Pursuant to the provisions of the Paperwork Reduction Act of 1995 (44 U.S.C chapter 35, subchapter I), the collections of information in this rule have been approved by OMB under control number 0563-0053.

E-Government Act Compliance

    FCIC is committed to complying with the E-Government Act of 2002, to promote the use of the internet and other information technologies to provide increased opportunities for citizen access to Government information and services, and for other purposes.

Unfunded Mandates Reform Act of 1995

    Title II of the Unfunded Mandates Reform Act of 1995 (UMRA), establishes requirements for Federal agencies to assess the effects of their regulatory actions on State, local, and tribal governments and the private sector. This rule contains no Federal mandates (under the regulatory provisions of title II of the UMRA) for State, local, and tribal governments or the private sector. Therefore, this rule is not subject to the requirements of sections 202 and 205 of UMRA.

Executive Order 13132

    It has been determined under section 1(a) of Executive Order 13132, Federalism, that this rule does not have sufficient implications to warrant consultation with the States. The provisions contained in this rule will not have a substantial direct effect on States, or on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government.

Executive Order 13175

    This rule has been reviewed in accordance with the requirements of Executive Order 13175, ``Consultation and Coordination with Indian Tribal Governments.'' Executive Order 13175 requires Federal agencies to consult and coordinate with tribes on a government-to-government basis on policies that have tribal implications, including regulations, legislative comments or proposed legislation, and other policy statements or actions that have substantial direct effects on one or more Indian tribes, on the relationship between the Federal Government and Indian tribes or on the distribution of power and responsibilities between the Federal Government and Indian tribes.     The Federal Crop Insurance Corporation has assessed the impact of this rule on Indian tribes and determined that this rule does not, to our knowledge, have tribal implications that require tribal consultation under E.O 13175. If a Tribe requests consultation, the Federal Crop Insurance Corporation will work with the Office of Tribal Relations to ensure meaningful consultation is provided where changes, additions and modifications identified herein are not expressly mandated by Congress.

Regulatory Flexibility Act

    FCIC certifies that this regulation will not have a significant economic impact on a substantial number of small entities. ***Program*** requirements for the Federal crop insurance ***program*** are the same for all producers regardless of the size of their farming operation. For instance, all producers are required to submit an application and acreage report to establish their insurance guarantees and compute premium amounts, and all producers are required to submit a notice of loss and production information to determine the indemnity amount for an insured cause of crop loss. Whether a producer has 10 acres or 1000 acres, there is no difference in the kind of information collected. To ensure crop insurance is available to small entities, the Federal Crop Insurance Act (FCIA) authorizes FCIC to waive collection of administrative fees from limited resource farmers. FCIC believes this waiver helps to ensure that small entities are given the same opportunities as large entities to manage their risks through the use of crop insurance. A Regulatory Flexibility Analysis has not been prepared since this regulation does not have a significant impact on a substantial number of small entities, and, therefore, this regulation is exempt from the provisions of the Regulatory Flexibility Act (5 U.S.C 605).

Federal Assistance ***Program***

    This ***program*** is listed in the Catalog of Federal Domestic Assistance under No. 10.450

Executive Order 12372

    This ***program*** is not subject to the provisions of Executive Order 12372, which require intergovernmental consultation with State and local officials. See 2 CFR part 415, subpart C.

Executive Order 12988

    This rule has been reviewed in accordance with Executive Order 12988 on civil justice reform. The provisions of this rule will not have a retroactive effect. The provisions of this rule will preempt State and local laws to the extent such State and local laws are inconsistent herewith. With respect to any direct action taken by FCIC or action by FCIC directing the insurance provider to take specific action under the terms of the crop insurance policy, the administrative appeal provisions published at 7 CFR part 11 must be exhausted before any action against FCIC for judicial review may be brought.

Environmental Evaluation

    This action is not expected to have a significant impact on the quality of the human environment, health, or safety. Therefore, neither an Environmental Assessment nor an Environmental Impact Statement is needed.

List of Subjects in 7 CFR Part 457

    Crop insurance, Cultivated clam, Reporting and recordkeeping requirements.

Final Rule

    Accordingly, as set forth in the preamble, the Federal Crop Insurance Corporation amends 7 CFR part 457, applicable for the 2019 and succeeding crop ***years***, as follows:

PART 457--COMMON CROP INSURANCE REGULATIONS

0 1. The authority citation for 7 CFR part 457 continues to read as follows:

    Authority:  7 U.S.C 1506(l), 1506(o).

0 2. Section 457.176 is added to read as follows:

Sec.  457.176   Cultivated clam crop insurance provisions.

    The cultivated clam crop provisions for the 2019 and succeeding crop ***years*** are as follows:     FCIC policies:

United States Department of ***Agriculture***

Federal Crop Insurance Corporation

Cultivated Clam Crop Provisions

1. Definitions.     Amount of insurance. For each basic unit, your inventory value multiplied by the coverage level percentage you elect, and multiplied by your share. However, for catastrophic risk protection policies, amount of insurance is your inventory value multiplied by the coverage level percentage you elect (for CAT coverage the level is limited to 50 percent), multiplied by your share, and multiplied by 55 percent. Your accumulated paid indemnities during the crop ***year*** for each basic or optional

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unit may not exceed your amount of insurance.     Basic unit value before loss. The stage value of all undamaged insurable clams, in the basic unit or, if elected, all optional units combined, immediately prior to the occurrence of any loss as determined by our appraisal. This allows the amount of insurance under the policy to be prorated among the individual units based on the actual value of the clams in the unit at the time of loss. It is also the basis for determining whether or not an indemnity is due. This value is used to ensure that you have not under-reported your clam inventory value.     Clam. A cultivated Mercenaria mercenaria (quahog).     Crop ***year***. The twelve-month period beginning December 1 and extending through November 30 of the next ***calendar*** ***year***, designated by the ***calendar*** ***year*** in which insurance ends.     Crop ***year*** deductible. The deductible percentage multiplied by the sum of the inventory values within each basic unit. The crop ***year*** deductible will be increased for any increases in the inventory value on the inventory value report. The crop ***year*** deductible will be reduced by any previously incurred deductible if you timely report each loss to us.     Deductible percentage. An amount equal to 100 percent minus the percent of coverage you select. The percentage is 50 percent for catastrophic risk protection coverage.     Disease. Any pathogen or group of pathogens, parasitic infestation or plague verified by an aquaculture pathologist and shown to be a primary cause to the death of the insured clams.     Freeze. The formation of ice in the cells of the animal caused by low air temperatures.     Global Positioning System (GPS). A space based radio position, navigation, and time ***transfer*** system involving satellites and computers to determine the latitude and longitude of a receiver on Earth by computing the time difference for signals from different satellites to reach the receiver and referenced in the Special Provisions.     Growing location. A lease parcel, permit or licensed area, whose boundaries are readily discernable above the water, and identified on a map that shows enough detail to distinguish seeded areas within the site.     Growout bag. A mesh bag used throughout the growing season to contain clams when placed in the appropriate growing medium and as further defined by the Special Provisions.     Harvest. Removal of marketable clams from the unit. Clams that are removed from the growing location but not of sufficient size to be marketable are not considered harvested if returned to the growing location.     Ice floe. Floating ice formed in sheets on the sea surface.     Inventory value. The total of the stage values from the inventory value report.     Inventory value report. Your report that declares the stage values of insurable clams in accordance with section 6. See the Cultivated Clam Insurance Standards Handbook, Exhibit 5 for the inventory value report completion instructions and form.     Land. The land under a body of water suitable for planting clams and the column of water above the land if designated and controlled by state law.     Lease. A contract that grants use of land in or assigned to a county for a specified term and for a specified ***payment*** and provides the lessee with the exclusive use of the land to plant clams.     Lease parcel. A legally identifiable tract or plot of land covered by a lease, permit, or license.     License. Official or legal permission that grants use of land in or assigned to a county for a specified term and provides the licensee with the exclusive use of the land to plant clams.     Non-contiguous. In lieu of the definition in the Basic Provisions, separately-named, high-density aquaculture lease sites or shellfish sites are considered non-contiguous, unless limited by the Special Provisions. Individual land parcels within such sites are not considered non-contiguous.     Occurrence deductible.     (a) This deductible allows a smaller deductible than the crop ***year*** deductible to be used when:     (1) Inventory values are less than the reported basic unit value; or     (2) You have elected optional units, if applicable.     (b) The occurrence deductible is the lesser of:     (1) The deductible percentage multiplied by the unit value before loss multiplied by the under-report factor; or     (2) The crop ***year*** deductible.     Permit. A document giving official or legal permission to use land in or assigned to a county for a specified term and provides the permittee with the exclusive use of the land to plant clams.     Planting. The placing of seed clams into the appropriate growing medium for the practice specified.     Pollution. The presence in the water of a substance that directly causes death of the clams. The substance shall not be parasitical, bacterial, fungal or viral, or any substance used by you for medicinal purposes. Pollution will also include any increase or decrease in the content of any normal soluble or insoluble constituent of water including mud and silt, feed residues, solid or liquid fish wastes, dissolved gases and any other substance normally present in the water of the lease parcel.     Practical to replant. In lieu of the definition of ``Practical to replant'' contained in section 1 of the Basic Provisions, unless limited by the Special Provisions, practical to replant is defined as our determination, after loss or damage to the insured crop, based on factors including, but not limited to the causes of loss listed in section 10 of these provisions, that replanting the insured crop will allow the crop to develop normally during the remainder of the crop ***year***. Unavailability of seed clams will not be considered a valid reason for failure to replant.     Practice. The cultural methods of producing clams such as trays, mesh bags, round pens, lantern nets or bottom planting.     Replant. Unless limited by the Special Provisions, performing the cultural practices necessary to prepare for replacement of insurable clams that were destroyed by an insurable cause of loss and then placing living insurable clams into mesh bags or pens, or seeding them into prepared growout beds, bottom culture, bottom trays, or floating trays on insurable acreage.     Salinity. The dissolved solids (typically salts such as chloride, sodium, and potassium) in ocean water expressed as parts per thousand.     Seed clam.     (a) For clams placed in a field nursery or a nursery bag--a clam that is a minimum of 5 millimeters, measured at the longest shell distance that is parallel to the hinge.     (b) For all others--a clam which is a minimum of 10 millimeters, measured at the longest shell distance that is parallel to the hinge.     Separately named high-density aquaculture lease site. The submerged subdivided land under a body of water suitable for the cultivation of clams and identified and named separately by the Division of Marine Resources or similar regulatory agency.     Shellfish harvest ban. A State or Federal order that prohibits harvesting clams for human food in areas where monitoring ***program*** data indicates that fecal material, pathogenic microorganisms, poisonous or deleterious substances, marine toxins, or radio nuclides have reached excessive concentrations.

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    Stage. Clams that have attained the size or age specified for stage 1, 2, 3, or 4 as defined in the Special Provisions.     Stage value. The dollar value of the inventory of all insurable clams at each stage based on the survival factors and the prices shown in the actuarial documents for such stages, in each unit on your inventory value report, including any revision that increases the value of your insurable inventory.     Storm surge. A significant increase or decrease in water depth relative to normal tides that is caused by a strong, continuous and prolonged strong flow of onshore or offshore winds.     Survival factor. A factor shown on the actuarial documents that represents the expected percentage of clams that will normally survive. If you provide production records for three consecutive ***years***, your records will be used in lieu of the factor contained in the actuarial document to determine the survival factor. The survival factor is applied at the time of inventory and is not applied a second time to the same inventory when a loss occurs. Clams that are seeded subsequent to the annual inventory value report must be adjusted by the survival factor.     Tidal wave. A large water wave, wave train, or a series of waves, generated in a body of water by an impulsive disturbance that vertically displaces the water column or a destructive type of wave motion in seas and oceans, associated with either strong winds or underwater earthquakes.     Under-report factor. The factor that adjusts your indemnity for under-reporting of inventory values. The factor is always used in determining any indemnities. The under-report factor is the lesser of: (a) 1.000; or (b) the sum of all stage values reported on all the inventory value reports, minus the total of all previous losses, as adjusted by any previous under-reporting factors, divided by the basic unit value before loss.     Unit value after loss. The value of the remaining insurable clams in each basic or optional unit based on the percentage of the reference maximum dollar amount contained in the actuarial documents, immediately following the occurrence of a loss as determined by our appraisal, plus any reduction in value due to uninsured causes. This is used to determine the loss of value for each individual unit so that losses can be paid on an individual unit basis, optional or basic, as applicable.     Unit value before loss. The stage value of undamaged insurable clams in the basic or optional unit, as applicable, immediately prior to the loss occurrence. The determined value will include the number of seeded and harvested clams and stages that existed on the date of the inventory value report, adjusted for changes in accordance with subparagraph 22A(2) of the Insurance Standards Handbook, including but not limited to; the reference maximum dollar amount contained in the actuarial documents; and the applicable survival factors. This allows the amount of insurance under the policy to be divided among the individual units in accordance with the value of the clams in the unit at the time of loss for determining whether you are entitled to an indemnity for insured losses in the unit, optional or basic, as applicable. Clams that are seeded subsequent to the annual inventory value report being submitted must be adjusted by the survival factor before they are added to the beginning inventory during the process of establishing the ``Unit value before loss.'' 2. Unit Division     (a) In addition to the definition of basic unit contained in section 1 of the Basic     Provisions, a basic unit may be divided into optional units in accordance with section 2(b). Note that even if you elect optional unit coverage, amount of insurance, crop ***year*** deductible, under-report factor, premium, and the total amount of indemnity payable under this policy will be controlled by the basic unit value before loss.     (b) If you elect the additional level of coverage, for an additional premium, inventory that would otherwise be a basic unit may, unless limited by the Special Provisions, be divided into optional units by non-contiguous lease parcels. Additional optional units may also be authorized in the Special Provisions. If you elect optional units, you must provide separate inventory reports for each unit and keep all records of seeding, harvest, and uninsured losses separately by unit.     (c) Failure to keep or report separate records will result in all optional unit inventories under a basic unit being combined in a basic unit at loss time.     (d) If you elect optional units, your amount of insurance will be divided among optional units in relation to unit value before loss of clams in each optional unit. If, at the time of loss, the aggregate value of the clams in your optional units exceeds your basic unit inventory value, you will be subject to the under-report factor provisions. 3. Amount of Insurance     (a) In addition to the requirements of section 3 of the Basic Provisions, you may only select one coverage level percentage for all clams, regardless of their stage, insured under this policy.     (b) Your amount of insurance will be reduced by the amount of any indemnity paid under this policy.     (c) For an additional premium, you may increase your amount of insurance in accordance with section 6(d).     (d) The production reporting requirements contained in section 3 of the Basic Provisions are not applicable.     (e) For seeded clams, the amount of insurance is the product of the reference maximum dollar amount of insurance and the fraction of the maximum value associated with the applicable stage multiplied by the coverage level selected multiplied by your share. 4. Contract Changes     In accordance with section 4 of the Basic Provisions, the contract change date is August 31 of each ***year***, or as specified in the actuarial documents. 5. Cancellation and Termination Dates     In accordance with section 2 of the Basic Provisions, the cancellation and termination dates are November 30, or as specified in the actuarial documents. 6. Clam Inventory Value Report     In lieu of section 6 of the Basic Provisions:     (a) For insurance to attach for the crop ***year***, you must submit an inventory value report to us with your application and for each subsequent crop ***year***, not later than November 30 preceding the crop ***year***, or by the date specified in the Special Provisions.     (b) The inventory value report must be submitted ***yearly*** and include, for each basic or optional unit all growing locations, the stages of the clams and the stage values, and your share by growing location.     (1) The inventory value must also reflect the stages as shown in the Special Provisions.     (2) At our option and at any time, you may be required to provide documentation in support of any of your reports, including, but not limited to, a detailed listing of growing locations, unit values, the numbers and the sizes of clams seeded or placed for grow-out; your share, sales of clams and purchases of seed clams for the 3 previous crop ***years***, and of your ability to properly obtain and maintain clams.     (3) For catastrophic level policies only, you must report your clam sales for the previous crop ***year*** on the clam inventory value report. You may be

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required to provide documentation to support such sales.     (c) Your inventory value report, including any revised report, will be used to determine your premium and amount of insurance.     (d) If allowed for in the Special Provisions you may revise your inventory value report to increase the reported inventory value. We may inspect the inventory. Your revised inventory value report, if allowed by the Special Provisions, will be considered accepted by us and coverage will begin on any proposed increase in inventory value at the later of December 1, the date shown in the Special Provisions, or 30 days after your written request is received by us, unless we reject the proposed increase in your inventory value in writing. We will reject any requested increase if a loss occurs before the later of December 1, the date shown in the Special Provisions, or within 30 days of the date the request is made.     (e) Failure to report the full value of your stage value will result in the reduction of any claim in accordance with section 14(d).     (f) For catastrophic insurance coverage only: Your inventory value report for all clams cannot exceed the lesser of the value from section 6(b) or the percent shown on the actuarial documents of your previous ***year***'s sales of clams unless you provide acceptable records to prove your actual inventory value.     (g) Your inventory value report must reflect your insurable clam inventory according to the prices contained in the actuarial documents. In no instance will we be liable for values greater than those contained in the actuarial documents.     (h) You must report all clams on the unit including any clams owned or subleased by other individuals or entities.     (i) No application or inventory value reports, except revisions, will be accepted after November 30, unless otherwise provided in the Special Provisions. 7. Premium     (a) In lieu of section 7(c) of the Basic Provisions, we will determine your premium by multiplying the amount of insurance by the appropriate premium rate and by the premium adjustment factors listed on the actuarial documents.     (b) Additional premium from an increase in the inventory value report is due and payable when we accept the revised inventory value report.     (c) In addition to the provisions in section 7 of the Basic Provisions, the premium will be adjusted for partial crop ***years*** for the ***year*** of seeding and for clam leases you acquire. Premium will be charged for the entire month, as shown in the actuarial documents, for any month during which any amount of coverage is provided. 8. Insured Crop     In lieu of the provisions of section 8 and section 9 of the Basic Provisions, the insured crop is all the clams in the county that:     (a) Meet all the requirements for insurability and for which prices are provided in the actuarial documents;     (b) Are acceptable to us;     (c) Are grown by a person, who in at least three of the five previous crop ***years***:     (1) Grew clams for commercial sale; and     (2) Participated in the management of a clam farming operation by at least exercising decision-making authority over all operational aspects of the farm.     (d) Are grown in a county for which a premium rate is provided in the actuarial documents;     (e) Are in a growing location acceptable to us and for which you provided GPS coordinates with your clam inventory value report in accordance with the Special Provisions; and     (f) Use a practice that fixes the insurable clams to the land within the growing location. 9. Insurance Period     (a) In accordance with section 11 of the Basic Provisions, coverage begins the later of:     (1) The date the pre-acceptance inspection, if applicable, is complete unless we notify you that your inventory is not insurable; or     (2) If your inventory is insurable:     (i) On December 1 for new applications, when the application and the inventory value report are submitted by October 30;     (ii) On the 31st day following the date of submission for new applications, when the application and the inventory value report are submitted between November 1 and 30;     (iii) On December 1 for policies continued from the prior ***year*** if the inventory value report is submitted by October 30;     (iv) On the 31st day following the date of submission of the inventory value report for policies continued from the prior ***year*** when the inventory value report is submitted between November 1 and 30; and     (v) However, you acquire a financial interest in any insurable clams after coverage begins, but after December 1 of the crop ***year***, and our inspection determines that the clams are acceptable, insurance will be considered to have attached to such clams 30 days after a revised inventory report is accepted by us indicating the stage value of the acquired clams; or     (vi) On the date contained in the Special Provisions.     (b) Insurance ends at the earliest of:     (1) The date of final adjustment of a loss when the total indemnities due equal the amount of insurance;     (2) November 30; or     (3) A date specified in the Special Provisions. (c) Insurance ceases immediately on any clams removed from the unit. 10. Causes of Loss     (a) In accordance with the provisions of section 12 of the Basic Provisions, insurance is provided for the death of clams caused only by the following causes of loss that occur within the insurance period unless otherwise limited by the Special Provisions:     (1) Oxygen depletion due to vegetation, microbial activity, harmful algae bloom, or high water temperature unless otherwise limited by the Special Provisions;     (2) Disease, if medication does not exist for control of the disease;     (3) Freeze;     (4) Hurricane;     (5) Decrease in salinity associated with a weather event verified by National Oceanic & Atmospheric Administration (NOAA) or United States Geologic Survey (USGS) or as otherwise defined in the Special Provisions;     (6) Tidal wave;     (7) Storm surge that is associated with a local weather event and verified by NOAA or USGS; or     (8) Ice floe.     (b) In addition to the causes of loss excluded in section 12 of the Basic Provisions, we do not insure against any loss caused by:     (1) Your inability to market clams as a direct result of quarantine, shellfish harvest ban, boycott, or refusal of a buyer to accept production;     (2) Collapse or failure of buildings or structures;     (3) Loss of market value;     (4) Vandalism;     (5) Theft;     (6) Pollution;     (7) Predation (unless allowed by the Special Provisions);     (8) Dredging;     (9) Any cause of loss that occurred prior to or after the insurance period;     (10) Any unexplained shortages or disappearance of inventory; or

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    (11) Failure of the clam to grow to a marketable size. 11. Replanting ***Payments***     Unless otherwise stated in the Special Provisions:     (a) In accordance with the provisions contained in section 13 of the Basic Provisions, a replanting ***payment*** is allowed for insurable clams if death of the clams was due to an insurable cause of loss.     (b) The maximum amount of the replanting ***payment*** will be the lesser of your actual cost of replanting or the result obtained by multiplying the replanting ***payment*** amount contained in the Special Provisions by your insured share.     (c) Notwithstanding the provisions of section 13 of the Basic Provisions, only one replanting ***payment*** will be made per lease parcel planted within the crop ***year***.     (d) You may not collect a replant ***payment*** and an indemnity for the same loss. 12. Duties in the Event of Damage or Loss     In addition to your duties contained in section 14 of the Basic Provisions,     (a) You must obtain our written consent prior to changing or discontinuing your normal practices with respect to care and maintenance of the insured clams. Failure to obtain our written consent will result in the denial of your claim.     (b) If you are claiming disease as the cause of loss, you must prove at your own expense that the death of the clams was due to disease by isolating a sample of the clams and identifying the disease following histological or pathological examination conducted by a veterinarian who is a certified fish pathologist or a person approved by us. 13. Access to Insured Crop and Records, and Records Retention     In addition to the requirements of section 21 of the Basic Provisions, you must permit us to inspect the insurable clams at any time and take samples of damaged and undamaged clams for inspection, testing, and analysis, and examine and make copies of your records. 14. Settlement of Claim     We will determine indemnities for any unit as follows:     (a) Determine the under-report factor for the basic unit;     (b) Determine the occurrence deductible;     (c) Subtract unit value after loss from unit value before loss;     (d) Multiply the result of 14(c) by the under-report factor;     (e) Subtract the occurrence deductible from the result in section 14(d); and     (f) If the result of section 14(e) is greater than zero, and subject to the limit of section 14(g);     (1) For other than catastrophic risk protection coverage, your indemnity equals the result of section 14(e), multiplied by your share.     (2) For catastrophic risk protection coverage, your indemnity equals the result of section 14(e) multiplied by 55 percent, multiplied by your share.     (g) The total of all indemnities for the crop ***year*** will not exceed the amount of insurance. 15. Written Agreements     The written agreement provisions in the Basic Provisions do not apply. 16. Late Planting     Provisions of section 16 of the Basic Provisions do not apply. 17. Prevented Planting     Provisions of section 17 of the Basic Provisions do not apply. 18. Loss Examples Single Unit Loss Example     Assume you have a 100 percent share, the inventory value reported by you is $100,000, and your coverage level is 75 percent. Your amount of insurance is $75,000 ($100,000 x .75). At the time of loss, unit value before loss is $95,000, unit value after loss is $30,000 and basic unit value before loss is $100,000. The deductible percentage is 25 percent (100-75), the crop ***year*** deductible is $25,000 (.25 x $100,000). Your indemnity would be calculated as follows:     Step (1) Determine the under-report factor; $100,000 / $95,000 = 1.000;     Step (2) Determine the occurrence deductible; .25 x $95,000 x 1.000 = $23,750;     Step (3) Calculate the difference between unit value before loss and unit value after loss; $95,000-$30,000 = $65,000;     Step (4) Result of step 3 multiplied by the underreport factor (step 1); $65,000 x 1.000 = $65,000;     Step (5) Result of step 4 minus the occurrence deductible; $65,000- $23,750 = $41,250;     Step (6) Result of step 5 multiplied by your share; $41,250 x 1.000 = $41,250 indemnity ***payment***. Multiple Unit Multiple Loss Example     Assume you have a 100 percent share, the inventory value reported by you is $100,000, and your coverage level is 75 percent. You have two optional units, unit 1 and unit 2. Your amount of insurance is $75,000 ($100,000 x .75). You have a loss on unit 1 and no loss on unit 2. At the time of loss, unit value before loss on unit 1 is $60,000, unit value after loss on unit 1 is $18,000 and basic unit value before loss is $125,000. The deductible percentage is 25 percent (100-75), the crop ***year*** deductible is $25,000 (.25 x $100,000). Your indemnity would be calculated as follows:     Step (1) Determine the under-report factor; $100,000 / $125,000 = .80;     Step (2) Determine the occurrence deductible; .25 x $60,000 x .80 = $12,000;     Step (3) Calculate the difference between unit value before loss and unit value after loss; $60,000-$18,000 = $42,000;     Step (4) Result of step 3 multiplied by the underreport factor (step 1); $42,000 x .80 = $33,600;     Step (5) Result of step 4 minus the occurrence deductible; $33,600- $12,000 = $21,600;     Step (6) Result of step 5 multiplied by your share; $21,600 x 1.000 = $21,600 indemnity ***payment***.     Your crop ***year*** deductible is reduced to $13,000 ($25,000-$12,000). Your amount of insurance is reduced to $53,400 ($75,000-$21,600). You do not restock unit 1 after the first loss. Values on unit 2 do not change from those measured at the time of the loss on unit 1. Assume you have a loss later in the crop ***year*** on unit 2. Unit value before loss on unit 2 is $65,000, unit value after loss on unit 2 is $0.00 and basic unit value before loss on the basic unit is $83,000. Your loss would be determined as follows:     Step (1) Determine the remaining amount of insurance; $100,000- $33,600 = $66,400;     Step (2) Determine the under-report factor; $66,400 / $83,000 = .800;     Step (3) Determine the occurrence deductible; $25,000-$12,000 = $13,000;     Step (4) Calculate the difference between unit value before loss and unit value after loss; $65,000-$0.00 = $65,000;     Step (5) Result of step 4 multiplied by the underreport factor (step 2); $65,000 x .800 = $52,000;     Step (6) Result of step 5 minus the occurrence deductible; $52,000- $13,000 = $39,000;     Step (7) Result of step 6 multiplied by your share; $39,000 x 1.000 = $39,000 indemnity ***payment***.

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    Signed in Washington, DC, on December 19, 2017. Heather Manzano, Acting Manager, Federal Crop Insurance Corporation. [FR Doc. 2017-27894 Filed 12-26-17; 8:45 am]  BILLING CODE 3410-08-P

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**End of Document**



[***FEDERAL REGISTER: Common Crop Insurance Regulations; Cultivated Clam Crop Insurance Provisions Pages 61134 - 61140 [FR DOC # 2017-27894]***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5R8R-X2Y1-JDG9-Y1S8-00000-00&context=1516831)

Impact News Service

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**Body**

Washington: Office of the Federal Register has issued the following notice:

DEPARTMENT OF ***AGRICULTURE*** Federal Crop Insurance Corporation 7 CFR Part 457 [Docket No. FCIC-17-0003] RIN 0563-AC59 Common Crop Insurance Regulations; Cultivated Clam Crop Insurance Provisions AGENCY: Federal Crop Insurance Corporation, USDA. ACTION: Final rule with request for comments. ----------------------------------------------------------------------- SUMMARY: The Federal Crop Insurance Corporation (FCIC) amends the Common Crop Insurance Regulations to provide Cultivated Clam insurance. The provisions will be used in conjunction with the Common Crop Insurance Policy Basic Provisions (Basic Provisions), which contain standard terms and conditions common to most crop ***programs***. The intended effect of this action is to convert the Cultivated Clam pilot crop insurance ***program*** to a regulatory insurance ***program*** for the 2019 and succeeding crop ***years***. DATES: Effective date: This final rule is effective December 27, 2017. Applicability date: The changes are applicable for the 2019 and succeeding crop ***years***.

Comment due date: FCIC will accept written comments on this final rule until close of business January 26, 2018. FCIC may consider the comments received and may conduct additional rulemaking based on the comments. ADDRESSES: FCIC prefers that comments be submitted electronically through the Federal eRulemaking Portal. You may submit comments, identified by Docket ID No. FCIC-17-0003, by any of the following methods:  Federal eRulemaking Portal: [*http://www.regulations.gov*](http://www.regulations.gov) Follow the instructions for submitting comments.      Mail: Director, Actuarial and Product Design Division, Risk Management Agency, United States Department of ***Agriculture***, P.O Box 419205, Kansas City, MO 64141-6205.     FCIC will post all comments received, including those received by mail, without change to   [*http://www.regulations.gov*](http://www.regulations.gov), including any personal information provided. Once these comments are posted to this website, the public can access all comments at its convenience from this website. All comments must include the agency name and docket number or Regulatory Information Number (RIN) for this rule. For detailed instructions on submitting comments and additional information, see   [*http://www.regulations.gov*](http://www.regulations.gov) If interested persons are submitting comments electronically through the Federal eRulemaking Portal and want to attach a document, FCIC requests that the document attachment be in a text-based format. If interested persons want to attach a document that is a scanned Adobe PDF file, it must be scanned as text and not as an image, thus allowing FCIC to search and copy certain portions of the submissions. For questions regarding attaching a document that is a scanned Adobe PDF file, please contact the Risk Management Agency (RMA) Web Content Team at (816) 823-4694 or by email at [*rmaweb.content@rma.usda.gov*](mailto:rmaweb.content@rma.usda.gov)     Privacy Act: Anyone is able to search the electronic form of all comments received for any dockets by the name of the individual submitting the comment (or signing the comment, if submitted on behalf of an association, business, labor union, etc.). You may review the complete User Notice and Privacy Notice for Regulations.gov at   [*http://www.regulations.gov/#!privacyNotice*](http://www.regulations.gov/#!privacyNotice).

FOR FURTHER INFORMATION CONTACT: Ron Lundine, Director, Product Management, Actuarial and Product Design Division, Risk Management Agency, United States Department of ***Agriculture***, Beacon Facility, Stop 0812, Room 421, P.O Box 419205, Kansas City, MO 64141-6205, telephone (816) 926-3854.

SUPPLEMENTARY INFORMATION:

Background

    FCIC offered a pilot crop insurance ***program*** for cultivated clams beginning with the 1999 crop ***year***. The ***program*** is offered in nine counties in Massachusetts, South Carolina, and Virginia. After a ***program*** evaluation, in 2014 the FCIC's Board of Directors authorized the Cultivated Clam Pilot Crop Insurance ***Program*** to be converted from a pilot to a permanent ***program*** in Massachusetts, South Carolina, and Virginia. For the 2016 crop ***year***, 42 policies were sold and 352,563,049 clams were insured in Massachusetts, South Carolina, and Virginia. This rule will add the Cultivated Clam ***Program*** to the Code of Federal Regulations.     The FCIC is issuing this final rule without opportunity for prior notice and comment. The Administrative Procedure Act (APA) exempts rules ``relating to agency management or personnel or to public property, loans, grants, benefits, or contracts'' from the statutory requirement for prior notice and opportunity for public comment (5 U.S.C 553(a)(2)). A Federal crop insurance policy is a contract and is thus exempt from APA notice-and-comment procedures. Previously, changes made to the Federal crop insurance policies codified in the Code of Federal Regulations were required to be implemented through the notice- and-comment rulemaking process. Such action was not required by the APA, which exempts contracts. Rather, the requirement originated with a notice USDA published in the Federal Register on July 24, 1971 (36 FR 13804), stating that the Department of ***Agriculture*** would, to the maximum extent practicable, use the notice-and-comment rulemaking process when making ***program*** changes, including those involving contracts. FCIC complied with this notice over the subsequent ***years***. On October 28, 2013, USDA published a notice in the Federal Register (78 FR 64194) rescinding the prior notice, thereby making contracts again exempt from the notice-and-comment rulemaking process. This exemption applies to the 30-day notice prior to implementation of a rule. Therefore, the policy changes made by this final rule are effective upon publication in the Federal Register.     However, FCIC is providing a 30-day comment period and invites interested persons to participate in this rulemaking by submitting written comments. FCIC may consider the comments received and may conduct additional rulemaking based on the comments.

Executive Orders 12866, 13563, 13771 and 13777

    Executive Order 12866, ``Regulatory Planning and Review,'' and Executive Order 13563, ``Improving Regulation and Regulatory Review,'' direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). Executive Order 13563 emphasized the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. Executive Order 13777, ``Enforcing the Regulatory Reform Agenda,'' established a federal policy to alleviate unnecessary regulatory burdens on the American people. The Office of Management and Budget (OMB) designated this rule as not significant under Executive Order 12866, ``Regulatory Planning and Review,'' and therefore, OMB has not reviewed this rule. The rule is not subject to Executive Order 13771,

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``Reducing Regulation and Controlling Regulatory Costs.''

Paperwork Reduction Act of 1995

    Pursuant to the provisions of the Paperwork Reduction Act of 1995 (44 U.S.C chapter 35, subchapter I), the collections of information in this rule have been approved by OMB under control number 0563-0053.

E-Government Act Compliance

    FCIC is committed to complying with the E-Government Act of 2002, to promote the use of the internet and other information technologies to provide increased opportunities for citizen access to Government information and services, and for other purposes.

Unfunded Mandates Reform Act of 1995

    Title II of the Unfunded Mandates Reform Act of 1995 (UMRA), establishes requirements for Federal agencies to assess the effects of their regulatory actions on State, local, and tribal governments and the private sector. This rule contains no Federal mandates (under the regulatory provisions of title II of the UMRA) for State, local, and tribal governments or the private sector. Therefore, this rule is not subject to the requirements of sections 202 and 205 of UMRA.

Executive Order 13132

    It has been determined under section 1(a) of Executive Order 13132, Federalism, that this rule does not have sufficient implications to warrant consultation with the States. The provisions contained in this rule will not have a substantial direct effect on States, or on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government.

Executive Order 13175

    This rule has been reviewed in accordance with the requirements of Executive Order 13175, ``Consultation and Coordination with Indian Tribal Governments.'' Executive Order 13175 requires Federal agencies to consult and coordinate with tribes on a government-to-government basis on policies that have tribal implications, including regulations, legislative comments or proposed legislation, and other policy statements or actions that have substantial direct effects on one or more Indian tribes, on the relationship between the Federal Government and Indian tribes or on the distribution of power and responsibilities between the Federal Government and Indian tribes.     The Federal Crop Insurance Corporation has assessed the impact of this rule on Indian tribes and determined that this rule does not, to our knowledge, have tribal implications that require tribal consultation under E.O 13175. If a Tribe requests consultation, the Federal Crop Insurance Corporation will work with the Office of Tribal Relations to ensure meaningful consultation is provided where changes, additions and modifications identified herein are not expressly mandated by Congress.

Regulatory Flexibility Act

    FCIC certifies that this regulation will not have a significant economic impact on a substantial number of small entities. ***Program*** requirements for the Federal crop insurance ***program*** are the same for all producers regardless of the size of their farming operation. For instance, all producers are required to submit an application and acreage report to establish their insurance guarantees and compute premium amounts, and all producers are required to submit a notice of loss and production information to determine the indemnity amount for an insured cause of crop loss. Whether a producer has 10 acres or 1000 acres, there is no difference in the kind of information collected. To ensure crop insurance is available to small entities, the Federal Crop Insurance Act (FCIA) authorizes FCIC to waive collection of administrative fees from limited resource farmers. FCIC believes this waiver helps to ensure that small entities are given the same opportunities as large entities to manage their risks through the use of crop insurance. A Regulatory Flexibility Analysis has not been prepared since this regulation does not have a significant impact on a substantial number of small entities, and, therefore, this regulation is exempt from the provisions of the Regulatory Flexibility Act (5 U.S.C 605).

Federal Assistance ***Program***

    This ***program*** is listed in the Catalog of Federal Domestic Assistance under No. 10.450

Executive Order 12372

    This ***program*** is not subject to the provisions of Executive Order 12372, which require intergovernmental consultation with State and local officials. See 2 CFR part 415, subpart C.

Executive Order 12988

    This rule has been reviewed in accordance with Executive Order 12988 on civil justice reform. The provisions of this rule will not have a retroactive effect. The provisions of this rule will preempt State and local laws to the extent such State and local laws are inconsistent herewith. With respect to any direct action taken by FCIC or action by FCIC directing the insurance provider to take specific action under the terms of the crop insurance policy, the administrative appeal provisions published at 7 CFR part 11 must be exhausted before any action against FCIC for judicial review may be brought.

Environmental Evaluation

    This action is not expected to have a significant impact on the quality of the human environment, health, or safety. Therefore, neither an Environmental Assessment nor an Environmental Impact Statement is needed.

List of Subjects in 7 CFR Part 457

    Crop insurance, Cultivated clam, Reporting and recordkeeping requirements.

Final Rule

    Accordingly, as set forth in the preamble, the Federal Crop Insurance Corporation amends 7 CFR part 457, applicable for the 2019 and succeeding crop ***years***, as follows:

PART 457--COMMON CROP INSURANCE REGULATIONS

0 1. The authority citation for 7 CFR part 457 continues to read as follows:

    Authority:  7 U.S.C 1506(l), 1506(o).

0 2. Section 457.176 is added to read as follows:

Sec.  457.176   Cultivated clam crop insurance provisions.

    The cultivated clam crop provisions for the 2019 and succeeding crop ***years*** are as follows:     FCIC policies:

United States Department of ***Agriculture***

Federal Crop Insurance Corporation

Cultivated Clam Crop Provisions

1. Definitions.     Amount of insurance. For each basic unit, your inventory value multiplied by the coverage level percentage you elect, and multiplied by your share. However, for catastrophic risk protection policies, amount of insurance is your inventory value multiplied by the coverage level percentage you elect (for CAT coverage the level is limited to 50 percent), multiplied by your share, and multiplied by 55 percent. Your accumulated paid indemnities during the crop ***year*** for each basic or optional

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unit may not exceed your amount of insurance.     Basic unit value before loss. The stage value of all undamaged insurable clams, in the basic unit or, if elected, all optional units combined, immediately prior to the occurrence of any loss as determined by our appraisal. This allows the amount of insurance under the policy to be prorated among the individual units based on the actual value of the clams in the unit at the time of loss. It is also the basis for determining whether or not an indemnity is due. This value is used to ensure that you have not under-reported your clam inventory value.     Clam. A cultivated Mercenaria mercenaria (quahog).     Crop ***year***. The twelve-month period beginning December 1 and extending through November 30 of the next ***calendar*** ***year***, designated by the ***calendar*** ***year*** in which insurance ends.     Crop ***year*** deductible. The deductible percentage multiplied by the sum of the inventory values within each basic unit. The crop ***year*** deductible will be increased for any increases in the inventory value on the inventory value report. The crop ***year*** deductible will be reduced by any previously incurred deductible if you timely report each loss to us.     Deductible percentage. An amount equal to 100 percent minus the percent of coverage you select. The percentage is 50 percent for catastrophic risk protection coverage.     Disease. Any pathogen or group of pathogens, parasitic infestation or plague verified by an aquaculture pathologist and shown to be a primary cause to the death of the insured clams.     Freeze. The formation of ice in the cells of the animal caused by low air temperatures.     Global Positioning System (GPS). A space based radio position, navigation, and time ***transfer*** system involving satellites and computers to determine the latitude and longitude of a receiver on Earth by computing the time difference for signals from different satellites to reach the receiver and referenced in the Special Provisions.     Growing location. A lease parcel, permit or licensed area, whose boundaries are readily discernable above the water, and identified on a map that shows enough detail to distinguish seeded areas within the site.     Growout bag. A mesh bag used throughout the growing season to contain clams when placed in the appropriate growing medium and as further defined by the Special Provisions.     Harvest. Removal of marketable clams from the unit. Clams that are removed from the growing location but not of sufficient size to be marketable are not considered harvested if returned to the growing location.     Ice floe. Floating ice formed in sheets on the sea surface.     Inventory value. The total of the stage values from the inventory value report.     Inventory value report. Your report that declares the stage values of insurable clams in accordance with section 6. See the Cultivated Clam Insurance Standards Handbook, Exhibit 5 for the inventory value report completion instructions and form.     Land. The land under a body of water suitable for planting clams and the column of water above the land if designated and controlled by state law.     Lease. A contract that grants use of land in or assigned to a county for a specified term and for a specified ***payment*** and provides the lessee with the exclusive use of the land to plant clams.     Lease parcel. A legally identifiable tract or plot of land covered by a lease, permit, or license.     License. Official or legal permission that grants use of land in or assigned to a county for a specified term and provides the licensee with the exclusive use of the land to plant clams.     Non-contiguous. In lieu of the definition in the Basic Provisions, separately-named, high-density aquaculture lease sites or shellfish sites are considered non-contiguous, unless limited by the Special Provisions. Individual land parcels within such sites are not considered non-contiguous.     Occurrence deductible.     (a) This deductible allows a smaller deductible than the crop ***year*** deductible to be used when:     (1) Inventory values are less than the reported basic unit value; or     (2) You have elected optional units, if applicable.     (b) The occurrence deductible is the lesser of:     (1) The deductible percentage multiplied by the unit value before loss multiplied by the under-report factor; or     (2) The crop ***year*** deductible.     Permit. A document giving official or legal permission to use land in or assigned to a county for a specified term and provides the permittee with the exclusive use of the land to plant clams.     Planting. The placing of seed clams into the appropriate growing medium for the practice specified.     Pollution. The presence in the water of a substance that directly causes death of the clams. The substance shall not be parasitical, bacterial, fungal or viral, or any substance used by you for medicinal purposes. Pollution will also include any increase or decrease in the content of any normal soluble or insoluble constituent of water including mud and silt, feed residues, solid or liquid fish wastes, dissolved gases and any other substance normally present in the water of the lease parcel.     Practical to replant. In lieu of the definition of ``Practical to replant'' contained in section 1 of the Basic Provisions, unless limited by the Special Provisions, practical to replant is defined as our determination, after loss or damage to the insured crop, based on factors including, but not limited to the causes of loss listed in section 10 of these provisions, that replanting the insured crop will allow the crop to develop normally during the remainder of the crop ***year***. Unavailability of seed clams will not be considered a valid reason for failure to replant.     Practice. The cultural methods of producing clams such as trays, mesh bags, round pens, lantern nets or bottom planting.     Replant. Unless limited by the Special Provisions, performing the cultural practices necessary to prepare for replacement of insurable clams that were destroyed by an insurable cause of loss and then placing living insurable clams into mesh bags or pens, or seeding them into prepared growout beds, bottom culture, bottom trays, or floating trays on insurable acreage.     Salinity. The dissolved solids (typically salts such as chloride, sodium, and potassium) in ocean water expressed as parts per thousand.     Seed clam.     (a) For clams placed in a field nursery or a nursery bag--a clam that is a minimum of 5 millimeters, measured at the longest shell distance that is parallel to the hinge.     (b) For all others--a clam which is a minimum of 10 millimeters, measured at the longest shell distance that is parallel to the hinge.     Separately named high-density aquaculture lease site. The submerged subdivided land under a body of water suitable for the cultivation of clams and identified and named separately by the Division of Marine Resources or similar regulatory agency.     Shellfish harvest ban. A State or Federal order that prohibits harvesting clams for human food in areas where monitoring ***program*** data indicates that fecal material, pathogenic microorganisms, poisonous or deleterious substances, marine toxins, or radio nuclides have reached excessive concentrations.

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    Stage. Clams that have attained the size or age specified for stage 1, 2, 3, or 4 as defined in the Special Provisions.     Stage value. The dollar value of the inventory of all insurable clams at each stage based on the survival factors and the prices shown in the actuarial documents for such stages, in each unit on your inventory value report, including any revision that increases the value of your insurable inventory.     Storm surge. A significant increase or decrease in water depth relative to normal tides that is caused by a strong, continuous and prolonged strong flow of onshore or offshore winds.     Survival factor. A factor shown on the actuarial documents that represents the expected percentage of clams that will normally survive. If you provide production records for three consecutive ***years***, your records will be used in lieu of the factor contained in the actuarial document to determine the survival factor. The survival factor is applied at the time of inventory and is not applied a second time to the same inventory when a loss occurs. Clams that are seeded subsequent to the annual inventory value report must be adjusted by the survival factor.     Tidal wave. A large water wave, wave train, or a series of waves, generated in a body of water by an impulsive disturbance that vertically displaces the water column or a destructive type of wave motion in seas and oceans, associated with either strong winds or underwater earthquakes.     Under-report factor. The factor that adjusts your indemnity for under-reporting of inventory values. The factor is always used in determining any indemnities. The under-report factor is the lesser of: (a) 1.000; or (b) the sum of all stage values reported on all the inventory value reports, minus the total of all previous losses, as adjusted by any previous under-reporting factors, divided by the basic unit value before loss.     Unit value after loss. The value of the remaining insurable clams in each basic or optional unit based on the percentage of the reference maximum dollar amount contained in the actuarial documents, immediately following the occurrence of a loss as determined by our appraisal, plus any reduction in value due to uninsured causes. This is used to determine the loss of value for each individual unit so that losses can be paid on an individual unit basis, optional or basic, as applicable.     Unit value before loss. The stage value of undamaged insurable clams in the basic or optional unit, as applicable, immediately prior to the loss occurrence. The determined value will include the number of seeded and harvested clams and stages that existed on the date of the inventory value report, adjusted for changes in accordance with subparagraph 22A(2) of the Insurance Standards Handbook, including but not limited to; the reference maximum dollar amount contained in the actuarial documents; and the applicable survival factors. This allows the amount of insurance under the policy to be divided among the individual units in accordance with the value of the clams in the unit at the time of loss for determining whether you are entitled to an indemnity for insured losses in the unit, optional or basic, as applicable. Clams that are seeded subsequent to the annual inventory value report being submitted must be adjusted by the survival factor before they are added to the beginning inventory during the process of establishing the ``Unit value before loss.'' 2. Unit Division     (a) In addition to the definition of basic unit contained in section 1 of the Basic     Provisions, a basic unit may be divided into optional units in accordance with section 2(b). Note that even if you elect optional unit coverage, amount of insurance, crop ***year*** deductible, under-report factor, premium, and the total amount of indemnity payable under this policy will be controlled by the basic unit value before loss.     (b) If you elect the additional level of coverage, for an additional premium, inventory that would otherwise be a basic unit may, unless limited by the Special Provisions, be divided into optional units by non-contiguous lease parcels. Additional optional units may also be authorized in the Special Provisions. If you elect optional units, you must provide separate inventory reports for each unit and keep all records of seeding, harvest, and uninsured losses separately by unit.     (c) Failure to keep or report separate records will result in all optional unit inventories under a basic unit being combined in a basic unit at loss time.     (d) If you elect optional units, your amount of insurance will be divided among optional units in relation to unit value before loss of clams in each optional unit. If, at the time of loss, the aggregate value of the clams in your optional units exceeds your basic unit inventory value, you will be subject to the under-report factor provisions. 3. Amount of Insurance     (a) In addition to the requirements of section 3 of the Basic Provisions, you may only select one coverage level percentage for all clams, regardless of their stage, insured under this policy.     (b) Your amount of insurance will be reduced by the amount of any indemnity paid under this policy.     (c) For an additional premium, you may increase your amount of insurance in accordance with section 6(d).     (d) The production reporting requirements contained in section 3 of the Basic Provisions are not applicable.     (e) For seeded clams, the amount of insurance is the product of the reference maximum dollar amount of insurance and the fraction of the maximum value associated with the applicable stage multiplied by the coverage level selected multiplied by your share. 4. Contract Changes     In accordance with section 4 of the Basic Provisions, the contract change date is August 31 of each ***year***, or as specified in the actuarial documents. 5. Cancellation and Termination Dates     In accordance with section 2 of the Basic Provisions, the cancellation and termination dates are November 30, or as specified in the actuarial documents. 6. Clam Inventory Value Report     In lieu of section 6 of the Basic Provisions:     (a) For insurance to attach for the crop ***year***, you must submit an inventory value report to us with your application and for each subsequent crop ***year***, not later than November 30 preceding the crop ***year***, or by the date specified in the Special Provisions.     (b) The inventory value report must be submitted ***yearly*** and include, for each basic or optional unit all growing locations, the stages of the clams and the stage values, and your share by growing location.     (1) The inventory value must also reflect the stages as shown in the Special Provisions.     (2) At our option and at any time, you may be required to provide documentation in support of any of your reports, including, but not limited to, a detailed listing of growing locations, unit values, the numbers and the sizes of clams seeded or placed for grow-out; your share, sales of clams and purchases of seed clams for the 3 previous crop ***years***, and of your ability to properly obtain and maintain clams.     (3) For catastrophic level policies only, you must report your clam sales for the previous crop ***year*** on the clam inventory value report. You may be

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required to provide documentation to support such sales.     (c) Your inventory value report, including any revised report, will be used to determine your premium and amount of insurance.     (d) If allowed for in the Special Provisions you may revise your inventory value report to increase the reported inventory value. We may inspect the inventory. Your revised inventory value report, if allowed by the Special Provisions, will be considered accepted by us and coverage will begin on any proposed increase in inventory value at the later of December 1, the date shown in the Special Provisions, or 30 days after your written request is received by us, unless we reject the proposed increase in your inventory value in writing. We will reject any requested increase if a loss occurs before the later of December 1, the date shown in the Special Provisions, or within 30 days of the date the request is made.     (e) Failure to report the full value of your stage value will result in the reduction of any claim in accordance with section 14(d).     (f) For catastrophic insurance coverage only: Your inventory value report for all clams cannot exceed the lesser of the value from section 6(b) or the percent shown on the actuarial documents of your previous ***year***'s sales of clams unless you provide acceptable records to prove your actual inventory value.     (g) Your inventory value report must reflect your insurable clam inventory according to the prices contained in the actuarial documents. In no instance will we be liable for values greater than those contained in the actuarial documents.     (h) You must report all clams on the unit including any clams owned or subleased by other individuals or entities.     (i) No application or inventory value reports, except revisions, will be accepted after November 30, unless otherwise provided in the Special Provisions. 7. Premium     (a) In lieu of section 7(c) of the Basic Provisions, we will determine your premium by multiplying the amount of insurance by the appropriate premium rate and by the premium adjustment factors listed on the actuarial documents.     (b) Additional premium from an increase in the inventory value report is due and payable when we accept the revised inventory value report.     (c) In addition to the provisions in section 7 of the Basic Provisions, the premium will be adjusted for partial crop ***years*** for the ***year*** of seeding and for clam leases you acquire. Premium will be charged for the entire month, as shown in the actuarial documents, for any month during which any amount of coverage is provided. 8. Insured Crop     In lieu of the provisions of section 8 and section 9 of the Basic Provisions, the insured crop is all the clams in the county that:     (a) Meet all the requirements for insurability and for which prices are provided in the actuarial documents;     (b) Are acceptable to us;     (c) Are grown by a person, who in at least three of the five previous crop ***years***:     (1) Grew clams for commercial sale; and     (2) Participated in the management of a clam farming operation by at least exercising decision-making authority over all operational aspects of the farm.     (d) Are grown in a county for which a premium rate is provided in the actuarial documents;     (e) Are in a growing location acceptable to us and for which you provided GPS coordinates with your clam inventory value report in accordance with the Special Provisions; and     (f) Use a practice that fixes the insurable clams to the land within the growing location. 9. Insurance Period     (a) In accordance with section 11 of the Basic Provisions, coverage begins the later of:     (1) The date the pre-acceptance inspection, if applicable, is complete unless we notify you that your inventory is not insurable; or     (2) If your inventory is insurable:     (i) On December 1 for new applications, when the application and the inventory value report are submitted by October 30;     (ii) On the 31st day following the date of submission for new applications, when the application and the inventory value report are submitted between November 1 and 30;     (iii) On December 1 for policies continued from the prior ***year*** if the inventory value report is submitted by October 30;     (iv) On the 31st day following the date of submission of the inventory value report for policies continued from the prior ***year*** when the inventory value report is submitted between November 1 and 30; and     (v) However, you acquire a financial interest in any insurable clams after coverage begins, but after December 1 of the crop ***year***, and our inspection determines that the clams are acceptable, insurance will be considered to have attached to such clams 30 days after a revised inventory report is accepted by us indicating the stage value of the acquired clams; or     (vi) On the date contained in the Special Provisions.     (b) Insurance ends at the earliest of:     (1) The date of final adjustment of a loss when the total indemnities due equal the amount of insurance;     (2) November 30; or     (3) A date specified in the Special Provisions. (c) Insurance ceases immediately on any clams removed from the unit. 10. Causes of Loss     (a) In accordance with the provisions of section 12 of the Basic Provisions, insurance is provided for the death of clams caused only by the following causes of loss that occur within the insurance period unless otherwise limited by the Special Provisions:     (1) Oxygen depletion due to vegetation, microbial activity, harmful algae bloom, or high water temperature unless otherwise limited by the Special Provisions;     (2) Disease, if medication does not exist for control of the disease;     (3) Freeze;     (4) Hurricane;     (5) Decrease in salinity associated with a weather event verified by National Oceanic & Atmospheric Administration (NOAA) or United States Geologic Survey (USGS) or as otherwise defined in the Special Provisions;     (6) Tidal wave;     (7) Storm surge that is associated with a local weather event and verified by NOAA or USGS; or     (8) Ice floe.     (b) In addition to the causes of loss excluded in section 12 of the Basic Provisions, we do not insure against any loss caused by:     (1) Your inability to market clams as a direct result of quarantine, shellfish harvest ban, boycott, or refusal of a buyer to accept production;     (2) Collapse or failure of buildings or structures;     (3) Loss of market value;     (4) Vandalism;     (5) Theft;     (6) Pollution;     (7) Predation (unless allowed by the Special Provisions);     (8) Dredging;     (9) Any cause of loss that occurred prior to or after the insurance period;     (10) Any unexplained shortages or disappearance of inventory; or

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    (11) Failure of the clam to grow to a marketable size. 11. Replanting ***Payments***     Unless otherwise stated in the Special Provisions:     (a) In accordance with the provisions contained in section 13 of the Basic Provisions, a replanting ***payment*** is allowed for insurable clams if death of the clams was due to an insurable cause of loss.     (b) The maximum amount of the replanting ***payment*** will be the lesser of your actual cost of replanting or the result obtained by multiplying the replanting ***payment*** amount contained in the Special Provisions by your insured share.     (c) Notwithstanding the provisions of section 13 of the Basic Provisions, only one replanting ***payment*** will be made per lease parcel planted within the crop ***year***.     (d) You may not collect a replant ***payment*** and an indemnity for the same loss. 12. Duties in the Event of Damage or Loss     In addition to your duties contained in section 14 of the Basic Provisions,     (a) You must obtain our written consent prior to changing or discontinuing your normal practices with respect to care and maintenance of the insured clams. Failure to obtain our written consent will result in the denial of your claim.     (b) If you are claiming disease as the cause of loss, you must prove at your own expense that the death of the clams was due to disease by isolating a sample of the clams and identifying the disease following histological or pathological examination conducted by a veterinarian who is a certified fish pathologist or a person approved by us. 13. Access to Insured Crop and Records, and Records Retention     In addition to the requirements of section 21 of the Basic Provisions, you must permit us to inspect the insurable clams at any time and take samples of damaged and undamaged clams for inspection, testing, and analysis, and examine and make copies of your records. 14. Settlement of Claim     We will determine indemnities for any unit as follows:     (a) Determine the under-report factor for the basic unit;     (b) Determine the occurrence deductible;     (c) Subtract unit value after loss from unit value before loss;     (d) Multiply the result of 14(c) by the under-report factor;     (e) Subtract the occurrence deductible from the result in section 14(d); and     (f) If the result of section 14(e) is greater than zero, and subject to the limit of section 14(g);     (1) For other than catastrophic risk protection coverage, your indemnity equals the result of section 14(e), multiplied by your share.     (2) For catastrophic risk protection coverage, your indemnity equals the result of section 14(e) multiplied by 55 percent, multiplied by your share.     (g) The total of all indemnities for the crop ***year*** will not exceed the amount of insurance. 15. Written Agreements     The written agreement provisions in the Basic Provisions do not apply. 16. Late Planting     Provisions of section 16 of the Basic Provisions do not apply. 17. Prevented Planting     Provisions of section 17 of the Basic Provisions do not apply. 18. Loss Examples Single Unit Loss Example     Assume you have a 100 percent share, the inventory value reported by you is $100,000, and your coverage level is 75 percent. Your amount of insurance is $75,000 ($100,000 x .75). At the time of loss, unit value before loss is $95,000, unit value after loss is $30,000 and basic unit value before loss is $100,000. The deductible percentage is 25 percent (100-75), the crop ***year*** deductible is $25,000 (.25 x $100,000). Your indemnity would be calculated as follows:     Step (1) Determine the under-report factor; $100,000 / $95,000 = 1.000;     Step (2) Determine the occurrence deductible; .25 x $95,000 x 1.000 = $23,750;     Step (3) Calculate the difference between unit value before loss and unit value after loss; $95,000-$30,000 = $65,000;     Step (4) Result of step 3 multiplied by the underreport factor (step 1); $65,000 x 1.000 = $65,000;     Step (5) Result of step 4 minus the occurrence deductible; $65,000- $23,750 = $41,250;     Step (6) Result of step 5 multiplied by your share; $41,250 x 1.000 = $41,250 indemnity ***payment***. Multiple Unit Multiple Loss Example     Assume you have a 100 percent share, the inventory value reported by you is $100,000, and your coverage level is 75 percent. You have two optional units, unit 1 and unit 2. Your amount of insurance is $75,000 ($100,000 x .75). You have a loss on unit 1 and no loss on unit 2. At the time of loss, unit value before loss on unit 1 is $60,000, unit value after loss on unit 1 is $18,000 and basic unit value before loss is $125,000. The deductible percentage is 25 percent (100-75), the crop ***year*** deductible is $25,000 (.25 x $100,000). Your indemnity would be calculated as follows:     Step (1) Determine the under-report factor; $100,000 / $125,000 = .80;     Step (2) Determine the occurrence deductible; .25 x $60,000 x .80 = $12,000;     Step (3) Calculate the difference between unit value before loss and unit value after loss; $60,000-$18,000 = $42,000;     Step (4) Result of step 3 multiplied by the underreport factor (step 1); $42,000 x .80 = $33,600;     Step (5) Result of step 4 minus the occurrence deductible; $33,600- $12,000 = $21,600;     Step (6) Result of step 5 multiplied by your share; $21,600 x 1.000 = $21,600 indemnity ***payment***.     Your crop ***year*** deductible is reduced to $13,000 ($25,000-$12,000). Your amount of insurance is reduced to $53,400 ($75,000-$21,600). You do not restock unit 1 after the first loss. Values on unit 2 do not change from those measured at the time of the loss on unit 1. Assume you have a loss later in the crop ***year*** on unit 2. Unit value before loss on unit 2 is $65,000, unit value after loss on unit 2 is $0.00 and basic unit value before loss on the basic unit is $83,000. Your loss would be determined as follows:     Step (1) Determine the remaining amount of insurance; $100,000- $33,600 = $66,400;     Step (2) Determine the under-report factor; $66,400 / $83,000 = .800;     Step (3) Determine the occurrence deductible; $25,000-$12,000 = $13,000;     Step (4) Calculate the difference between unit value before loss and unit value after loss; $65,000-$0.00 = $65,000;     Step (5) Result of step 4 multiplied by the underreport factor (step 2); $65,000 x .800 = $52,000;     Step (6) Result of step 5 minus the occurrence deductible; $52,000- $13,000 = $39,000;     Step (7) Result of step 6 multiplied by your share; $39,000 x 1.000 = $39,000 indemnity ***payment***.

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    Signed in Washington, DC, on December 19, 2017. Heather Manzano, Acting Manager, Federal Crop Insurance Corporation. [FR Doc. 2017-27894 Filed 12-26-17; 8:45 am]  BILLING CODE 3410-08-P

**Load-Date:** December 28, 2017

**End of Document**



[***National fertilizers Limited: Ratings reaffirmed***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TNB-18T1-JDVR-0063-00000-00&context=1516831)

SeeNews Debt

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**Body**

National fertilizers Limited

November 02, 2018

Summary of rated instruments Instrument\* Previous Rated Amount (Rs. crore) Current Rated Amount(Rs. crore) Rating Action

Long Term-CC Limits

5000.00

5000.00

[ICRA]AA (Stable); reaffirmed Term Loans 362.60 362.60 [ICRA]AA (Stable) reaffirmed

Short Term-Non-fund-based facilities

3000.00

3000.00

[ICRA]A1+; reaffirmed Commercial Paper^ 5000.00 5000.00 [ICRA]A1+; reaffirmed

Short term limits un-allocated

215.40

215.40

[ICRA]A1+reaffirmed Total 8578.00 8578.00

\*Instrument details are provided in Annexure-1

^CP ***programme*** has been carved out of the long-term fund-based facilities and total utilization of CP and ICD combined should not exceed the sanctioned limits for long term fund-based facilities

Rating action

ICRA has reaffirmed the long-term rating of [ICRA]AA (pronounced ICRA double A) assigned to Rs. 5000.00 crore1 Cash credit and Rs. 362.60 crore term loans of National Fertilizers Limited (NFL). ICRA has also reaffirmed the short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) assigned to Rs. 3000.00 crore non-fund-based limits, Rs. 5000.00 crore commercial paper ***programme*** and Rs. 215.40 crore un-allocated limits of NFL. The outlook on the long-term rating is Stable2.

Rationale

The ratings factor in NFL's established position as the second largest manufacturer of urea in India with a share of over 16% of the total domestic capacity and 13% market share, stable cash flows from urea operations, increasing contribution from traded goods, the large sovereign ownership and management strength resulting in strong financial flexibility as reflected by the company's proven ability to raise funds at competitive rates. Additionally, the fact that almost the entire debt of the company is backed by receivables from the Government of India leads to low risks from the credit perspective. The ratings also factor in the company's leading position in markets in northern and central India due to proximity of plants to key markets and healthy operating efficiency of the plants post the feedstock conversion ***program*** undertaken in FY2013, with healthy capacity utilisation levels and energy efficiency vis-a-vis the pre-set norms. While gas pooling had rationalised gas prices, the New Urea Policy 2015 had incentivised production beyond re-assessed capacity thereby aiding the margins of the company which is reflected in the improvement in the performance of the company over last few ***years*** wherein NFL achieved its highest production ever in FY2017. NFL has also commissioned Bentonite Sulphur plant at Panipat unit with the installed capacity of 25,000 MT to generate additional revenue and income. The company has also scaled up its portfolio of traded fertilizer mainly di-ammonium phosphate (DAP), Muriate of Potash (MOP), APS and NPK along with manufacturing of industrial products like Nitric acid, Ammonium Nitrate, Sodium Nitrate/ Nitrite etc. to diversify its revenue streams. The company has witnessed stable profitability in FY2018

1 100 lakh = 1 crore = 10 million

1 For complete rating scale and definitions, please refer to ICRA's website [*www.icra.in*](http://www.icra.in) or other ICRA Rating Publications

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with improvement in the performance of the urea operations and trading operations which was offset by the provisioning for the increase in employee costs driven by revision in the gratuity limits and pay revision. The performance of the company has remained stable in H1 FY2019 as well.

The ratings also factor in the vulnerability of profitability to regulatory policies and agro-climatic conditions, sensitivity of cash flows to the delays in subsidy receipts from the GoI, which results in elevated debt levels and interest costs for the company and the modest financial risk profile of the company characterised by high gearing and modest coverage indicators. There has been improvement in the working capital cycle of the company during FY2018 driven by lower subsidy days as well as non-subsidy receivable days during the ***year*** resulting in lowering of the working capital debt levels during the ***year***.

ICRA notes that NFL has planned a capex of nearly Rs. 1160 crore (down from Rs. 2000 crore planned in FY2017) over next two ***years*** which includes the energy efficiency capex related to NUP-2015 along with other maintenance capex. As per the NUP 2015, Nangal, Bhatinda and Panipat plants have to reduce their energy consumption levels to 6.5 Gcal/MT by FY2021 post deferment of revision in the energy norms by two ***years***. To achieve the revised energy norms as per NUP-2015, NFL will be incurring a capex of around Rs. 700 crore for Nangal, Bhatinda and Panipat, and another Rs. 220 crore for Vijaipur-I & II. The capex will be funded by debt (90%) and equity (10%) for which debt has already been tied with the banks. The largely debt funded capex will result in the moderation of the credit metrics of NFL, as the increase in debt will be coupled with significant reduction in the energy savings being earned vis-à-vis current levels leading to significant reduction in cash inflow from urea operations. In order to mitigate the reduction in the energy savings, NFL is engaged in discussions with the GoI regarding the extension of the current energy norms for the period of FY2021 to FY2025 for Nangal, Bhatinda and Panipat to recoup the capex investment in these projects. This will ensure the company is able to maintain cash inflows from its urea operations and service the debt related to the capex. Given the GoI's track record of supporting NFL owing to its strategic importance to ensure adequate urea availability in the country and large sovereign ownership, ICRA expects GoI to provide policy support to the company. The above will remain a key rating sensitivity as the lack of the same will result in reduction in cash flows of the company. Additionally, NFL has made concerted efforts to grow the non-urea businesses in order to reduce the dependence on cash flows from urea operations and aims to continue the efforts in this direction, though currently the contribution of urea operations to cash flows remains disproportionately high. ICRA also notes that nearly Rs. 1100 crore of subsidy ***payment*** on account of the revised fixed costs notified under Modified NPS-III is pending from GoI as the actual cash flow to the industry has not happened though the revision was notified in April 2014. The timely release of the unpaid fixed costs will enable NFL to maintain adequate credit profile. Any negative development on this front will remain a key rating sensitivity.

NFL was also planning to set-up a Di-Nitrogen Tetroxide project at Vijaipur Complex with a capital outlay of Rs. 350 crore which has been put on hold as of now and ICRA expects no cash outflow for the same in the near term.

ICRA also notes that the company is a joint venture partner (26% stake) for the Ramagundam urea project which will be governed by New Investment Policy (NIP)-2012 which is designed to ensure post tax return on equity in the range of 12% and 20%. Given the significant capital outlay for the project, the equity investment for the project will lead to cash outflows from NFL in the medium term. At the end of March 2018, NFL had contributed nearly Rs 219 crore out of the total Rs 342 crore of equity contribution to be made. The project is expected to be commissioned by June 2019. NFL will be handling the marketing operations for 1.27 MMT urea produced in the project and will earn a Rs. 140/MT marketing margin which is expected to add ~Rs. 18 crore to NFL's profits in addition to the income from recruitment and training of RFCL employees. Returns on the equity investment for NFL may remain weak in the initial ***years*** after project execution, while the significant debt undertaken for the project is being repaid, although the company's urea market share will improve.

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Outlook: Stable

The outlook on the rating is Stable given the large sovereign ownership, third largest market share in urea, stable cash generation from urea operations along with scaling up of the trading portfolio.

Key rating drivers

Credit strengths

Second largest urea manufacturing capacity; third in market share in urea: With nearly 3.57 MMT of urea production capacity NFL is second only to IFFCO in the country. The Company has been able to maintain healthy capacity utilisation levels for all its plants and stands third in market share (~13%) for sales of urea in the country after IFFCO and KRIBHCO (KRIBHCO along with KFL). NFL has a vast marketing network comprising of dealers, cooperative societies and institutional agencies spread over 17 states in India. The company sells its urea through a network of 2,000 dealers, state marketing federations and cooperative societies. Sales through these institutions have increased through cooperatives and markfeds rather than through private dealers in recent ***years***.

Large sovereign ownership: NFL benefits from the large GoI ownership, 74.71% presently, as it is able to raise funds at very competitive rates aiding its profitability as interest charges remain low.

Favourable demand-supply scenario of urea in India: Nearly 20% of urea was imported in FY2018 owing to the gap in supply demand for urea. Urea sales have also witnessed modest growth in of 2.3% in FY2018 after declining nearly 7% in FY2017. With significant price differential between urea and non-urea fertilisers, the demand for urea remains intact and is expected to grow at a stable rate of 1.5%-2% in the near to medium term. With significant import dependence for urea the demand for indigenously produced urea remains favorable.

Improving product mix with increasing share of contribution from Traded Goods and Industrial products: NFL has been expanding its industrial product portfolio leading to increasing contribution of the same to profitability, though FY2018 witnessed a decline in the profitability from the segment. The company has successfully ramped up its trading portfolio of imported fertilisers and other traded goods in FY2018, which has aided the profitability of the company. The change in product mix overtime will result in lower dependence on urea for profitability.

Healthy operating efficiency of the plants post the Ammonia Feedstock conversion Project (AFCP) capex ***programme***: Post the feedstock conversion project undertaken for Nangal, Bhatinda and Panipat in FY2013, the energy efficiency against pre-set norms and the capacity utilisation for the plants has remained healthy and has aided profitability of the company with all three plants witnessing significant improvement in energy consumption during FY2018 and aiding profitability.

Credit challenges

Vulnerability of profitability to agro-climatic conditions, regulatory risks and seasonality of the fertiliser business: ***Agriculture*** sector in India remains vulnerable to the vagaries of monsoon as the area under irrigation remains low which exposes fertiliser sector's sales and profitability to volatility. The sector being highly regulated also remains vulnerable to changes in the regulations by GoI.

Sensitivity of cash flows to delays in subsidy receipts from GoI; delays in subsidy flows from GoI have led to high interest costs and adversely impacted profitability in recent ***years***: Subsidy inflow from GoI had remained outstanding for nearly five to six months during last few ***years*** which has impacted the cash flows of the fertiliser companies. In order to fund the delay in subsidy receipts companies have to avail working capital borrowings leading to large interest costs which impact profitability of the companies. With the implementation of the Direct Benefit ***Transfer*** (DBT) for the

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fertiliser sector, companies have started receiving the subsidy within 2-3 weeks post sale to the farmers post initial operational hiccups. However, with the ***transfer*** of the point of subsidy recognition from point of dispatch to point of sale to farmers the working capital cycle of the fertiliser companies is expected to remain stretched.

Investments to meet NUP-2015 norms may not be remunerative and may lead to weakening of credit metrics unless GoI provides support: NFL plans to incur a capex of around Rs. 700 crore for Nangal, Bhatinda and Panipat and another Rs. 220 crore for Vijaipur-I & II to achieve pre-set norms under NUP-2015. The implementation of energy norms for NFL's plants has been deferred by 2 ***years*** i.e. the norms are to be achieved by end of FY2020 instead from beginning of FY2019. Thus, NFL will get ample time to implement its energy norms. The investment will not be value accretive to the company but will have to be incurred to meet the regulatory requirement. Given the strategic importance of NFL to GoI to ensure adequate availability of urea and track record of GoI in providing support to NFL for its capex ***program***, ICRA expects GoI to again provide support for the energy saving capex in order to mitigate material impact on the credit profile of the company.

Moderate financial risk profile with nearly entire debt comprising of working capital borrowings: NFL's financial risk profile is characterized by high gearing levels owing to high working capital borrowings as term loans related to feedstock conversion project have been repaid. The working capital debt is backed by subsidy receivables from the GoI.

Significant increase in gas costs may dent profitability for production beyond re-assessed capacity (RAC); Department of Fertilisers (DoF) actions will be imperative for protection of production beyond RAC: Contribution from production beyond RAC directly depends on the international urea prices and the gas costs. In case there is significant increase in gas costs coupled with subdued urea prices the contribution from production beyond RAC may witness downward pressure. However, the independence provided to DoF to undertake necessary actions in scenarios of adverse gas price and urea prices movement to protect domestic urea production is expected to largely mitigate the risk.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

Corporate Credit Rating Methodology

Rating Methodology for Fertiliser sector

About the company:

Incorporated in 1974, National Fertilizers Limited (NFL) is a public sector, Mini Ratna undertaking, primarily engaged in the manufacture of urea. The company's operations are spread across five units, one each in Nangal and Bhatinda (Punjab), and Panipat (Haryana), and two units at Vijaipur (MP). NFL commenced operations by setting up two FO/LSHS based urea units at Bathinda (Punjab) and Panipat (Haryana) in 1979. Subsequently, as part of the reorganisation of public sector fertiliser companies, the Nangal (Punjab) unit of Fertilizer Corporation of India (FCI) came under the NFL fold. The company set up another urea plant at Vijaipur (Vijaipur-I), Madhya Pradesh in 1988 when the Hazira-Vijaipur-Jagdishpur (HVJ) gas transmission pipeline was set up. NFL undertook brownfield expansion of the Vijaipur plant (Vijaipur-II) in 1997. The Vijaipur units are gas-based, with the Vijaipur-II plant having dual feedstock ability (naphtha and gas). The other three units earlier used Furnace oil (FO) as feedstock, though they have now been converted to gas as mandated by the GoI.

NFL has a combined urea production capacity of 3.57 MMTPA as on date (increased from 3.21 MMTPA prior to FY2013), making it the second largest producer of urea in the country. The GoI divested 7.64% holdings in NFL bringing down its stake to 90% in July 2013 to meet the norms laid down by the SEBI for public sector undertakings. GoI further reduced its stake by 15% in August 2017 through an Offer for Sale (OFS).

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While ~85% of the company's revenues come from urea, it manufactures / trades in other products such as Bentonite Sulphur, Bio-Fertilizers, trading and bulk industrial products such as Nitric Acid, Ammonium Nitrate, Sodium Nitrate / Nitrite, Anhydrous Ammonia, etc. The traded products include city compost, certified seeds, agrochemicals and other chemical fertilisers like Muriate of Potash (MOP), DAP, NPK and APS etc.

Key financial indicators (audited) FY2017 FY 2018

Operating Income (Rs. crore)

7,604.1

8,925.6 PAT (Rs. crore) 208.2 212.8

OPBDIT/ OI (%)

7.5%

5.8% RoCE (%) 7.5% 9.6%

Total Debt/ TNW (times) 2.3 1.5

Total Debt/ OPBDIT (times)

7.3

5.9 Interest coverage (times) 3.0 2.7

Source: ICRA estimates; OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress)

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three ***years***: Instrument Current Rating (FY2018) Chronology of Rating History for the past 3 ***years*** Type Amount Rated (Rs. crore) Amount Outstanding (Rs Crore) Date & Rating Date & Rating in FY2017 Date & Rating in FY2016 November 2018 April 2018 September 2017 September 2016 July 2016 August 2015

Term Loan

Long term

362.60

160.82

[ICRA]AA

(Stable)

[ICRA]AA

(Stable)

[ICRA]AA

(Stable)

[ICRA]AA

(Stable)

[ICRA]AA

(Stable)

[ICRA]AA

(Stable) Fund based limits Long term 5000.00 5000.00 [ICRA]AA (Stable) [ICRA]AA (Stable) [ICRA]AA (Stable) [ICRA]AA (Stable) [ICRA]AA (Stable) [ICRA]AA (Stable)

Non-fund-based limits

Short term

3000.00

3000.00

[ICRA]A1+

[ICRA]A1+

[ICRA]A1+

[ICRA]A1+

[ICRA]A1+

[ICRA]A1+ Commercial paper\* Short term 5000.00 5000.00 [ICRA]A1+ [ICRA]A1+ [ICRA]A1+ [ICRA]A1+ [ICRA]A1+ [ICRA]A1+

Un-allocated

Short term

215.40

215.40

[ICRA]A1+

[ICRA]A1+

[ICRA]A1+

[ICRA]A1+

[ICRA]A1+

[ICRA]A1+

\*CP ***programme*** has been carved out of the long-term fund-based facilities and total utilization of CP and ICD combined should not exceed the sanctioned limits for long term fund-based facilities

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [*www.icra.in*](http://www.icra.in)

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Annexure-1: Instrument Details ISIN No Instrument Name Date of Issuance / Sanction Coupon Rate Maturity Date Amount Rated (Rs. crore) Current Rating and Outlook

-

Term Loan-1

January 2016

-

September 2020

160.82

[ICRA]AA(Stable) - Proposed Term Loan - - - 201.78 [ICRA]AA(Stable)

-

Fund Based- Long Term facilities\*

-

-

-

5000.00

[ICRA]AA(Stable) - Non Fund Based- Short Term facilities - - - 3000.00 [ICRA]A1+

-

Commercial Paper\*

-

-

7-365 Days

5000.00

[ICRA]A1+ - Unallocated- Short Term - - - 215.40 [ICRA]A1+

Source: National Fertilizers Limited

\* CP ***programme*** has been carved out of the long term fund based facilities and total utilization of CP and ICD combined should not exceed the sanctioned limits for long term fund based facilities

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Pre-accession Assistance (IPA II)

Indicative Strategy Paper for the former Yugoslav Republic of Macedonia(2014-2020)Revised version adopted on dd/mm/2018

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Part I: Introduction

1. Purpose

The Instrument for Pre-accession Assistance (IPA II)[1] is the main financial instrument to provide EU support to the beneficiaries listed in Annex I of the IPA II regulation in implementing reforms with a view to Union Membership.

This Indicative Strategy Paper (the Strategy Paper) sets out the priorities for EU financial assistance for the period 2014-2020 to support the former Yugoslav Republic of Macedonia on its path to accession. It translates the political priorities, set out in the enlargement policy framework, into key areas where financial assistance is most useful to meet the accession criteria. This Strategy Paper – initially adopted by the European Commission with decision C(2014)5861 final of 19 August 2014 – has been reviewed and updated at mid-term. It may also be revised at any time upon the initiative of the European Commission.

Financial assistance under IPA II pursues the following four specific objectives: (a) support for political reforms, (b) support for economic, social and territorial development, (c) strengthening the ability of the beneficiaries listed in Annex I to fulfil the obligations stemming from Union membership by supporting progressive alignment with, implementation and adoption of, the Union acquis, (d) strengthening regional integration and territorial cooperation. Furthermore, the IPA II Regulation states that financial assistance shall mainly address five policy areas: a) reforms inpreparation for EU membership and related institution-and capacity-building, b) socio-economic and regional development, c) employment, social policies, education, promotion of gender equality, and human resources development, d) ***agriculture*** and rural development, and e) regional and territorial cooperation.

In order to increase its impact, EU financial assistanceshall be concentrated on the areas where reforms or investments are most needed to meet accession criteria and tailored to take into account the capacities of the former Yugoslav Republic of Macedonia to meet these needs. Assistance shall be planned in a coherent and comprehensive way with a view to best meeting the four specific objectives and address, as appropriate, the thematic priorities for assistance listed in Annex II of the IPA II Regulation, as well as the thematic priorities for assistance for territorial cooperation listed in Annex III of the same Regulation.

Moreover, EU assistance is only one of the means to achieve the necessary progress. When deciding on priorities for action, due account is taken of the beneficiary's own means as well as of the support provided through other EU instruments and by other stakeholders, in particular bilateral donors or International Financial Institutions. In view of the above aspects, preference shall be given to providing financial assistance under a sector approach, to ensure a more long-term, coherent and sustainable approach, allow for increased ownership, facilitate cooperation among donors, eliminate duplication of efforts and bring greater efficiency and effectiveness.

With a view to delivering on the priorities set for EU financial assistance for the former Yugoslav Republic of Macedoniafor the seven ***years*** period, this Strategy Paper sets meaningful and realistic objectives, identifies the key actions and actors, describes the expected results, indicates how progress will be measured and monitored, and sets out indicative financial allocations. The priorities defined for financial assistance will serve as a basis for the (multi-) annual ***programming*** of IPA II funds.

The mid-term revision of this Strategy Paper has taken into account the priorities already addressed in the period 2014-2017.

A performance reward exercise has been conducted during 2017 on the basis of an assessment of performance and progress; a second performance reward exercise will be conducted by 2020, as defined in Article 14 of the IPA II Regulation.

2. Consultation on this Strategy Paper

The revised Strategy Paper is an assessment by the European Commission and the Government of the former Yugoslav Republic of Macedonia of the country's needsin the context of its European integration process.

The revision of this Strategy paper is a result of intensive consultations organised in 2016 and 2017. All key stakeholders were involved in the consultative sessions including state bodies and administration, EU Member States, international financial institutions, international organisations and donors. Over 250 civil society organisations took part in the consultation process.Strategic dialogues with the European Parliament were conducted both when the document was initially drafted in 2014 and at mid-term in 2018.

The revision of the Strategy paper integrates the new priorities for the EU and the region that emerged in the last ***years***, notably in relation with the migration crisis and the fight against terrorism. The Strategy Papertakes account of key documents, such as the Pržino Agreement, the Urgent Reform Priorities, the 2015 and 2017 recommendations of the Group of Senior Rule of Law Experts, Commission Reports on the former Yugoslav Republic of Macedonia and recommendations (notably on economic governance), national strategic documents, reports from other relevant organisations, as well as information on current and past EU financial assistance.

Part II: Analysis of the needs and capacities

1. Political and economic context

The former Yugoslav Republic of Macedonia is a landlocked country of 25,713 square km, situated in south-eastern Europe, bordered by Serbia, Kosovo\*, Bulgaria, Greece and Albania. Since its independence in 1991, the country is a parliamentary democracy. In 1993, the country was admitted to the UN under the provisional reference of the former Yugoslav Republic of Macedonia, pending a resolution of the name issue with Greece.

The 2001 census – the latest available – put the population at approximately 2.05 million. More than 580,000 people live in the capital Skopje, with another 13 towns and cities having a population above 50,000.The country is organised into 80 municipalities. Ten of the municipalities constitute the City of Skopje, a distinct unit of local self-government.

Since the country declared independence, it has undergone a profound transformation process towards democracy and has made progress towards becoming a functioning market economy. Its first decade of independence was marked bysignificant political and economic challenges. Most notably, the country went througha security crisis in 2001 when ethnic Albanian groups took up arms in pursuit of greater rights, a conflict which ended with the internationally-brokered Ohrid Framework Agreement.

After 2001,in its second decade of independence, the country concentrated on building up its democratic institutions and stabilising its economy. Political and economic reforms, free trade agreements, and regional integration had a positive impact on the country's overall stability.

The country has finally overcome the most severe political crisis since 2001. Following the early parliamentary elections in December 2016, the new Government is committed to advance the EU reform agenda in order to bring the country back on its EU path. It is important that both Government and opposition deliver on the implementation of the Pržino agreement and the Urgent Reform Priorities, which address underlying rule of law issues. In addition, the 2015 and 2017 recommendations from the Senior Experts’ Group on systemic Rule of Law issues, the challenges identified in the Commission's reports, as well as recommendations from other relevant international organisations need to be addressed.Political dialogue with the country, focusing on fundamentals, will be essential.

The backsliding which took place in the judiciary has started to be reversed. Measures aimed at strengthening the independence, efficiency and the professionalism of the justice system need to be fully implemented.Concerning the reform of intelligence services, work is underway to reform the system of interception of communications and internal measures have been taken to prevent illegal wiretapping from occurring now or in the future. The country needs to demonstrate a much more proactive attitude to effectively fight corruptionand establish a modern, digital, transparent and merit-based public administration.

As regards good neighbourly relations, positive momentum was created by the agreement on the name issue with Greece, as well as the entry into force of the Treaty on Friendship, Good-neighbourliness and Cooperation with Bulgaria, both of which were welcomed by the June 2018 European Council.

The inter-ethnic situation remains fragile. The process of national reconciliation needs to continue and greater trust should be built among communities. The review of the Ohrid Framework Agreement needs to be completed in a transparent and inclusive manner. The decentralisation process merits greater attention.

At the same time, macroeconomic stability was maintained. The average annual economic growth in the period 2011-2017 was 2.1%, which was among the strongest in the South East Europe, although still too low to translate in a real catch-up with EU Member States. Following relatively rapid GDP growth in 2014 and 2015 at around 3.7%, for 2016 and 2017 the country recorded GDP growth of 2.9% and 0% respectively, as the enduring political crisis in the country increasingly took its toll on economic development, especially on private and public sector investment. GDP per capita stood at EUR 3,700 or 34% of the EU average in 2012, and by 2016 it had slightly increased to EUR 4,690 or 37% of the EU average. Hence, while the trend is positive, significant convergence to EU Member State living standards remains a serious challenge.Despite economic reforms, total unemployment remains high at 23.7% (being 36% female unemployment[2])of the labour force for 2016. This is one of the highest unemployment rates in the region and well above the EU average of 9.4%[3].The country needs to bring down structural and long-term unemployment and improve its socio-economic development through, inter alia, support for the business environment, digital projects, ***agricultural*** sector, research and innovation capacities, linking education and training ***programmes*** to labour market requirements and through investments in its infrastructure.

In the field of gender equality, which is guaranteed by the Constitution, the former Yugoslav Republic of Macedonia has adopted several laws and mechanisms, obligingpublic institutions to ensure equal rights and opportunities and to mainstream gender into policies, strategies and budgets through specific measures. Nonetheless,gender gaps, inequalities and stereotypes exist, along with still weak administrative capacity.

The participation of women in the labour market remains low (38.7%, earning 17.9% less). Women’s participation in decision making remains limited (32.5% of MPs and 35-40% at municipal level, albeit only six out of 80 mayors), despite quotas (including one of 40% on electoral lists). The country ratified in 2017 the Council of Europe Istanbul Convention on preventing and combating violence against women and domestic violence, but capacity is limited.

In 2015, the country was heavily affected by the refugee/migration crisis, given its geographic location on the Western Balkans route. The unprecedented refugee/migration crises put under pressure infrastructure, institutional capacities and human resources in communities located at the main entry and exit points used by transiting migrants/refugees, and highlighted theurgent need to reinforce the national systems of migration management.

For the sake of a low carbon and climate resilient development and the reduction of pollution levels, the country will have to address environmental and climate change challenges through reforms in the environmental, energy and transport sub-systems, capacity-building efforts and capitalinvestments. The implementation of the environmental acquis is a funds-intensive process, which would require the EU support. In addition, the December 2015 Paris Agreement establishes an additional commitment and requires substantial contributions to ensure the transition to a low carbon, resource efficient and circular economy.The country has ratified and now needs to start implementing the Paris Agreement, also by developing a comprehensive strategy on climate-related action consistent with the EU 2030 framework for climate and energy policies.

The revised Strategy Paper is intended to guide EU support to the country in meeting the identified needs, and supporting the reform process.In order to track the results of reforms, to which the EU contributes either through policy dialogue or financial assistance,outcome/impact indicators will be used.

2. Context for the planning of assistance

2.1 EU enlargement strategy

A Cooperation Agreement with the EU was signed in 1996 and the country was the first in the region to sign a Stabilisation and Association Agreement (SAA) in 2001, providing a duty-free access to the EU market and a political framework for its European integration process. The country formally applied for EU membership in March 2004 and was granted candidate status by the European Council in December 2005. Since 2009, the Commission has recommendedopening of accession negotiations and, in 2018 the Council agreed to set out a path towards the opening of accession negotiations in June 2019. The Council also agreed to the passage to the second stage of the SAA.

The sustainability of EU financial assistance is linked to a credible EU perspective for the country.A key lesson of previous enlargements is the importance of addressingearly on the fundamental reform priorities identified by the Enlargement Strategy2016-2017.[4]

On 6 February 2018, the Commission adopted a Communication on 'A credible enlargement perspective for and enhanced EU engagement with the Western Balkans'[5]. This strategy aims to generate renewed reform momentum in the Western Balkans and provide significantly enhanced EU engagement to better support their preparations on the European path.

For the period 2018-2020, this Strategy Paper has been revised to ensure coherence with the new strategic orientations, in particular as regards the implementation of the six Flagship Initiatives presented in the Communication.

Rule of law and fundamental rightsare at the heart of the enlargement process. The 'new approach', endorsed by the Council in December 2011, requires that countries tackle judicial reform and the fight against organised crime and corruption early in accession negotiations. This maximises the time to develop a solid track record of reform implementation. The visa liberalisation process has brought significant benefits to citizens and has given the country incentives to implement reforms in the field of justice and home affairs, in particular on border management, migration and asylum, corruption and organised crime. The Government has consolidated its efforts and systems to prevent possible abuse of the liberalised visa regime and the efforts in this direction are to continue.

The global economic crisis has underlined the need for the country, which is not yet a functioning market economy, to strengthen its economic governance.The Government prepares an annual Economic Reform ***Programme*** (ERP), which is evaluated by the Commission. The EU also provides guidance on the reforms needed to achieve further progress towards meeting the economic accession criteria.The country has adopted the EU macro-economic criteria, and is also invited to embark on a comprehensive and credible reform of its public financial management system, to enhance competitiveness of the local business and support job creation and employment.

The Digital Agenda for the Western Balkans will also induce a stronger emphasis on preparing the country for a digital transformation in order to maximally reap benefits of today’s digital economy and society. Investing in digital projects can also contribute to the success of the other sectors. For example, the use of digital technology and services can enhance transparency, reduce fraud, make it easier to establish businesses, and help modernise public administration. Five areas will be placed central and should lead to several deliverables over the next three ***years***. These five actions areas are: the lowering the cost of roaming; the deployment of broadband; the development of eGovernment, eProcurement, eHealth, & digital skills; capacity building in digital trust and security, in parallel to efforts to enhance digitalisation of industries; the adoption, implementation and enforcement of the acquis.

Regional cooperation andgood neighbourly relations are essential elements of the Stabilisation and Association process.

Since 2014, the country has been participatingin the Berlin Process initiative aimed at improving regional cooperation in the Western Balkans on the issues of infrastructural and economic development. Improved connectivity between the Western Balkan countries and between them and the EU is a key factor for growth and jobs in the Western Balkans.

Strengthening democratic institutions and ensuring more inclusive democratic processes remains very important for the country's EU perspective. The EU is founded on common values and principles, including respect for fundamental rights. Among the current priorities are respect for freedom of expression and the protection of minorities, as well as protecting othervulnerable groups from discrimination.

The implementation of IPA provided some key recommendations for proper implementation of EU aid: to reinforce the sector approach and achieve synergy of the national and EU reform efforts, to focus not on the process but rather on the impact of the EU development instruments (funds and policy dialogue), to raise the visibility of the EU contribution to the country development.

2.2 Relevant national/regional strategies

The Government's four-***year*** ***Programme*** (2014-2018) sets out five strategic objectives:

* To increase economic growth and employment

1. To integrate the country into the EU and NATO
2. To fight corruption and crime and implement laws efficiently
3. To maintain good inter–ethnic relations based on the principles of mutual tolerance and respect and implementation of the Ohrid Framework Agreement
4. To invest in education, science and information technology for a knowledge–based society

These largely coincide with the main objectives for IPA II assistance, namely improving socio-economic development, rule of law and good governance, and are reflected in the National ***Programme*** for the Adoption of the acquis (NPAA) and the Pre-accession Economic ***Programme*** (PEP). In addition, IPA II will support environment protection and climate action.

To improve economic growth and employment, the Western Balkan countries have developed a common regional strategy for economic development in South East Europe (SEE 2020), supported by a set of pertinent policy objectives, implementation measures and monitoring mechanisms. The Government of the former Yugoslav Republic of Macedonia has set itself a number of ambitious targets for 2020.[6]

As regards infrastructure, the country established a National Investment Committee and defined a single investment pipeline which is a crucial step towards establishing a credible medium-term planning process for public infrastructure investments in conjunction with the relevant sector strategies.

The country is an active participant in regional cooperation, including the South East Europe Investment Committee (SEEIC), the Regional Cooperation Council (RCC), the Central European Free Trade Agreement (CEFTA), the Western Balkan Six, the South East Europe Transport Observatory (SEETO), the Transport Community Treaty, the Western Balkans Investment Framework (WBIF), the Energy Community (EnC), the European Common Aviation Area Agreement, the Central European Initiative (CEI), RECOM, Regional Initiative for Migration and Asylum and the Western Balkans Platform on Education and Training, all of which can help the Government to improve socio-economic development and address relevant regional challenges.

In 2018, the process has been initiated of including the former Yugoslav Republic of Macedonia in the EU Strategy for the Adriatic and Ionian Region (EUSAIR), a macro-regional strategy to enhance cooperation, socioeconomic development and territorial cohesion among the Member States and non-EU countries in the region. Macro-regional strategies foster cooperation with neighbouring countries and facilitate the preparation of candidates and potential candidate countries for EU integration.

Priorities are aligned with the 2030 Agenda and its Sustainable Development Goals (SDGs). In 2016, the former Yugoslav Republic of Macedonia and the UN agreed on the Partnership for Sustainable Development: United Nations Strategy 2016-2020.The Partnership for Sustainable Development aligns UN activities globally with SDGs on the regional level with European Union accession as the overarching national priority, and at the national level with the National Sustainable Development Strategy and Action Plan as well as sectoral strategies. The Partnership embraces the SDGs by prioritizing the goals, targets and indicators that UN agencies and national partners have agreed have particular relevance for the country in the first five-***year*** period of implementation of the 2030 Agenda.

On gender issues, there are different strategies in place, the National Strategy on Gender Equality 2013–2020; the Strategy for protection against domestic violence 2016-2020 and the Strategy for Equality and Non-Discrimination 2016-2020. The main goal of the latter strategy is to improve the status of the most vulnerable citizens in the country and ensure continuous development in achieving equality and non-discrimination.The implementation of these strategies is slow.

Important sector strategies that guide reforms in all defined sectors have been developed. (listed in Part IV, under the respective sectors).They link closely with the main objectives for IPA II assistance, providing long-term vision for the progress to be achieved.

2.3 Conditions for managing pre-accession assistance

In 2009, the Commission conferred IPA management powers to the national administration for IPA Component V without ex ante controls. In the same ***year***, the Commission also conferred management powers with ex ante control for IPA Components III and IV, and, in 2010, for IPA Component I. In that context, management of funds was ensured by the so-called Decentralised Implementation System (DIS), based on accredited operating structures employing around 400 staff. Under IPA II, indirect management with the beneficiary countrymay be used mainly for the ***programmes*** aimed at preparing the country for the management of EU Structural Funds (notably in the sectors of environment and transport, ***agriculture*** and education, employment and social policies).The Commission will decide what proportion to be allocated to indirect management based on an assessment of the administrative capacity of the beneficiary. In this respect the national authorities could use the IPA good practices to strengthen the administrative capacity in other parts of the public administration.

The administrative capacities of the country's IPA structures have improved in recent ***years***, but there are still shortcomings which have led to a backlog in procurement, a low rate of contracting and a risk of de-commitmentof IPA funds. The management and control system shows some systemic problems in exercising internal controls and ensuring the inter-institutional coordination. Further efforts in this area are necessary to improve management of resources and processes.The country must continue improving administrative capacity,to lower the risk of de-commitments of EU funds and make full use of the IPA assistance.

In general, under IPA II, the implementation modalities will be used more selectively with a view to improving the effectiveness and the efficiency of the EU funds.In this respect, IPA II support may also be delivered through direct management by the Commission or through sector reform performance contracts to support key reforms in the enlargement countries upon meeting the eligibility criteria: a stable macro-economic framework; a credible and relevant ***programme*** to improve public financial management; transparency and oversight of budget; and credible and relevant sector strategies that are consistent with the EU accession strategy.

IPA II also introduces the sector approach in planning and managing the EU funds. The sector approach is an overarching principle of IPA II for which assessment criteria have been established to determine the level at which a beneficiary qualifies for fully-fledged sector support. The ability of beneficiaries to design sector support ***programmes*** is an important success factor for IPA II ***programming*** and therefore represents also a key element of performance measurement.

In this respect, the country has established eight sector working groups covering all sectors and composed of representatives of all relevant national institutions responsible for policy making, implementation and monitoring in their respective sectors. Sector working groups developed sector roadmaps, outlining the necessary actions and steps needed to meet the sector approach criteria. Sector strategies are being developedin all sectors. The establishment of a medium-term expenditure framework to support the sector budgeting has been launched. An integrated monitoring and performance assessment framework will be developed by 2018. Functional and institutional analyses are being envisaged as a part of the public administration reform or sector approach to clarify the needs of re-organisation and shift of resources with the public administration. It is expected that by 2019 the sector approach is applied in all defined sectors.

IPA II introduces a stronger results-oriented approach. In this manner,it reshifts focus on the monitoring and evaluation of the use and impact of the EU funds. Monitoring and evaluation are ensured at project, ***programme*** and sector level and involve closely the national authorities, the NIPAC and the established sector working groupsin particular.

The thematic evaluation on the sector approach launched in 2017 by the Commission will be relevant for future orientation on the sector approach in the former Yugoslav Republic of Macedonia.

2.4 Donor coordination, complementarity with other EU assistance

Donor assistance to the country has decreased over the last ***years***. The EU remains by far the largest donor. In addition, significant bilateral support is provided by the EU Member StateswhereFrance, Germany, Italy, the Netherlands, the United Kingdom, remain key donors along with still important contribution of other EU Member States such as Sweden, Austria, etc. Other large bilateral donors include Switzerland and the United States. Multilateral donors include the Council of Europe, the Organization for Security and Co-operation in Europe (OSCE) and the United Nations. The main lenders are the Council of Europe Development Bank (CEB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the International Monetary Fund (IMF) and the World Bank (WB). Where resources are granted through the budget of the State, or where the State contributes to the selection of the specific interventions to be supported, applicable State aid rules should be complied with.

Donor coordination is ensured by the National IPA Coordinator (NIPAC), supported by the Secretariat for European Affairs (SEA) in its role of a NIPAC Secretariat. In 2016, theNIPAC developed a sector and donor coordination framework, based on eight sector working groups meeting in three level formats – policy-making, senior operational and technical. These working groupsare also designed as a consultation platform with the civil society, donors and development partners on the relevant sector policy, reforms and projects. Regular donor coordination meetings take place in the context of the annual/multi-annual IPA ***programming*** exercise and involve EU Member States, international organisations, other donor organisations, civil society and other relevant stakeholders. While some progress was achieved, further efforts will be needed to make the donors coordination at sector level a regular and effective tool for building synergies in aid policies. Complementarity with other EU thematic instruments, such asEuropean Instrument for Democracy and Human Rights (EIDHR), will be ensured.

2.5 Consistency with EU policies

Financial assistance to the sectors identified in this Strategy Paper will be granted in line with and in support of the EU enlargement strategy for the former Yugoslav Republic of Macedonia. It will be shaped to contribute to EU policies relevant for the respective sectors. Attention will be paid in particular to ensure alignment with the European Agenda on Migration, the EU Better Regulation Agenda, the EU Gender Action Plan 2016-2020, as well as with the Europe 2020, and the SEE 2020 strategiesas EU flagship initiatives to boost growth and jobs and promote smart, inclusive and sustainable growth initiatives.The objectives set until 2020 reflect the level of economic development and country'slevel of preparedness in the accession process. Finally, priorities for IPA II assistance shall also contribute to the reaching of the 17 goals of the Agenda 2030 for Sustainable Development and to objectives of the Paris Agreement on climate change.

Part III: The overall design of pre-accession assistance to the country

The EU is determined to strengthen and intensify its engagement at all levels to support the region's political, economic and social transformation, including through increased assistance based on tangible progress in the rule of law, as well as in socio-economic reforms, by the Western Balkans partners.

In view of the priorities of the latest Enlargement Strategy, the Commission'sReports on the former Yugoslav Republic of Macedonia and the Government ***programme***, IPA II assistance will focus on the key strategic priorities set out below with a particular focus on strengthening the sector approach and ensuring visibility of the EU efforts in the country.

Democracy and rule of law

Good governance and public administration reform (PAR) are key elements in the accession process and priorities,which are reflected inter alia in the Pržino Agreement, the Urgent Reform Priorities and the High Level Accession Dialogue (HLAD). IPA II will support efforts aimed at establishing a more professional, impartial, digital, effective and accountable public administration and improving public financial management. The country will furthermore need to continue theprocess of aligning its legislation with the EU acquis,intensify the efforts todevelop administrative capacity to ensure its proper and full implementation.Dialogue and cooperation between the Government and non-state actors will be supported throughout all sectors.

Keeping in mind the importance of the public administration reform in the enlargement process, the commitment of the former Yugoslav Republic of Macedonia to meet the Principles of Public Administration in its PAR strategy and the commitment of the EU to the Better Regulation Agenda, the key elements of PAR will be systematically addressed in all IPA II sector interventions. IPA II assistance will especially ensure the Better Regulation approach, whereby policies and legislation in all sectors are prepared on the basis of best available evidence (impact assessments) in an inclusive approach involving both internal and external stakeholders.

Continued reforms in the fields of rule of law and fundamental rights are of key importance to the overall development of the country. The sector's prominence is also reflected in the Pržino Agreement, the Urgent Reform Priorities, 2015 and 2017 recommendations of the Senior Experts’ Group on systemic Rule of Law issues, the priorities of the High Level Accession Dialogue (HLAD) and the Commission's 'new approach' in this area. Further progress in this sector will ensure the country's stable and democratic future and may also benefit its socio-economic development, including through increased inward investment.

The backsliding which had been taking place in the judiciary needs to continue to be reversed. One of the key priorities underIPA II will be support for the country's judicial and police reforms. Assistance will be provided for activities safeguarding the independence and professionalism of the judiciary, effectively combating corruption and organised crime, strengthening freedom of expression, tackling the issue of online disinformation, fake news andcybersecurity threats, enhancingcapacities for the protection of fundamental rights and tackling new challenges emerging in the fields of migration and asylum, as well as improving the effective management of external borders and the implementation of visa, migration and asylum policies, in line with the EU acquis.

IPA II will support the implementation of the Ohrid Framework Agreement, in particular local governance and local economic development, in accordance with the principles of subsidiarity and participatory development, as well as social cohesion and good inter-community relations, based on the principle of mutual tolerance.

Specific attention will be paid to equality between women and men, which is a fundamental value of the EU. Apart from specific targeted measures, gender mainstreaming will ensure that EU assistance will in all cases analyse and take into account the differences between women and men, thus ensuring the impact of the EU funds on promoting gender equality, in line with the EU Gender Action Plan 2016-2020.

The 2018 'Western Balkans Strategy' reiterates the importance of Roma integration as part of the Fundamental Rights enlargement priority. Furthermore, the EU Roma integration Framework (2011-2020) mandates the Commission to improve the delivery of support under IPA towards a strategic and results oriented ***programming***. The Roma integration objective will be supported both by including Roma integration benchmarks in mainstream actions and through targeted projects. IPA II assistance will also take into account the national policy framework (Roma integration Strategy and Action Plan), the enlargement related Roma integration commitments taken under the negotiation chapter 23, the visa liberalisation and the conclusions of the Roma Seminar.

Civil society organisations (CSOs) and women’s rights organisations play an important role in supporting the democratic processes, in the sector dialogue and in the implementation of sector reform activities. Their inclusionwill be encouraged and supported with EU funds to ensure the views of the civil society are taken into consideration.

IPA II will further contribute to the 2030 Agenda for Sustainable Development, notably in fulfilling its 'leave no-one behind' pledge, by applying the Rights-Based Approach (RBA) principles (i) legality, universality and indivisibility of human rights, (ii) participation, (iii) non-discrimination, (iv) accountability, and (v) transparency in each step of the ***programming***, implementation, monitoring and evaluation of its support.

Keeping in mind the external dimension of EU's migration policy (the policy framework of which is set by the Global Approach to Migration and Mobility and the European Agenda on Migration), IPA II supports: legal migration and mobility, including through maximising the development impacts of migration; the development of functioning asylum systems; the improvement of integrated border management; and reduction of irregular migration through both focused actions and technical assistance. The EU assistance should aim to improve the efficiency of the national systems of migration management and enhance the bilateral and regional cooperation frameworks.

The issue of radicalisation leading to violent extremism is increasingly a part of policy discussions in the Western Balkans. The prominence of the topic has been driven to a large extent by the concerns of ISIL-inspired terrorist acts, the threat of foreign terrorist fighters (FTFs) returning to their home countries and the media attention surrounding terrorist activities.

As stated in the EU Global Strategy on Foreign and Security Policy (dated June 2016), the EU will work on preventing and countering violent extremism by broadening partnerships with civil society, social actors, the private sector and the victims of terrorism, as well as through inter-religious and inter-cultural dialogue.

Within the scope of the current enlargement policy, which also represents a strategic investment in Europe’s security and prosperity, the challenges of terrorismand organised crime are shared between the EU and the Western Balkans and should be tackled in cooperation, as highlighted by the Integrative Internal Security Governance adopted by the JHA Council and endorsed by the Western Balkans. A comprehensive EU response would therefore include strengthening partnerships with key countries, supporting capacity building, countering radicalisation and violent extremism, as well as addressing underlying factors and the ongoing crisis.

Competitiveness and growth

Economic governance is one of the three key pillars of the EU enlargement policy with the aim to strengthen economic fundamentals and growth. EU funds will be used to ensure coordination of economic policies to promote economic and social development.Along with the strengthening of the fiscal and macroeconomic policies, IPA funds will support measures to enhance competitiveness, digitalisation and job creation.

Assistance underIPA II will be used to improveboth the business environment and the support systems for business, particularly where small and medium-sized enterprises (SMEs) are concerned. SMEs need to be better prepared for a digital transformation in order to optimally benefit from the increasing digitalisation. Another axis of support will cover the strengthening of the educational system and aligning the national employment ***programmes*** with the labour market requirements,in addition tolinking research and development institutions to the business and employment sector.

As a landlocked country, the former Yugoslav Republic of Macedonia is particularly dependent on a well-developed and inter-connected land transport network for its economic and social development. Therefore, IPA II will help to develop the national and international trade and transport routes along the comprehensive and coreindicative extension of the TEN-T network to the Western Balkans and in accordance with the Transport Community Treaty.

Investments in the digital sector are also needed to rollout large-scale broadband infrastructure development projects to address the low penetration rates, rural-urban divide and to bring the country closer to the EU's ambitious 2025 Gigabit targets.

Since grant funding for investments and the national budget arelimited, the country can use the Western Balkans Investment Framework (WBIF), a unique facility for blending loans and grants, which also provides a mechanism for coordinating priority investments in national and regional projects.

***Agriculture*** is one of the most significant economic sectors in the country. IPA II assistance will continue to provide substantial funding to this sector to increase its competitiveness and its growth potential. Particular attention will be paid to the economic development of the country's bordering regions with Albania, Bulgaria, Greece, Kosovo and Serbia. This will help to improve economic growth and reduce the high unemployment rate.

Alignment in the environment and climate sectors are of key importance for the EU accession process and should lead to a cleaner environment and improved quality of life. This will also contribute to the implementation of the Europe 2020 Strategy, helping to ensure sustainable growth and a low carbon, climate resilient and resource-efficient economy. This will notably be done in the framework of the implementation of the 2015 Paris Agreement and the EU 2030 framework for climate and energy policies to help the country meet their own targets. Moreover, switch to circular economy principlesgoals with measures covering the whole cycle: from production and consumption to waste management and the marketsecondary raw materials will boost its global competitiveness, foster sustainable economic growth and generate new jobs. The aim is to contribute to 'closing the loop' of product lifecycles through greater recycling and re-use, by this bringing benefits for both the environment and the economy.

Macro-economic relevance of the circular economy and improved resource efficiency are particularly significant in the area of green public procurement, investments in waste and water infrastructure, sustainable construction, critical raw materials, biofuels and biochemicals. Energy and climate related investments should also reflect the alignment with the relevant acquis.

IPA II will help to transpose and implement the acquis in these key areas,by capacity building and investment-related assistance. Climate relevant expenditure will be tracked across the range of IPA II interventions in line with the OECD-DAC's statistical markers on climate change mitigation and adaptation.

The Connectivity Agenda contributes to the overall strengthening of the beneficiaries' competitiveness, not only through building new infrastructure, but also integrating markets to ensure use of existing ones, as well as providing relevant soft measures to ensure their full and efficient use.

In addition to assisting the above areas, IPA II support may also be mobilised in response to unforeseen priority needs relevant to the accession process which do not fall under the aforementioned priority sectors. In particular, this may include, but will not be limited to, ad hoc and short-term technical assistance provided under the Technical Assistance and Information Exchange instrument (TAIEX) and through Twinning.

The indicative financial allocations per policy area and sector resulting from the priorities defined in this Strategy Paper are set out in Annex 1.

Part IV: EU Assistance during the period 2014-2020

1. Democracy and governance

1.1 Needs and capacities in the sector

Good governance and public administration reform (PAR) are key elements in the accession process.The country has finally overcome its deep political crisis, which arose from the 2015 revelations of widespread illegal interception of communications (wiretaps). The political agreement (also called 'Pržino Agreement') has been largely implemented and the political will to embark on EU-related reforms has been restored by the new government. The credibility of government's commitment for a comprehensive public administration reform, including on public financial management, in line with the Principles of Public Administration has also been re-established. The Public Financial Management Reform ***Programme*** for the period 2018-2021 has been adopted in December 2017 and the Public Administration Reform Strategy and an action plan for the period 2018-2022 at the beginning of 2018.

The legal framework and institutional structures for a coherent policy-making system are in place. This policy-making system is sufficiently developed to manage the process of EU integration. However, policy implementation suffers from lack of proper coordination among the key institutions. Both policy planning and central coordination need to be improved. There are no minimum requirements or guidance for sector planning by ministries. As a result, sector planning remains weak, as also demonstrated by incomplete and only on paper financial planning. The quality of the European integration coordination system for both policy measures and assistance implementation remained low. Information on PAR to the public needs to be significantly improved, notably on achieving the targets of the PAR Strategy.

The 2015 Law on Administrative Servants is not systematically applied to ensure merit based recruitment and promotion of civil servants. There are even some laws, for example the Law on Internal Affairs, which have been adopted after the Law on Administrative Servants that allow employees to be excluded from the application of the Law on Administrative Servants. This results in inconsistent rules for public-sector employees and should be remedied. There is no clarity on the extent of the use of temporary, service or other types of recruitments in the public administration which raises concerns over the application of the merit principle. Strong political commitment to guarantee professionalism of the public administration, especially on senior management appointments, and the respect for the principles of transparency, merit and equitable representation remains essential. The Government should ensure full respect of merit-based recruitment for public service positions and avoid the excessive use of temporary, service or other types of recruitments that bypass the merit principle and use instead open competitions for all recruitments.

Organisation of the state administration is fragmented. This is because the Law on the Organisation and Operation of State Administrative Bodies does not provide a clear distinction between different types of institutions. The lines of accountabilitybetween and within institutions are not clear. Managerial accountability within institutions is not systematically implemented and there is little delegation of responsibility to middle management. Numerous agencies are directly subordinate to the Assembly. Some state institutions continue to report in parallel both to their 'line' ministry (the ministry responsible for their activities) and government. As part of the new public administration reform strategy, the Government should prepare and implement a review to assess the effectiveness of the organisation of the public administration.

The quality of the services to citizens and businesses is a key challenge to be addressed. The interoperability needs to be ensured in order to further enhance e-Government and to enlarge the so far modest in number and type e-services. The country needs to commit to some key principles such as digital-by-default, digital inclusiveness and accessibility; the once-only principle for key public services; and solutions to ensure information security and privacy, including the uptake of a national eID scheme and by establishing a national interoperability framework based on the European Interoperability Framework (EIF).Equal access to public services and public information needs to be ensured.

At the same time extending e-Governance must be accompanied with strengthened data protection capacity.The country has to align their national legislation and frameworks to the eIDAS Regulation.The Law on General Administrative Procedures, which entered into force in August 2016, has aimed to simplify administrative procedures. However, it is not systematically applied by the administration, even though considerable efforts were made to harmonise 169 special laws with the law. The Ministry of Information Society and Administration has so far not provided systematic training or organised public awareness campaigns to inform people of their rights and obligations.

The commitment to modernise public financial management(PFM) is outlined in a comprehensive reform ***programme***, covering the needs in the relevant public finance sub-systems, including revenue collection, budget preparation and execution, public procurement, assets, cash and debt management,granting of concessions and state aid, public internal financial control and external audit.The preparation of mid-term budgetary framework and improved budget classification needs to be enhanced. Key challenge will be to increase the transparency of the PFM and ensure public information on the full budget cycle. The modernisation of the IT tools and the optimisation of the business processes remain a priority along with achieving interconnectivity and interoperability of the customs and tax IT systems with the EU systems and ensuring business continuity and disaster recovery facilities. Implementation of the PFM Reform ***Programme*** for 2018-2021will require serious mobilisation of resources and additional financial support. In addition, priority issues such as assets and debt management, granting of concessions and state aid will remain out of the scope of this PFM ***Programme*** and will be tackled separately or at a later stage. There is also need to continue supporting the national structures that have been established to manage EU funds with the perspective of preparing for the Structural and Cohesion Funds upon accession. Greater political commitment and operational improvements are needed to facilitate the inter-institutional cooperation, implement the established procedures, and ensure timely implementation of the ***programmes***. Furthermore, an enhanced focus on eProcurement is needed to simplify participation for businesses by creating more transparency and simpler processes.

The development ofdemocratic institutions, including through the development of trust in the democratic process, also needs to continue. The implementation of recommendations of the independent Senior Experts' Group on systemic Rule of Law issues enable the new Government and other institutions to address persistent shortcomings in several rule of law areas and to consequently strengthen democratic processes. There is a need to strengthen trust of citizens in key institutions. The involvement of civil society organisations in policy-making and legislative processes needs to continue in an inclusive and transparent manner.

The administrative capacities of the authorities and bodies to conduct reforms need to be strengthened.Efforts have been madeby the country to ensure legislative alignment with the EU acquis in various sectors, since the country became EU candidate country in 2005. Commitment to full and proper implementation of the transposed legislation remains to be ensured, requiring proper staff competences, adequate equipment and other resources. The capacity of the Ministry of Information Society and Administration to drive and coordinate public administration reform needs to be improved.

The challenges in relation to decentralisation include strengthening of all ***transferred*** and yet to-be-decentralised competencies by ensuring the full implementation of all relevant laws and strategies in a consistent way across the country. Assessingthe division of competences between the central and local governments could provide valuable inputs for continuation of the reforms. The increasing gap between the capital and the regions needs to be addressed appropriately through strengthening the citizens' participation, improving the efficiency, effectiveness and accountability of the municipal administrations and their association, optimising the public finance management at local level.

The country's economic governance should be strengthened.Challenges related to macroeconomic stability and a functioning market economy will be dealt with through the Economic Reform ***Programme***, which together with the policy guidance jointly adopted by the EU and the Western Balkans and Turkey annually, are the EU's main instruments for economic policy dialogue with the country. The ERP contains a thorough diagnostic of key structural obstacles to long-term growth by sector and a list of structural reform measures to address these. Assistance under IPA II shall take the identified key constraints and the reform priorities identified by the country in the ERP and in the jointly adopted policy guidance into account in its ***programming*** and shall support the implementation of both the reform measures included in the ERP and the policy guidance.

Implementation of these recommendations will be subject to an annual cycle of stock-taking, which will identify the steps to be taken towards meeting the economic accession criteria.Based on these recommendations, annual follow-up actions will be prepared in cooperation with relevant partners.

Modern decision-making is based on reliable data and information. Meeting the EU standards in the production of statistics and the implementation of the European Statistics Code of Practice require additional investments. Statistics is used in planning, monitoring and assessment of all reforms, hence the need to enhance the capacity of the State Statistical Office to produce statistics, supervise the national statistics system, ensure the quality of the data as well as their transmission to Eurostat for comparability and assessment purposes.Focus needs to be put onimproving the methodologies for data collection and production as well as the availability of statistics, enhancing the coordination between the data providers and the assurance of data quality.

An empowered civil society is a crucial component of any democratic system and should be recognised and treated as such by state institutions. It contributes to more transparent, accountable, effective and legitimate governance, greater social cohesion and more open societies. The awareness and skills of the public administration to cooperate with civil society in an inclusive and transparent manner should be strengthened. Constructive interactionof Government with civil society on all Government policies should continue, particularly in the areas covered by the Urgent Reform Priorities, social reform, gender equality, and with regard to vulnerable groups, including the LGBTI (lesbian, gay, bisexual, transgender and intersex) community and minorities. The Roma community merits particular attention in all respects.The integrity, transparency and accountability of the civil society organisations need to be strengthened along with the capacity for self-regulation, representation and coordination. Particular efforts are required to optimise the funding flows and improve the financial sustainability in the CSO sector, as well as encouraging the corporate social responsibility.The participation of civil society in the ***programming*** and use of the EU funds will be ensured. Moreover, a particular attention should be devoted to support the establishment of fair and transparent procedures for the funding of civil society organisations at central and local level.

Under IPA, around EUR 77 million have been ***programmed*** for the above areas. The lessons learned from IPA I indicate that reforms in areas without hard EU acquistake longer and need stronger political support, commitment from all layers of the administration and an effective coordination of the various stakeholders involved. Assistance needs to be sequenced appropriately and the quality of project outputs needs to increase to achieve a greater impact.

Reforms in the sector have been based on PAR Strategy, as well as some specific strategies, i.e for public procurement, public internal financial control, development of the national statistical office, development of the state audit, Strategy for Cooperation with Civil Society (2012-2017). Recent developments include the adoption of a newpublic financial management reform ***programme*** for 2018-2021 and public administration reform strategy and action plan for 2018-2022. These last two strategies being comprehensive and well-coordinated demonstrate progress in implementing the sector approach, which needs to be encouraged and the coordination further enhanced.

1.2 Objectives, results, actions and indicators

The objectives of IPA II assistance for this sector are:

* to improve the professionalism, transparency, accountability and independence of the public administration at central and municipal level, taking into account the principles of merit and equitable representation

1. to strengthen the capacities of the administration to craft and implement reforms, deliver quality services, ensure macroeconomic stability, sound public financial management, good governance and gender equality
2. to enhance the democratic process at country and local level and encourage participation of civil society and local communities with specific emphasis on fostering women’s participation.

The results to be achieved include:

* Progress towards strengthened, accountable, digital, professional and depoliticised public administration in line with the Principles for Public administration

1. Improved administrative capacity to deliver reforms and ensure progress
2. Fiscal and macroeconomic policies in line with the EU macro-economic (debt and deficit) criteria and a robust framework for the management of financial crises is established
3. Statistical methods and tools almost completely compliant with the requirements of the European Statistical System by the end of the implementation
4. Enhanced quality and availability of (sex-disaggregated) statistics
5. Interconnectivity and interoperability with the relevant EU systems achieved
6. Improved functioning of democratic institutions and the independent regulatory and supervisory bodies
7. Improved quality of public services at all levels of government
8. Improved legal predictability and enforcement of laws and court decisions
9. Strengthened financial sustainability and autonomy of the municipalities
10. Improved compliance of the public financial managementwith the international/EU standards
11. Efficient and transparent management of EU funds by the national authorities
12. Stronger and more independent civil society

In the field of PAR, support will be provided for policy coordination, policy making, and implementation of legislation. IPA assistance will be used to ensuregreater respect of the principles of merit based and equitable representation, as well as to strengthen the framework for management of the human resources at state and local level. IPA will also invest in improving the services to citizens and businesses, with a particular focus on development of e-services and e-procurement, and free access to public information.

Further on, aligning with the EU acquis will be supported including for upgrading of IT systems for operational efficiency and interconnectivity with the respective EU systems (e.g tax and customs-related ones). The efficient implementation of the EU acquis requires significant resources and capacities, not only for harmonisation process but most important – to ensure the implementation of the acquis. In this aspectsupport will be provided for the supervisory and regulatory bodies along with numerous implementing bodies and authorities in various areas. Support will also be extended to democratic institutions, particularly the Parliament, the Ombudsman, the Supreme Audit Office as well as other independent bodies and agencies.Assistance will continue to be provided to improve electoral processes in the countryin order to enhance women's participation. Assistance will finally be used for the ***programming***, identification, formulation, monitoring and evaluation of EU assistance, as well asfor co-financing entry-tickets to relevant Union ***programmes***

In the field of decentralisation and local governance, support will be given for implementation of local development policies and legislation, fostering accountability and transparency of local administrations and enhancing citizens' participation in local decision-making. In addition, IPA II will support the national authorities in analysing the progress and constraints as regards the decentralisation process. Improving the quality and sustainability of the municipal services to citizens and businesses will remain a priority. Focus will be put on optimising the revenue collection, sound financial management, economic and financial planning and distribution of resources as well as on inter-municipal cooperation. Finally, support will be given for enhancing the inter–community relations based on the principles of mutual tolerance and respect.

In the field of economic governance, assistance will be given for the implementation of the country-specific policy guidance of the annual Economic Reform ***Programme***. Along with improved capacities for macro-economic planning IPA will also invest in establishing a robustframework for the management of economic changes and financial crisis. Support will also be provided for the preparation and implementation of a comprehensive public financial management reform ***programme***. Specific focus will be put on improving the revenue administration and collection (customs/tax) and strengthening the operational and institutional capacities including the IT interconnectivity and interoperability of customs and tax administrations with EU systems. A key priority will be the improvement in the medium term budget planning and introduction of a solid ***programme***-based budgeting. At the same time IPA funds will also be invested in optimising the budget preparation,budget execution and cash management, including the introduction of the integrated PFM IT System, covering all key PFM sub-systems and gender responsive budgeting.. Assistance will be allocated for ensuring the efficiency and effectiveness of the public procurement system. Strengthening the public internal financial control and the external audit remains among the key priorities of the sector as well.

Particular focus will be put on statistics where investments will be made into the data collection (sex-disaggregated), processing and publication and ensuring the compliance with the EU statistical criteria for production of statistics and organisation of the statistical system.

Support will be provided forthe implementation of the Civil Society Strategy with a focus on ensuring the representation and participation of the civil society, including women’s rights organisations, and enhancing the dialogue between the Government and the civil society. In this aspect, IPA will fund improvements in the legal and financial environment, capacity-building activities and optimisation of the coordination at sector level.Improving the access to public information and inclusion of CSOs in the formulation, implementation and monitoring of sector policies will be also in the focus of IPA. Civil society involvement must be ensured in the identification, planning, implementation and monitoring of the planned action in all sectors.

Indicators:

* Extent of progress made towards meeting accession criteria (EC);

1. Composite indicator Government Effectiveness (WB), Burden of Government Regulation (WEF) and Regulatory Quality (WB);
2. Composite indicators Global Corruption (TI) and Control of Corruption (WB);
3. Statistical compliance (Eurostat);

1.3 Types of financing

Reforms will be supported through twinning, service, supply, works and grant contracts, implemented under direct and/or indirect management. SIGMA and the Regional School for Public Administration (ReSPA) can also support reforms in this area. TAIEX can be used for ad hoc and short-term technical assistance. Support for non-state actors will also be provided through theMulti-country IPA ***programmes***, notably the Civil Society Facility (CSF). The use of sector budget support for sector reforms can be considered, once the conditions have been met. Assistance can also be provided through co-financing the country’s participation in relevant Union Programmesand Agencies in all sectors of this Strategy Paper.

1.4 Risks

While numerous strategies shape the reforms in particular fields, proper sector strategies exist only in relatively few of the previously defined areas, making the coherence in the reform process at sector level questionable. As mitigation measure IPA II assistance will be used for development of new sector strategies or ensuring compliance of the existing strategies. Governmental commitment to the adoption of key strategies and providing the required resources for their implementation needs to be ensured through high level policy dialogue.

The lack of commitment to a medium-term expenditure framework, and the insufficient allocation of resources, which affects the capacity and independence of institutions, can be mitigated through supporting a comprehensive reform of the public financial management, intended to optimise the use of the state resources. The IPA assistance, complemented by intensive policy dialogue on PFM, is expected to ensure stable mid-term fiscal and budget planning to anchor the annual budgets in accordance with the costs of the sector reforms.

The lack of an enabling environment for civil society participation and limited commitment to dialogue with civil society can be mitigated by supporting more participatory decision-making processes at country and local levels, by putting the participation of civil society on the EU-country political agenda and by building the advocacy and participation capacities of the CSOs.Raising the skills of the administration to cooperate with the civil society is also in the focus of the EU support.

The risk of corruption has to be addressed through enhanced legislation, strengthenedresponsibility, ownership and control environment andimproved integrity. The implementation of the strategy on prevention and fighting against corruption will be supported as well.

2. Rule of law and fundamental rights

2.1 Needs and capacities in the sector

Despite the progress made, and the substantial assistance provided in this sector, the area of justice and home affairs faces challenges which need to be addressed in a comprehensive manner. Improvements in this area will benefit the stable democratic development of the country, as well as the business environment and the country's economic growth.

The country's justice sector underwent major legislative and structural reforms between 2004 and 2017. The backsliding seen over previous ***years*** has started to be reversed through decisive steps taken in recent months to start restoring the independence of the judiciary. Sustained efforts are needed to fully ensure the independence, quality and efficiency of the judiciary. Implementing the planned reforms will take time and require a change in behaviour. The adoption of a credible judicialreform strategy lays the basis for the work in this area. Focus needs to be put on restoring independence of judges and that the Judicial Council and Council of Public Prosecutors duly exercise their role of protecting judges and prosecutors from any undue internal and external pressure. In line with recommendations of the Venice Commission, the country needs to ensure appointments and promotions are merit-based and that a harmonised performance management system based on qualitative as well quantitative standards as a basis for all career decisions is introduced. Improving the consistency of rulings and the court practice are also needed. The IT strategy for the judiciary has been adopted and the IT system in public prosecutors’ offices continued to improve. However, these remain largely donor funded and their maintenance is hampered by lack of funds and staff. The results of the inspection into the application of the automated court case management information system (ACCMIS) will need to guide further actions to ensure it is systematically used and regularly audited. The electronic case management system at the Public Prosecutor’s Office is in place and needs to demonstrate improvement in the office efficiency and integrity. The codification of civil law needs to continue, and should contribute to harmonisation with EU legislation in various fields, as well as improving the efficiency of civil and commercial court proceedings. Functioning of administrative justice and the legislative framework governing misdemeanours need to be subject of a thorough analysis upon which reforms will be developed. Further steps are still needed to improve transparency and access to justice for citizens, including greater use of legal aid and alternative dispute resolution. The quality of justice wouldbenefit from improvements to the tools of the judicial professions (access to legislation and legal commentaries, training onjurisprudence and familiarisation with international and EU law). Strategic planning and human and budgetary resource management within the judiciary and prosecution service still need to be improved considerably.

On the fight againstcorruption, the capacities of the relevant institutions, in particular the Public Prosecutor’sOffice against organised crime and corruption, the Ministry of Interior, Public Prosecution Offices, the State Commission for the Prevention of Corruption, the Agency for the management of Confiscated Assets and the State Audit Office, need to be steppedup and inter-agency cooperation has to be improved.A sustainable solution to ensure legal accountability for criminal offences surrounding and arising from the content of the wiretaps and enablingthe Special Prosecutor's Office is empowered to continue its work needs to be adopted.The existing track record of investigations, prosecutions and final convictions needs to be improved, and in particular the capacity of courts to deal effectively with corruption cases should be enhanced. The existing legislative regimes for the declaration of assets,declaration of conflict of interests and political party financing need to be enforced fully and improved where necessary. More attention still needs to be paid to the prevention of corruption in public finance management (particular in the areas of public procurement, concessions, state aid) and in the field of public administration in general. An enhanced use of e-tools along with an increase in the quality and quantity of public informationon the use of state funds will increase transparency and accountability and will allow civil society to monitor the work of the judiciary and public administration.Systematic monitoring and follow-up of cases which are referred to the public prosecutor by supervisory bodies has not yet been developed.

Increased efforts are needed in the overall promotion and protection of fundamental rights of disadvantagedgroups, including children, women, the LGBTI community, persons with disabilities and persons belonging to minorities.Despite the Law on the Prevention of and Protection against Domestic Violence, adopted in 2014 and the government’s ratification of the Council of Europe Convention on Violence against Women and Domestic Violence (Istanbul Convention), violence against women remains a serious concern. The social and economic integration of theRoma will require particular attention.The national Roma Inclusion Strategy will need to be fully implemented. Continued support for social inclusion of all vulnerable groups is urgently needed. Implementation of policies in this field needs to be strengthened, notably through building capacity and co-ordination among the institutions involvedat central and at local level. There is a need for more proactive implementation of the relevant policies, including the Roma InclusionStrategy at national and local level. Urgent measures need to be taken to address the situation in prisons and places of deprivation of liberty. Continued prison reform should focus on addressing immediate needs related to physical conditions and access to basic rights as well as long-term strategic planning, improved managerial capacity, efficient and safe management of penitentiary and correctional educational institutions. There is a need for increasing the use of alternatives to detention and the probation system needs to be made fully functional throughout the country. The procedural rights of detainees, in particular of juvenile offenders, need to be systematically safeguarded.The situation and the political climate for media have improved. This needs to be followed up through measures promoting an enabling environment for freedom of expression. The support for the civil society organisationsworking in the field of human rights and acting as watchdogs needs to continue.

On home affairs, asylum, visa and migration policies are in place but human and material capacity need to be strengthened, in particularin view of the persistent migration risks inferred by the location of the country on the so-called western Balkan route. Support should be targeted towards the capacity to detect irregular migration;conduct voluntary and non-voluntary return while respecting the international human rights standards; systematic registration of migrants and protective-sensitive profiling; registering victims of traffickingand victims of smuggling; improving reception and accommodation capacities and the provision of assistance to asylum seekers, vulnerable irregular migrants and victims of human trafficking and the capacity of the administrative justice system to deal with asylum cases. The article 23 of the Law for asylum for the protection of persons with disabilities and vulnerable persons regulate obligations to provide necessary rights and priorities based on gender.

The Ministry of Interior needs to continue to reform the police as there is a need for further professionalization and de-politicisation of the police, as well as for enhancing the effectiveness and transparency of special investigative measures, more pro-active investigation of organised crime including financial investigations and the establishment of a national intelligence model. The country launched a comprehensive reform of the criminal justice system, adopting a new Law on Criminal Procedure. The implementation of this reform, entailing significant organisational and legislative changes, remains a major challenge for all the actors within the criminal justice system. The human and material capacity of the border policeto maintain national security against trans-national crime, irregular migration, trafficking in drugs, firearms, goods and people as well as terrorist-related threats, should be further strengthened in accordance with the Schengen acquis.

The radicalisation leading to violent extremism and terrorism is a phenomenon with increasing importance, which requires a twofold approach addressing both the immediate security implications of radicalisation as well as the root causes, bringing together all relevant actors across society. In this respect, the country needs to intensify the reform of the security sector, to improve the investigation capacities, i.e the capacities to trace financial flows, to map out the local activities of the radicalised religious leaders, to intensify the outreach and preventative activities, in particular among vulnerable groups, to develop dialogue at community level, raising the awareness of the dangers of violent extremism and preventing possible radicalisation among youth. Support should target the office of the National Coordinator for Counter-Terrorism and Countering Violent Extremism.

The refugee / migration crisis, which started in 2015, challenged key state systems. Up to 10,000 migrants and refugees per day were initially waved throughthe southern border with Greece towards its northern border with Serbia.In June 2015, two transit centers were established,'Vinojug' on the border with Greeceand 'Tabanovce'on the border with Serbia. In August 2015, the 'state of crisis' was declared and the army was deployed at the southern border. It has been extendeduntil 30 June 2018 and continues to be managed by the Crisis Management Centre. The country has played an active role and cooperated with neighbouring countries and Member States while working to overcome challenges in managing mixed migration flows transiting through its territory. The EU usedall possible tools to help the country with the refugee crisis and provided significant humanitarian, financial and technical support to facilitate the management of mixed migration flows, upgrade reception capacities, support voluntary return and improve hygiene and health care facilities. The EU currentlysupports the costs borne by the country in relation to the guest border officers sent by some Member States and Serbia to support the effective management of the southern border via an IPA contract currently running up to October 2018. The country is in the process of negotiating with the European Union the status agreement on actions to be carried out by the European Border and Coast Guard Agency in the country.

In the field of cyber security and crime, there is a need for further resources, specialist tools and capacitybuilding for authorities to manage the increasing volume and complexity of the task. Due to the cross-sectorial nature of cyber, cybersecurity should be promoted as a transversal issue in bilateral actions through integration of cyber resilience elements in projects dealing with critical infrastructures (e.g ICT, transport, energy) and digital/e-Government initiatives. Furthermore, the issues of online disinformation, fake news and the low level of digital trust need to be addressed in order to deal effectively with manipulation of public debate, elections and policy-making processes, both internally and on an external level.

Over the past decade, around EUR 60 million of EU assistance has been provided for important structural reforms, notably of the judiciary and the police. The country's achievements in this respect include the establishment of an Academy for Judges and Prosecutors, the development of a system of administrative justice, the reform of the criminal justice system and implementation of the Police Reform Strategy. Sector-specific assistance and equipment has been provided to support the efforts for combating corruption, organised crime, witness protection and border control capacity. In the field of fundamental rights, assistance has focused on the implementation of juvenile justice reform, prison reform including construction and refurbishment of prisons, support to the Office of the Ombudsman, respect for human rights in the treatment of prisoners and detainees, implementation of the Roma Strategy and protection of personal data. Further assistance has been ***programmed*** in the areas of freedom of expression and anti-discrimination. The prevention and fight against cybercrime needs to be enhanced.

In addition to EU assistance, support is provided by Germany, Italy, the Netherlands, the UK, Norway, the United States, the Organisation for Security and Co-operation in Europe (OSCE), the International Organisation for Migration (IOM), the United Nations Children's Fund (UNICEF), the United Nations High Commissioner for Refugees (UNCHR) and the United Nations Development ***Programme*** (UNDP).

IPA II assistance will be based on the Government's key sector strategies, including the Justice Reform Strategy, Strategy for the Development of the Penitentiary system, Strategy for Development of the Probation Service, Strategy for Fight against Corruption, the Roma Inclusion Strategy, strategies for Gender Equality and the Rights of Persons with Disabilities, the National Strategy for Development of the Established System of Integrated Border Management. The Strategy for Police Reformadopted in 2016 provides a more comprehensive strategic vision as regards Home Affairs.The new judicial reform strategy and action plan will shape the efforts of the country to ensure a judiciary system compliant with the EU requirements and performance standards. The coordination in the sector, although significantly improved in the last few ***years***, deserves continuous attention.

2.2 Objectives, results, actions and indicators

The objectives of IPA II assistance in this sector are:

* To support the country in completing the judicialand police reforms

1. To improve the effectiveness of the fight against corruption, organised crime, cyber security threats, online disinformation and fake news, terrorism and violent extremism
2. To ensure full respect for the fundamental rights, including as regards the situation in prisons and other places of detention, including transit and asylum centers, women’s rights,freedom of expression, as well as independence of civil society and human rights organisations
3. To improve the effective management of its external borders and ensure the implementation of visa, migration and asylum policies, in line with the EU acquis.

The results to be achieved include:

* Enhanced strategic planning, administrative and judicial capacity and inter-agency cooperation in all areas of justice, home affairs and fundamental rights

1. Legislation further aligned with the EU acquis in the relevantareas
2. Amending legal frameworks to remove discrimination, including those based on gender
3. Improvedindependence, efficiency, professionalism and effectiveness of the justice system
4. More consistent application of the law, and a more timely and correct enforcement of judicial rulings
5. E-justice introducedand quality and quantity of the public information on the functioning of the justice in the country improved
6. Notable decrease in corruption, particularly at the high level, demonstrated by a solid track record of prevention and repression, and a solid track record in the fight against organised crime
7. Strengthened national capacities for countering violent extremism and decreased risk of radicalisation
8. Compliance with the case law of the European Court of Human Rights and conformity with European standards and international best practices on human rights and fundamental freedoms
9. Decreased number of violations of and awareness raised on human rights and women’s rights
10. Detention conditions, rehabilitation and re-socialisation improved.
11. Improved independence, efficiency, professionalism and effectiveness of the independent institutions charged with protection of fundamentalrights and freedoms
12. Improved legal, regulatory and policy environment to foster freedom of expression and media and strengthened media integrity and journalists' independence
13. Strengthened implementation capacities in the area of home affairs (border management, visa, migration, asylum) founded on legislation which is fully aligned with the EU acquis
14. A more effective, professional and independent police and enhanced capacities and inter-agency cooperation in the fight against organised crime

On the judiciary, support will be provided for the implementation of the new judicialreform strategy, including the required legislative and organisational changes and strengthening of the capacities of the Judicial Council and the Council of Public Prosecutors. The independence of the judiciary will be strengthened through stepping-upmerit-based recruitment and appointments as well as promotion of judges and prosecutors and supporting improvements to systems of evaluation, discipline and dismissal. Further assistance will supportthe pre-service and in-service training of judges, prosecutors and court staff. The development of reliable data to monitor the overall duration of proceedings,the enhancement ofthe civil and commercial justice systems, including through procedural reforms,improving the efficiency of administrative justice and the misdemeanour system and completing the criminal justice reform will also be in the focus along with better access to justice for citizens (including promotion of existing systems of alternative dispute resolution (ADR) and free legal aid). EU funds will be targeted to enhance the physical and technical conditions in relevant institutions, further promote the use of e-justice by courts and related institutions and increase of the quality and quantity of public information on the functioning of the judiciary system. Support will also be granted to actors promoting the rule of law, including associations of legal professionals and academic institutions, as well as civil society and research organisations working in this field.Intersectional discrimination in the judicial system which impedes women’s equal access to justice will need to be addressed. On the fight againstcorruption, assistance will be provided to improving the track-record of investigations, prosecutions and convictions, as well as the effectiveness of penalties imposed; further developing the integrity concept and supporting the improvements and implementation of mechanisms for whistle-blower protection. Special focus will be put on supportingthe State Commission for the Prevention of Corruption and other specialised bodies.Assistance will help to strengthen the transparency and accountability mechanisms within the public and private sector, as well as political parties; strengthen the checks and balances within the judiciary and law enforcement agencies; improve cooperation between the various bodies involved in the fight against and prevention of corruption and involve the non-governmental sector and citizens in the implementation of anti-corruption policy, improving policy-making, monitoring and evaluation capacities of relevant state and non-state institutions.

On fundamental rights, assistance will help in the implementation of the European Convention on Human Rights (ECHR) and the case law of the European Court of Human Rights (ECtHR), including protection against discrimination, guaranteeing freedom of expression and safeguarding procedural rights of detained and accused persons. Assistance will further support the implementation of effective policies, protecting disadvantaged groups including persons with disabilities, women, children, Roma; LGBTI persons and otherminorities, as well as strengthening of community-based services for vulnerable groups, especially with regard to social inclusion, health and economic wellbeing. As regards Roma, EU support will be focused on fighting discrimination and marginalisation by improving the access of Roma to basic rights i.e documentation, education, employment, housing, health care and public services. Support will also be provided to prevent ill-treatment of detainees and prisoners, combat impunity of perpetrators and strengthen institutional prevention mechanisms, support the creation and implementation of formal and vocational education systems for juveniles deprived of their liberty, improve the conditions in, and the strategic planning and the management of, prisons and strengthen the capacities of the Office of the Ombudsman, including in his capacity as National Preventive Mechanism. Attention will be given to the protection of youth and children from illegal conduct on line and cyber-crime.Assistance will also aim at strengthening personal data protection with a view to align national legislation with the latest EU acquis, increasing participation and involvement of non-state actors in promoting respect for fundamental rights and strengthening inter-institutional cooperation and coordination in these areas.With respect to freedom of expression and the media, assistance will support building up technical capacity and provide training and expertise to the relevant media bodies and institutions in order to develop investigative journalism, improve professional journalistic standards and develop a system ofself-regulation. Support in this respect will be based on, among other things, the 'Guidelines for EU support to media freedom and media integrity in enlargement countries, 2014-2020''. Support will also be extended to the strengthening of inter-community relations.

In the area of migration, EU assistance will support efficient functioning of national migration management systems. Support will be provided in specific areas that mainstream migration in the implementation of the bilateral and regional cooperation frameworks. Focus will be put on improving the transposition of the asylum-related acquis, management and implementation of all aspects of asylum policy, including improved capacity of the Asylum Unit of the Ministry of Interior, the Administrative Court and reception and accommodation facilities; strengthening the material and human capacity to detect and prevent irregular migration, as well as assistance to asylum seekers and victims of trafficking and victims of smuggling; improving the surveillance and detection capacity of the border police regarding all forms of cross-border crime; setting up a basis for the future Schengen Information System and strengthening the inter-institutional, cross-border and international cooperation in these areas.

On home affairs, assistance will be given to improving the efficiency and professionalism of the police and other law enforcement agencies; strengthening internal and external oversight of the Ministry of Interior; strengthening the material and human capacity for prevention and repression of crime including organised crime, various forms of trafficking, terrorism, economic and cyber-crime; improving the institutional capacities for effective seizure and confiscation of assets; enhancing the efficiency and transparency of special investigative measures; increasing the use of financial investigations; supporting the reform of intelligence services. In relation with the increasing threat of terrorism, attention will be paid on improvements in the legal framework, building the capacities of the institutions to assess the risks and propose mitigation measures, improving the in-country coordination and raising efficiency through joint operations of the various services, strengthening the investigation and improving the track record, establishing reliable communication and information exchange networks. Special focus will be put on improving the dialogue with local communities and civil society through awareness raising activities and pilot projects for preventing radicalisation in vulnerable groups.Support will also be provided to strengthen the development of a Cybersecurity ***programme*** to enhance capacity, focussing on training of Cybersecurity officers; and to develop an effective framework to deal with the issues of online disinformation, fake news and the low level of digital trust.

Indicators:

* Composite indicator Access to Justice (WJP) and Judicial independence (WEF)

1. Composite indicator Global Corruption (TI) and Control of Corruption (WB)
2. Composite indicator Freedom of Press (FH) and Press Freedom (RWB)

2.3 Types of financing

Reforms will be supported through twinning, service, supply, works and grant contracts, implemented under direct and/or indirect management. TAIEX can be employed for ad hoc and short-term technical assistance. The use of budget support can be considered once the necessary conditions have been met. IPA multi-country ***programmes*** can complement reforms in all areas.Synergy is established with EIDHR. Assistance can also be provided through co-financing the country’s participation in relevant Union ***Programmes*** and Agencies in all sectors of this Strategy Paper.

2.4 Risks

Political instability and lack of strong political commitment for the time and resource-intensive reforms in the sector will be addressed through enhanced political dialogueand IPA financial assistance. In this sector, more than any other sector, the reform process needs a consolidated effort and a mobilisation of all stakeholders (including the non-state ones) to balance the negative impact of the political instability and find the way forward. In the absence of accession negotiations, the few tools with a risk mitigation power include the high-level policy dialogue and the enhanced use of conditionalities in planning and implementing EU funds.

3. Environment, climate action and energy

3.1 Needs and capacities in the sector

Reforms in this sectorand progress in alignment with the acquis are of key importance for the country's accession process.The aim is to provide for a cleaner and safer environment and improved quality of life for the citizens. Further on, the Paris Agreement(that the country has ratified in November 2017)requires a more enhanced role of the states in curbing global warming and reducing the climate change impacts. In the energy sector, in line with the Energy Union strategy and the Energy Community Treaty, reforms would ensure energy security, solidarity and interconnection, in line with climate objectives, while boosting competitiveness and innovation for the clean energy transition of the economy.

The country is largely exposed to climate change impacts.The frequency and intensity of floods in the country has dramatically increased in the recent ***years*** and caused many casualties, damages to water and transportinfrastructure, to private properties,business and ***agricultural*** activities. While considerable support has been allocated by the EU to deal with the consequences of floods, preventivemeasures to increase climate-resilience should be prioritised. In this respect the capacity of the country to analyse, prevent and reduce the risks of disasterneeds to be significantly strengthened. The transposition and implementation of the EU acquisin this area needs to be considered as a priority.

Women and men have different vulnerabilities to climate change impacts on food security, ***agricultural*** productivity, livelihood, water availability, sanitation, health and energy, among others. Existing gender inequalities, such as limited access to natural resources and productive assets including land and finance and to household and community decision-making constrain their ability to adapt to and cope with climate change.

The transposition of the climate action legislation needs also to be enhanced,including awareness on the new EU package for waste management.

Thealignment with the EU environmental and climate acquisrequires both legislative measures and substantial financial resources and investment in environmental infrastructure and technology, in particular in the waste and water sectors. The estimated cost of compliance with relevant legislation is EUR 2.3 billion[7] (over EUR 1,000 per capita and around 37% of annual GDP), yet the annual budget of the Ministry of Environment and Physical Planning for 2013 is only EUR 15 million (0.34% of the state budget).A single sector project pipeline was established in 2016 identifying priority projects in the environmental area for over EUR 510 million. The pipelinefocuses primarily on water and waste management. The implementation of these projects would require enhanced donor coordination and smart use of state resources.

Utility prices need to reflect the full costs of services, including e.g waste management and/or wastewater treatment. The polluter-pays principle should generate revenues that will be used to fund environmental protection measures. The country’s capacity to develop sustainable investment projects in environment and climate sector is also low.

The country need also to consider the introduction of market-based instruments, promote eco-industries and encourage the development of the green economy as a cost effective way to address environmental challenges.Stepping-up green procurement and including environmental impact criteria in the public tenders also needs to be enhanced along with the promotion of eco-responsibility.State and private investment in sustainable ***agriculture*** and tourism represents another opportunity for the country having both environmental and development impact.

It is important that investment policies and decision-making process in the sectorare improved by involving communities and civil society organisations and increasing the quality, quantity and accessibility of environmental data and statistics. Environmental policy-making in a participatory manner, where state interacts with business, civil society and citizens, needs to become a priority. This interaction requires a high level of transparency and accountability in managing the public resources and taking strategic decisions as regards environment. Environmental democracy therefore needs to be strengthened.

Major environmental issues such as nature protection, sustainable use of all natural resources and air pollution also need to be addressed as cleaner environment is closely linked to citizens’ health and quality of life. Airpollution has been outlined as a serious issue in the bigger towns and measures need to be taken as a matter of urgency. The protection and preservation of species and habitats needs to be ensured and the necessary measures should be taken to ensure future Natura 2000 network implementation in the country.

Under IPA I, around EUR 100 millionhave been ***programmed*** for this sector. Italy, Switzerland, UNDP, Kreditanstalt für Wiederaufbau (KfW), WBand other international organisations and bilateral donors are also providing assistance to this sector. Donor coordination remains important, even though donor assistance is likely to decrease in volume and scope.

There are several planning documents for the sector, notably the National Strategy for Environmental Approximation and the Second National Environmental Plan, which is a basis for the Strategy for Environmental Investment and various sector strategies for water, waste, air, and environmental monitoring. The 2nd National Communication on Climate Change presents the objectives for climate change mitigation and adaptation actions,providing a detailed analysis of policy options.The quality of the Strategy for Environment and Climate still needs to be improved.

The Ministry of Environment and Physical Planningis in charge of formulating, implementing and monitoring the environmental and climate change policies. Municipalities implement a part of the legislation. In addition to the Environment Ministry, a number of other Ministries and bodies are directly responsible for environmental matters and climate change issues, including the Ministries of Health, Transport and Communications, Economy, and ***Agriculture***, as well as the Protection and Rescue Directorate. Sector coordination between the relevant institutions needs to be enhanced on central and local level and be equipped with an adequate monitoring framework. The capacity to produce good environmental statistics, both historical and projected data, needs to be developed.

Regarding civil protection, the former Yugoslav Republic of Macedonia joined the Union Civil Protection Mechanism in June 2015. It still needs to establish Secure Trans European Services for Telematics between Administrations (sTESTA) connections, which is a precondition to access the Common Emergency Communication and Information System (CECIS) of the Union Civil Protection Mechanism.

3.2 Objectives, results, actions and indicators

The overall objective of IPA II assistance in this sector is to prepare the country for EU accession and to support reforms in areas of environment and climate action,which should lead to a cleaner environment and improved quality of life. This will contribute to ensuring sustainable growth and the shift to a low-carbon, climate-resilient and resource-efficient economy.

The results to be achieved include:

* Environment,climate change polices and legislation are further aligned with EU standards and best practice and effectively implemented, including to support the 2015 Paris Agreement on Climate Change, also through increasing the EU expenditure dedicated to climate action

1. Energy, environment and climate change legislation implemented and administrative capacity strengthened
2. Water and waste management improved, including the infrastructure, in line with EU requirements
3. Air quality plans for all or most agglomerations developed and under implementation, including emergency response plans based on effective traffic solutions
4. Natura 2000 sites identified and selected, based on sound scientific data
5. Low emissions development and climate mitigation and adaptation measures introduced
6. Resilience to climate change impacts and capacity for disaster risk reduction enhanced.
7. Improved environment policy-making based on raised transparency and accountability and enhanced participation of stakeholders in policy-making

As regardsharmonisation of environment and climate legislation, support will be provided to align, implement and enforce horizontal environmental and climate action legislation. Support will also be provided for raising public awareness and promoting public participation in environmental policy-making as well as for improving the environmental statistics and institutional transparency. The EU will also encourage smarter regulation to ensure involvement and incentives for businesses and citizens to apply the environmental regulations, to invest in eco-industries and greener businesses and to strengthen inspections and control on environment.The capacities of the national institutions to design and implement reforms will be supported.

In the area ofwater quality,support will be provided for the preparation of river basin management plans; for improving the quality of surface, ground waters and drinking water; and for the establishment of systems for drinking water quality control and for flood management. Investments in wastewater collection and treatment for large agglomerations (10,000 inhabitants and more) and in sensitive areas in compliance with the Urban Waste-Water Treatment Directive will be also supported.

In the area ofair quality, support will focus on the preparation of air quality plans, capacity-building to implement and enforce air quality legislation, on improved monitoring and reporting on air quality, on enhancing the system for emergency response during exceeding levels of pollution and implementing effective traffic solutions.

Waste management remains a major challenge. Assistance will be provided to support the implementation and enforcement of waste management legislation, in particular the Waste Framework Directiveand to support investments in integrated waste management systems atregional level, compliant with the Waste framework Directive 2008/98/EC. As part of the transition to circular economy, awareness on the new EU package for waste management needs to be improved. The level of recycling and re-use of waste is very low and the country will need to increasingly focus on other forms of waste management, following the waste hierarchy, and using landfilling as a last resort.

In the area ofnature protection and sustainable management of natural resources, support will be provided for the establishment of the Natura 2000 network based on sound scientific data as well as for development and implementation of plans for protection of critically endangered species. The capacities of the national parks and the environmental institutions to ensure the protection ofthe Natura 2000 zones and other parks and implement the legislation will be enhanced. As regards reduction of industrial pollution and industrial disaster risk, support will focus on the implementation of the Industrial Emissions Directive and the Seveso Directive. In the field of energy, support will be granted to the implementation of the strategies on energy efficiency and renewable energy.

As regards climate action, assistance will be provided for thetransposition and implementation of legislation, especially for themonitoring, reporting and verification of greenhouse gases (GHG) emissions,fluorinated gases,ozone-depleting substances, vehicle efficiency and fuel quality standards,and forcarbon capture and storage.Support will also be given to renewable energy and low-emission technologies,to disaster risk reduction activitiesto facilitate the country'sfurther integrationinto the Union Civil Protection Mechanism,to implementing measures for sustainable use of natural resources,to climate and disaster resilience of investments, toindustry compliance with environmental standards,and to the greening of the industry, including monitoring of environmental and health risk factors.

Further mainstreaming of climate related actions within the priorities highlighted for IPA II assistance shall be enhanced and ensured by all relevant stakeholders. This will be done keeping in mind the aim to gradually increase the share of DG NEAR climate spending with a view to reaching the 20% target by 2020 for IPA II. Increasing share of these resources shall be invested in mitigation, adaptation and facilitating innovation as well as in capacity building and flood and hazard-prevention measures.

Regarding civil protection, support will be granted to the former Yugoslav Republic of Macedonia to implement the EU legislation on civil protection and to further integrate the country into the Union Civil Protection Mechanism.

Indicators:

* Progress made towards meeting accession criteria (European Commission)

1. Increased investments in environmental sector, particularly climate-related expenditures are in line with the Paris climate agreement
2. Improved environmental indicators (air/water/industrialpollution)
3. Level of CO2 emissions
4. Number of climate change strategies (a) developed and/or (b) implemented with EU support

3.3 Types of financing

Reforms will be supported through twinning, service, supply, works, and grant contracts, implemented under direct and/or indirect management. TAIEX can be used for adhoc and short-term technical assistance. The use of budget support can be considered, once the conditions have been met. WBIF and the 'Joint Assistance to Support Projects in European Regions' (JASPERS) can be used to support investment related activities. The 'Environmentand Climate Regional Accession Network'and its follow-up ***program*** can contribute to strengthening capacity-building in the sector. Multi-country and national assistance can be used in all areas, including for disaster risk management and disaster management.

3.4 Risks

Stakeholders are not yet sufficiently involved in the decision-making process which risks to limit the scope of environmental measures and reforms, to decrease the credibility and public support for the governmental environmental policies. Further steps should be taken to strengthen the participatory approach and involve communities, business and civil society in environmental policy making and policy implementation. The smarter regulation approach based on introduction of economic instruments and incentives for greener businesses are an effective tool to enhance the reforms of the environmental sector.

Insufficient financial resources to implement and co-finance activities need to be dealt with by raising the capacity for mid-term budget planning, and by attracting other donors for the environment and climate action sector.

Domestic political support for the development of the sector should increase.Lack of political commitment and of administrative capacities to implement and enforce environmental and climate action legislationat central and local level are also a risk for the impact and the sustainability of projects and investments.The environmental sector needs to receive more political support and attention and be better addressed in the EU's dialogue with the country.

4. Transport

4.1 Needs and capacities in the sector

The country's geographical location has contributed to the development of international traffic along two Pan-European Corridors: X (North-South) and VIII (East-West). The transport sector encompasses rail, road, inland waterways, civil aviation and intermodal transport modes. Road traffic – by amount and number of goods and passengers – with 14.159 km of public roads, is dominant over rail traffic, with 925 km of railways tracks. The country has two international airports (Skopje and Ohrid), both operating under 20-***year*** concessions. Inland waterway traffic (passengers only) is functional only on Ohrid Lake and contributes to tourism development.

The establishment of an integrated transport system will boost economic growth and increase the competitiveness of companies through improving the mobility of people, goods and services, which creates added value and productivity gains, and expands economies of scale and scope.Efficient transport connections promote also social inclusion by connecting distant and disadvantaged communities and by offering a cheaper and more accessible transport network for the citizens. The transport sector in the country contributes by 3.5% to the GDP, which is lower than the EU average level (around 5%[8]). Hence, the optimisation of the transport system and network in the country has an important potential in terms of wealth creation.

The improvement of the railway infrastructure should furthermore contribute to a reduction in CO2 emissions.Other types of efficient and sustainable transport which minimize emissions and consumption of resources and energy need also to be promoted through respective economic instruments. This approach can balance the negative impactof transport on the environment, particularly in the context of the Paris agreement of December 2015.

While the legal framework is largely in place, further alignment is needed especially in the area of road safety and road maintenance and railway legislation. Support for regulatory bodies and committees must improve further to allow for their fully independent functioning.Areas that need improvement are the development of an integrated multimodal transport system, as well as liberalisation of the transport market and competition in transport services.Support needs to be provided for implementing the connectivity reform measures on rail reform and the opening of the rail transport market for at least domestic and regional undertakings.

The Ministry of Transport and Communications is in charge of elaborating and implementing the national transport policy, national strategies and action plans. The Railway Safety Directorate and the Captaincy-Ohrid, within the Ministry,as well as the State Transport Inspectorate, are responsible for supervising the implementation of relevant laws and rules. The administrative and operational capacity of the State Transport Inspectorate in particular, should be further strengthened. Railway infrastructure and services are managed by two state-owned public enterprises[9]and the national road network is managed by the Public Enterprise for State Roads. Further business segmentation in the national railway operator is under implementation.

The National Transport Strategy, 2007-2017, foresees the implementation of necessary reforms in the sector in accordance with the National ***Programme*** for the Adoption of the acquis. The strategy defines the main investment priorities in the sector, focusing on construction, reconstruction, rehabilitation and modernisation of the road and railway infrastructure along the indicative extension of the TEN-T Comprehensive/Core Network to the Western Balkans. The new challenges in the transport sector are being assessed in the framework of ongoing assessment of the current transport strategy and the identification of the new strategic priorities until 2030.

On average, the Government is spending 7% of GDP on transport. Under IPA I,around EUR 109 million have been ***programmed*** for this sector. This included support for developing Corridor X-road with substantial support from the national budget, EIB and EBRD. EBRD and WBare also supporting the local and regional road network rehabilitation ***programme***. In addition, EBRD provides support for the railway sector and air navigation services.

IPA II assistance can build on the established project pipeline which identifies priority projects for the rail and road infrastructure. National capacities for strategic planning, institutional coordination, and a monitoring framework will need to be enhanced.

The consideration of gender in the transport sector is essential to ensure that transport is equitable, affordable and that it provides access to resources and opportunities required for development. Women and men have different mobility needs and patterns, which transport policies need to acknowledge. Inadequate transport systems can restrict women’s access to education, economic opportunities and healthcare.

4.2 Objectives, results, actions and indicators

The overall objectives of IPA II assistance in this sector are to support the development of a modern, efficient, safe and environment-friendly transport network, to support the alignment of the transport legislation with the EU acquis and its implementation, and to contribute to the country's sustainable socio-economic development.

The results to be achieved include:

* Transport polices and legislation further aligned with EU legislation and best practice, including to support the 2015 Paris Agreement on Climate Change, also through increasing the EU expenditure dedicated to climate action

1. Strengthened administrative capacity for making and implementation of transport policy
2. Increased mobility of persons and freight and improved contribution of transport to the GDP
3. Improved rail and road infrastructure systems along the indicative extension of the TEN-T Comprehensive/Core Network to the Western Balkans
4. Increased cooperation with neighbouring countries on transport issues
5. Reduced CO2 emissions from transport, reduced air and noise pollution from transport systems
6. Improved safety in all transport modes.

IPA II support will contribute to the implementation of the connectivity reform measures. Alignment with the EU acquisand development of necessary institutional structures for implementation and enforcement will be supported. Focus will be put on setting up the necessary infrastructure for accelerating the development of intermodal transportation. EU funds will also strengthen the administrative capacities for enhancing the reform in the transport sector. Project documentation forcompletion of the indicative extension of the TEN-T Comprehensive/Core Network to the Western Balkans will be developed. Support will be provided for the consolidation of transport policy in the country and involvement of non-state actors in this process. The development of green urban transport and reducing the levels of carbon dioxide stemming from the transport sector will be a priority.

In the area of road infrastructure, assistance will be provided for the construction and/or reconstruction, rehabilitation and modernisation of road infrastructure, with a special emphasis on improvement of road safety, while ensuring all possible synergies through a roll-out of intelligent transport systems in the road sector (cost reduction). Support will also be provided for co-operation between all countries involved in the development of the main road transportcorridors, especially concerning cross-border freight transport. Support will also be extended to the development of adequate operations and maintenance plans for the existing and newly-built road network for all road categories

As regardsrailway infrastructure,support will be provided for the construction and/or reconstruction, rehabilitation and modernisation of rail infrastructure, with a special emphasis on the improvement of rail safety and railway electrification, closing missing links to neighbouring countries, and on making rail a competitive and attractive mode of passenger transportation.

On aviation, the country has achieved a relatively good level of alignment with the acquis and has made considerable progress in implementing the first transitional phase of the European Common Aviation AreaAgreement. Assistance will be provided to continue the process of alignment to the aviation acquis including the Single European Sky legislation.

Indicators:

* Logistics performance indicator, score (WB)

1. Transport statistics (road safety/ freight and passengers volume/contribution to GDP).

4.3 Types of financing

Reforms will be supported through twinning, service, supply, works, and grant contracts, implemented under direct and/or indirect management. TAIEX can be employed for ad hoc and short-term technical assistance. WBIF and JASPERS can be used to support investment related activities. Regional cooperation and coordination can further be supported through relevant regional institutions and fora, such as SEETO (to be replaced by the future Permanent Secretariat of the Transport Community), and through multi-country IPA assistance such as WBIF.

4.4 Risks

Lack of political commitment to deliver on necessary sectoral reforms and shortcomings in strategic planning, already resulted in reduced EU financial assistance for this sector. A key risk remains the primary focus on investments in infrastructure, particularly road infrastructure, at the cost of slowing down the sector reform andintroducing integrated, efficient and greener transport. Further EU investments will be made conditional on strong political commitment to sector reforms. Clear prioritisation in the planning of transport systems based on sound cost-benefit analysis, environmental and climate impact consideration will be encouraged,in line with the developed pipeline of mature transport projects. Particular focus will be put on enhancing citizens' participation in sector policy-making.

Lack of financial resources to implement the large scale projects can be mitigated through coordinating investments with IFIs through WBIF, and with neighbouring countries through relevant fora, with the aim of leveraging funds, pooling resources and agreeing on priorities.

5. Competitiveness andinnovation, ***agriculture*** and rural development

5.1 Needs and capacities in the sector

Improving the socio-economic development through fostering economic growth and creating employment is a priority objective of the European Commission and the Government. Assistance in this sector will help to improve the conditions for competitiveness, digitalisation,innovation and job creation. The focus is on the creation ofa competitive and export-oriented economy based on knowledge and innovation.

The country's own strategic efforts should be seen in the context of the EU's enhanced economic governance approach as of 2014. The Economic Reform ***Programme*** for the former Yugoslav Republic of Macedonia contains measures for improving economic policy-making with a view to fosteringcompetitiveness, innovation and employment.

The development of a Smart Specialisation Strategy is the prerequisite that underpins national research and innovation strategies and policies. It helps to prioritise national research efforts and to allocate the resources needed. In terms of research and innovation capacity building it also helps to identify regional centres of excellence.Furthermore, all Western Balkan countries will produce country 'action plans' for the implementation of the SEE 2020 strategy, which will be updated and monitored on an annual basis. EU support is needed for improving the economic policy-making and translating the competitiveness, innovation, digital and employment related objectives into efficient and effective measuresby promoting balanced development of urban and rural territory.

With regard to the legal and institutional environment,some success has been achieved in attracting foreign direct investmentandnoticeable improvements have been made in the regulatory environment for starting and operating businesses. Some progress has been made on the free movement of goods, labour, services and capital. The country ranks high in the World Bank's 2016 Doing Business Index (12th out of 189 economies and best in the Balkans). Yet, key challenges remain, notably as regards registration of properties, access to energy and infrastructure, contract enforcement and protection of property rights, etc. Weak rule of law and inefficient implementation of legal provisions, particularly with regard to the bankruptcy procedure, are the main hurdles to the improvement of the business environment. The effectiveness of the judicial system and public administration is crucial for enhancing legal certainty for economic operators, attracting foreign direct investment and business development. The investments in the public administration and judiciary reforms have therefore to beefup the competitiveness-related efforts and investments. Transparency needs to be improved in the areas of state aid, concessions and public procurement to ensure level-playing field for businesses.

There is a needto ensure further harmonisation with the EU acquis and to implement the legislation in the fields of quality infrastructure, market surveillance and consumer protection, customs control,protection of intellectual property rights. The Government must also ensure the enforcement of the competitionrules, the compliance with state aid legislation, and the adequate supervision of financial markets.The freedom of movement of services must also be guaranteed. The administrative capacity of the authorities, agencies and regulatory bodies, charged with specific responsibilities, in these areas need to be strengthened as well.

Efforts should also be directed at rendering the labour market more flexible, at boosting skills and productivity, at promoting the health and wellbeing of the workforce, at linking the public sector and universities with the business sector, and at building up research excellence.

Boosting the competitiveness of the private sector requires innovative and efficient measures. A competitiveness strategy was adopted in 2016 identifying sevenpriorities and48 measures representing an amount of EUR 131 million. Small and medium-sized enterprises (SME) represent 99% of all companies, account for 75% of employment and are key to competitiveness. However, the policy framework for SME support services remains incomplete. Currently, there is limited donor or public support through the Agency for Entrepreneurship which provides co-financing for business services. Support specifically targeting start-ups, spin-off companies and innovation, technology ***transfer***, commercialisation of innovation, accelerators and business incubators is insufficient.Additional micro-lending, guarantee schemes, and other types of financial and non-financial support for SME development and innovation are needed. Sources of external finance for SMEs, including bank lending, have significantly decreased due to the global crisis. Additional sources for financing, especially for micro-companies, only amounted to about 2.5% of GDP in 2010 and should be further developed. Support for contributing to favourable conditions for external equity financing[10] should be envisaged. SME guarantee funds could be created or reinforced to further encourage private sector investments.

SMEs also need to develop the necessary capacities to cope with market pressures from the EU and the region, including by stimulating innovation through the take-up of information and communication technologies. Support for company expansion should be reinforced. Subsidised advisory services supported both financially and professionally, should become the main form of Government support for SMEs. The voucher system of subsidised counselling services should be reinforced financially with extended areas of intervention (innovative voucher, creative industry voucher, green voucher, energy efficiency voucher).

The country is categorised as a “modest innovator” in the European Commission's EuropeanInnovation Scoreboard. The share of R&D expenditure in GDP is rather low at 0.22% (2010). However, innovation is seen as one of the key drivers of competitiveness and requires additional support.The Government has taken the first steps by adopting the National Innovation Strategy in 2013,followed by a Law on Innovation and an innovation fund.The Government is supporting research and development activities to achieve innovation, and in order to be competitive in the export markets. The innovative capacities of SMEs are being supported through the Fund for Innovations and Technological Development.However,more efforts are needed in order to achieve a greater impact on SMEs` innovation capacities and activities. Public-private consultation fora and partnerships should be developed and strengthened. The implementation of the regional R&D for Innovation Strategy is an opportunity for prioritising investments in this area.

The country also needs to improve the business environment by investing in the digital sector, both fixed and mobile/wireless broadband access, particularly in more rural regions, to reduce the digital divide within the country and the digital gap with the EU. An enhancement of access and understanding of existing infrastructure should happen by mapping the current infrastructure. The handling procedure for access to existing infrastructure should be simplified and in line with the European acquis (e.g EU Broadband Cost Reduction Directive). Furthermore, one or multiple Broadband Competence Offices (BCO) have to be established to advise local and regional authorities on ways to invest effectively in broadband, and help citizens and businesses get better access to broadband services.

The country also needs to improve competition within the electronic communications and ICT sectors as well as support the ability of traditional industries to compete and innovate through ICT improvements, training and digital skills development.Investments in the mapping of the local start-up ecosystem and astimulation of the entrepreneurial culture could help to combat the high levels of youth unemployment. National digitising industry strategies have to be developed in order to optimally prepare businesses and to lever upon the digital transformation. In line with the Skills Agenda for Europe, the Government should also aim to implement a national digital skills strategy, including ***programmes*** for un/underemployed, women and the elderly and establish national coalitions for digital jobs.

Concerted efforts are needed to strengthen local and regional competitiveness. The country's competitiveness is affected by regional disparities and rural depopulation. The Government has undertaken some actionsto ensure stability, reduce poverty and increase competitiveness through support for key sectors such as tourism, and created opportunities for new investments by supporting the establishment of industrial zones and tourism development zones. Further efforts are needed to reduce disparities and contribute to a better investment climate through developing better quality local services and infrastructure in more deprived sectors and regions.

Competitiveness and innovation are very much linked to the concept of local integrated development, which has been at the core of rural development policies of the EU for the past three decades.***Agriculture*** has traditionally been one of the most significant branches of the country's economy, with its share in the GDP of about 10%. 44% of the country's area is ***agricultural*** land (1.12 million hectare), of which 46% is cultivated and the rest is permanent pastures. 44% of the total population lives in rural areas and 18% of the workforce is engaged in ***agriculture***. Young women in rural areas aged 20-24 ***years*** (59%) and 25-29 ***years*** (43%) face with the highest unemployment rate. 64% of rural women are officially inactive mainly because of child care and household obligations.

***Agricultural*** products represent 4.95%[11]of the country’s exports, and 2.4% of total imports. The share of agro-food and fishery products exported to the EU in total exports to EU isabout 8%[12] (EUR 265 million), while the share of imports from the EU in total agro-food and fishery products in 2015 was 8.67% (EUR 357 million). Although around 20% of the country’s arable land is under irrigation facilities, only 5% is irrigated.

These figures make ***agriculture*** and rural development, along with hunting, forestry and fisheries, the third largest sector of the economy after industry and services. However, the ***agricultural*** sector faces serious challenges. Subsistence and semi-subsistence farming, dominated by small and highly fragmented family farms, low technology production systems and lack of irrigation hinder primary production. The lack of collection, distribution and management systems for fresh products, and the lack of infrastructure for processing, labelling, packaging and marketing are affecting the quality and safety of food products. As a consequence, only a few agri-food enterprises are authorised to export to the EU. The capacity to benefit from the free trade agreements is therefore low.

The under-development of ***agricultural*** support services, such as market information, access to rural crediting and advisory services also pose challenges in this sector. While the country'sfinancial support to the sector has considerably increased over the last ***years***, the domination of the direct ***payments*** approach contributes only marginally to the necessary structural reforms in the sector. However, the past ***years*** showedan increase in the rural development policy share from 10% in 2011 to 32.7% in 2015. Yet, it is necessary to further strengthen the capacities for design and implementation of effective rural development policies, and management of budgetary resources. Inadequacies in accurate up-to-date statistical data, including on landholding and pasture conditions and use, further need to be addressed to support policy and decision-making.

Women living in the rural areas are among the most disadvantage groups at risk of discrimination in all spheres of public and private life. Entrepreneurship of women in rural areas is constrained by limited ownership of land. Women own around 16% of land.

The ***agricultural*** sector also faces challenges to the ecosystem and would suffer from the impact of climate change. The geographic and climatic conditions allow for a large range of products to be cultivated, but the country is highly exposed to climate change impacts. Droughts and floods have become frequent in the last ***years***. Large irrigation infrastructures cover approximately 40% of the arable land but due to poor maintenance in the last ***years*** are not operating properly. Along its complete rehabilitation, investments are also needed for small irrigation infrastructure.

Under IPA, around EUR 23 millionwas ***programmed*** for competitiveness and innovation and around EUR 110 million has been allocated to support the implementation of the National Strategy for ***Agriculture*** and Rural Development (2007-2013)..

IPA II assistance to this sector will increase sharply and be ***programmed*** in line with the key national sector strategies, including the Industrial Policy Strategy 2009-2020, the National Strategy for Innovation (2012-2020), the National Strategy for Sustainable Development (2008-2030), the National ***Programme*** for Improvement of Competitiveness, the National Strategy for Tourism Development (2011-2015), the Strategy for Rural Tourism Development 2012-2017 and the National ***Programme*** for Scientific Research and Development (2013-2017), as well as the Regional R&D Strategy for Innovation. A new SME development strategy will be developed in 2014, to present the key activities related to SME support and development, as well as a strategy for development of tourism. Involvement of non-state actors and the citizens needs to be ensured through systematic social dialogue and public-private partnerships. The overall institutional sector framework will require further strengthening to implement the sector approach. It is necessary to consolidate and make coherent use of the various strategies in this sector.

As regards ***agriculture*** and rural development, the implementing legislation has been adopted on quality of food, organic farming, local action groups and on ***agricultural*** cooperatives. Food safety standards and animal health and welfare requirements have been set up. A functional integrated system for administration and controlling of the ***agricultural*** and rural development support policies (IACS) has been established along with a land parcel identification system, sustainable ***agricultural*** information system and Farm Accountancy Data Network. Investments have also been supported under three IPARD measures, focusing on ***agricultural*** holdings and physical assets for processing and marketing of ***agricultural*** products in sub-sectors, which are the main contributors to Gross ***Agricultural*** Output, namely fruits, vegetables, livestock, livestock products and wine. Rural development challenges such as the lack of employment opportunity and services in rural areas have been targeted under IPARD through investments support for establishing micro and small enterprises in rural areas and rural tourism. Yet, the absorption of the allocated funds for rural development, both from the national budget and IPARD, was affected by lack of staff and insufficient capacityin the responsible authorities. IPA II will further extend the efforts to improve the ***agricultural*** policy in the country. The new 2014-2020 National Strategy for ***Agriculture*** and Rural Development (NARDS) will frame the reforms to overcome the structural deficiencies and improve the competitiveness in the sector. The dialogue between the civil society sector and the relevant national authorities needs to be strengthened.

Overall, the sector is at an early stage of readiness for the sector approach.

5.2 Objectives, results, actions and indicators

The overall objective of IPA II assistance in this sector is to achievecompetitive economy based on knowledge and innovation and real convergence with the EU, to ensure sustainable development of the agri-food sectors and of the rural areas in line with the EU acquis and policies and ensure food-safety.

The results to be achieved include:

* Improved legal and institutional frameworkfor businesscreation and operations

1. Strengthened evidence-based participatory decision-making, enhancing women participation
2. Enhanced harmonisation with the EU acquis and strong implementation record in the area of internal market,particularly free movement of goods (incl. quality infrastructure, market surveillance and consumer protection, and customs controls), free movement of services and competition and state aid
3. Better access to finance, especially for women, and business services and improved business-related infrastructure, including at local level
4. Improved business performance and competitiveness at local, national and international markets
5. Enhanced research and innovation capacities and improved cooperation among universities, industry and Government and effective models of public-private partnerships in the area of research and innovation
6. ***Agriculture*** and rural development policy and legislation aligned with EU CAP and related EU acquis
7. Strengthened administrative capacities, incl. improvement of IT systems, at all levels of the administration and public bodies to implement ***agricultural*** reforms and policiesand to ensure efficient absorption of IPA and IPARD funding
8. Improved competitiveness of the ***agricultural*** sector and contribution to GDP and job creation
9. Improved safety of human beings and animal health
10. Improved rural infrastructure
11. Improved quality of life in rural communities
12. Improved resilience to adverse impacts of climate change

Support will be provided for strengthening the country's economic governance.Challenges related to macroeconomic stability and a functioning market economy will be dealt with through the Economic Reform ***Programme***, which leads to country-specific policy guidance. Implementation of this guidance will be subject to an annual cycle of stock-taking, which will identify the steps to be taken towards meeting the economic accession criteria.

The environment for business operations will be strengthened through support for the improvement of the legal, regulatory and institutional environment. While the harmonisation with the EU acquis in the area of free movement of goods, services, capital and work force, state aid and competition will continue, a focus will also be put on simplification of legislation, reduction in and streamlining of administrative procedures, improvements in administrative registers, collection and use of data for economic planning purposes, monitoring and evaluation of the impact of the economic policies.The protection of industrial property rights, of private properties and improved cadastre functioning will be another priority.Increasing consumers' awareness and understanding of their rights and redress mechanisms will also be supported.The competition policy itself needs to be seriously strengthened in the interest of the fair business treatment, reducedrisks for corruption and increased opportunities for entrepreneurs and small and medium sized-enterprises. The transposition of the acquis on services will also be supported as an instrument to encourage competition and competitiveness in the market of services.

EU funds will be invested in improving the quality of the public services to businesses and citizens. As a part of the e-Governance approach, the one stop shop approach for services will be extended gradually. This will also have impact on the transparency in issuingpermits and licences and will support the equal treatment of businesses and reduce corruption. Involving civil society and economic operators in economic policy-making remains among the priorities in order to ensure balance economic development and mobilise community support for the governmental economic policy.

The competitiveness of the private sector will be developed through improving the business support services such as business networking and clustering, consultancy, training, technical assistance for companies to improve their management, performance, products and services, etc.A particular focus will be put on improving access to finance of businesses and particularly the SMEs, where joint measures with the country and IFIs are envisaged. As a part of the efforts to mainstream gender equality, support for women entrepreneurship will be encouraged.

Strengthening theresearch and development potential of the country and the companies will also remain in the focus of the EU aid. With priority on supporting international knowledge and technologies exchange, linking R&D institutions with the business sector, supporting the capacities of technology ***transfer*** and R&D institutions.

Support will be provided for digital projects that are aimed at preparing society and the business environment for digital transformation. This support should for example create a better overview of thestart-up ecosystem and enable more informed decision-making, stimulate the entrepreneurial culture of the young generation, enable the development of national digitising industry strategies.

Support is also foreseen for the implementation of the new broadband access development strategy, especially in terms of investments in broadband connectivity. It should enable the setting-up of independent Broadband Competence Offices, the implementation of EU Broadband Cost Reduction acquis, mapping of current infrastructure, and ultimately lead to the preparation of large-scale investments to bring broadband infrastructure in line with the EU's 2025 targets.

EU funds will be also allocated to enhance local and regional competitiveness. The elaboration and implementation of integrated development ***programmes***, based onthe comparative advantages of municipalities, will be supported. An integrated approach will be applied linking capacity-building and investment-related activities and involving various stakeholders of the local communities. This approach is expected to deliver significant results in boosting local economic activities and balancing the regional disparities.

In the area of ***agriculture*** and rural development, EU support will continue to be channelled through the national management and control systems which correspond to the standards and the principles of modern and efficient public administration, and resemble the same structures with functions of a similar nature in EU Member States,as well as applying EU tested management and control methods.For better implementation, the sector however still needs a proper IT system combining all existing tools and facilitating E-applications.

IPA II will continue to invest in building the national capacities to transpose and implement the EU acquisand the CAP. Focus will be put on public health (food safety and quality, veterinary and phytosanitary issues), biosecurity and animal welfare. Capacity building of public administration will concentrate on sectors where the acquis-related implementing standards are particularly demanding (e.g dairy and meat sectors, fruit, vegetable, wine, etc.), and where inter-sector cooperation is needed, especially in the areas of public and animal health.

Support will be extended to preparing for management and implementation of IPARD measures. Further assistance will be provided to address key transversal constraints to the economic development of the sector, such as in land consolidation, small-scale irrigation, access to credits. Improving the marketing of ***agricultural*** products, and implementation of minimum quality standards will continue to be a priority. Emphasis will be put on encouraging farmer groups, improving the quality of farm advisory services, developing VET and Lifelong Learning, intensifying policy dialogue and interaction with social and economic partners.Support will also be provided for activities related to adapting ***agriculture*** to climate change and for LEADER type activities, incl. preparatory actions for implementation of local rural development strategies. A particular focus shall be given to promoting policy dialogue and networking with and among inter-branch organisations and associations representing various social and economic aspects of ***agriculture*** and rural development

***Agriculture*** and rural development polices will be supported through investing in physical assets and small-scale ***agriculture*** holdings to help farmers cope with competitive pressure and market forces. Further on, IPA will invest in food processing and farms in the most EU acquis-relevant sub-sectors and for products for which the country has a comparative advantage. The investments in rural infrastructure (roads, water and waste management) and rural businesses will support the sustainability of the rural communities and development of business activities. The improvements of the small-scale irrigation infrastructure and agri-environmental practices will help restore, preserve and enhance ecosystems and is expected to support the climate change actions. Pilot projects will be supported through IPARD measures 'Agri-environment and organic farming' and 'Forestry protection'. Finally, support will be given to establish Farm Advisory Services for helping farmers, forest holders and SMEs.

Indicators:

* Distance to frontier, Doing Business – score (WB) and Global Competitiveness Score (WEF)

1. Macroeconomic indicators – GDP, exports etc.
2. Total investment generated via IPA in agri-food sector and rural development (DG AGRI)
3. Growth level in the production value (at economic/agri sector level; increased output values of various industries)
4. Economic indicators for rural areas development - GDP per capita (PPP) in rural areas, employment rate, or increased farm income

5.3 Types of financing

Reforms can be supported through Twinning, service, supply, works, and grant contracts, implemented under direct and/or indirect management. In the area of ***agriculture*** and rural development support will be provided through the implementation of a seven-***year*** rural development ***programme*** (IPARD ***Programme***), containing a set of specific measures. In addition,TAIEX can be used for adhoc and short-term technical assistance. The use of sector budget support can be considered, once the conditions have been met. Access to finance for SMEs and innovation, including equity funding, could be facilitated through specific lending facilities or through national windows in existing mechanisms, such as the European Fund for Southeast Europe (EFSE) and the Western Balkans Enterprise Development and Innovation Facility (EDIF). WBIF can be used to leverage loans for infrastructure related investments. Multi-country IPA assistance can complement national ***programmes***. CEFTA will continue to play an important role in the area of trade. Competitiveness can also be supported and coordinated through relevant regional fora, such as the South East Europe Investment Committee (SEEIC). Complementarity will be achieved with all the relevant EU financial instruments available in this sector.

5.4 Risks

Governmental commitment to proper functioning of the markets is crucial, particularly in specific areas of internal market and competition policy. The ***agricultural*** reforms also entail deep structural changes requiring clear long-term vision, societal consensus and significant financial resources. Hence, the political dialogue can be expected to play a mitigation role. The involvement of the local communities is another tool to move the reform process forward.

Favouring FDIs can have alow positive impact on the local industry., Hence the EU assistance shouldfocus on developing SMEs to raise their attractiveness for ties with the FDI undertakingand the quality of the local workforce.

Insufficient capacity of local and regional stakeholders to prepare and implement projects can be addressed through capacity-building of the relevant institutions.

Rural depopulation can be mitigated through bringing assistance to rural communities swiftly and effectivelythus preventing a massrural-urban migration. It is vital that rural areas are subject to a comprehensive development approach attracting investments in communication, transport, energy, water and waste treatment, allowing for improved quality of life at the standards of 21st century.

Restrictive lending policies to farmers can be mitigated through general measures improving the access to finance under the competitiveness and innovation sector.

Insufficient capacities of the beneficiary institutions to ensure an effective and efficient implementation of IPA and IPARDassistance at local and central level can be addressed through technical assistance, capacity building and political dialogue.

6. Education, employment and social policies

6.1 Description of the needs and capacities in the sector

The labour market is characterised by persistently low rates of economic activity – 64.3% compared to the EU28 of 72.5%. Unemployment has remained for ***years*** among the highest in the region and well above the EU average of 9.7%[13], although a positive trendis present indicating steady, yet insufficient, decrease in the number of unemployed people from 29% in 2013to 22.6% % in 2017.The low job creation rate and the static labour market result in high long-term unemployment (81.6% of the unemployed persons in 2015). Youth and women are particularly affected. Youth unemployment remains predominantly a long-term phenomenon with young people facing a difficult transition from education to the labour market. The participation of women, namely young women, women in rural areas and unqualified women,in the labour market remains particularly low (51.7% of the 15-64 ***years*** old in 2017). The skills mismatch and the gender gap in educational attainment, along withhousehold responsibilities, lack of flexible work arrangements and limited access to relevant networks, remain the most important reasons for highwomen labour marketinactivity. Gender stereotypes existing in the society perpetuates a structural gender gap in economic, political and social areas.

Combined systemic and visionary efforts from all actors are needed to foster employmentand support social and economic inclusion, including of minorities and vulnerable groups. The structural weaknesses of the labour market need to be addressed through crafting of adequate policiesandactive labour market measures, improving the quality of education at all levels and the education-labour market match, prolonging active employment, modernising the social security system and introducing more modern family policies. In addition, the social dialogue needs to be strengthened along with the administrative capacity and implementation of the labour laws. These priorities are reflected in the new Employment Strategy 2016-2020 which focuses on increasing the efficiency and effectiveness of the employment policy with particular support to vulnerable categories of people, improving job creation capacities of the private sector and an education system that produces knowledge matching the needs of the employers.

Since quality education is at the heart of economic growth and development, the most pressing challenges are to improve the quality of the education, its accreditation and evaluation, the relevance of the study programmesand to address the needs of the labour marketfor qualified and prepared labour force. According to the 2015 OECD ***Programme*** for International Student Assessment (PISA) assessment the country ranks fourth from the bottom of the list of over 72 countries tested. The country committed to participate in the 2018 PISA exercise which is seen as a positive stepping stone to improve the overall results.The Government adopted a new Comprehensive Education Strategy 2018-2025 with a costed action plan in February 2018.Thesetting sets a vision of comprehensive and inclusive education, with a focus on the learner, the quality and effectiveness of the education process and an education and training system which is labour market relevant. Delivering the right skills for employment and increasing the efficiency and inclusiveness of the education and training system remain a priority. In 2016,significant progress was achieved in referencing the nationalQualification Framework to the European Qualification Framework, the self-certification to the QF-EHEA and the creation of online register of existing qualifications. A focus needs to be put on promotion of the educational standards, reinforcing the use of learning outcomes in standard-setting, curricula developing and educationaloutcome assessment. The significant mismatch between demand and supply on the labour market needs to be addressed. Access to enterprise training is quite good, with a well-developed training network, operated by the employment authorities, but it is not clear to what extent this meets the specific needs of small businesses since the Government lacks systematic information on the skills needs. Assessment of training needs of employed staff should become a regular practice and be carried out systematically. The link between training and employment should be further strengthened through promoting life-long learning, work-based learning, adult and continuing education. Further efforts are required for strengthening the vocational education and training (VET) and Adult Education system in close cooperation with the private sector and social partners.

In this regard, investments in digital skills are necessary for the development of the digital economy and society. The country is increasingly suffering from a growing professional ICT skills shortage and a digital literacy deficit. This excludes many citizens from the digital society and holds back productivity growth. In line with the Skills Agenda for Europe, the country should aim to implement a national digital skills strategy, including ***programmes*** for un/underemployed, women and the elderly and establish national coalitions for digital jobs, incorporated into the EU's digital skills & jobs coalition.

It is crucial that basic school education is improved and that the country continues to reform its higher education in line with the Bologna process. Higher quality education will benefit the country's competitiveness and economic growth. The five key indicators of the Education and Training 2020 strategy should continue to be tracked so as to trace progress and draw comparisons with EU Member States. The quality of statistical data on education needs to improve. The country should participate actively and constantly in the Open Method of Coordination, and in the various networks and working groups. The Erasmus+ ***programmes*** provides opportunities to improve the national educational system at all levels and should be further seized.Additional attention needs to be paid to initiatives that promote gender equality and help combat discriminatory practices in the sector with particular attention to minorities and children with disabilities. Measures to advance inclusive and quality education for all levels of education need to be implemented more effectively.

Being a requirement for an active and productive workforce, for societal development, and for sustainable economic growth, social protection and health and well-being of the population and the labour forcehave been mainstreamed into labour market and education policy. Combating discriminatory practices, improving working conditions and health of the workforce, promoting equal social opportunities, socio-economic inclusion and wellbeing remain priority for the EU funding.

Progress has been made in the last ***years*** in poverty reduction. The poverty rate (as a share of the total population) declined to 22.1% in 2014. However, 43.2% of the population is either atrisk of poverty[14],is severely materially deprived or lives in a household with very low work intensity.More efforts are needed to implement the national strategy for poverty reduction.

The horizontal and vertical segregation and gender gap in getting employment, manifested through a largerpresence of women in less paid jobs and professions, and the lower participation rate in the decisionmaking process is additionally leading to poverty feminization, economic dependence of women whichall generates a risk of social exclusion.

Roma remain among the poorest and most vulnerable groups with 41% of them living under the absolute poverty line of US$4.30[15], unemployment rate of over 53% and no formal education at all for over 22% of Roma aged 25-64. The housing situation is dramatic with a high proportion of illegal settlings and/or inadequate, unhygienic environments. Roma continue to have poor access to health and social services. Despite numerous policies and initiatives in recent ***years*** to improve the situation of Roma, such as the introduction of health mediators, pedagogical assistants and Roma coordinators at local level, the range of social services and initiatives to promote their inclusion into society has still to be enlarged. While the gap between Roma and non-Roma in the fields of education, employment, health, housing and public services is addressed through anti-discrimination and strengthening human rights approaches, the EU will also continue to invest in specific target measures focused on raising Roma employability and educational status and fostering their social inclusion.

The situation of the persons with disabilities confronted with discrimination and barriers in an educational, employment and social context remains also critical. Over 13% of the households have suffered from health problems that have limited their home, work and leisure activities for at least 6 months[16]. The figure will probably rise given the ageing of the population. Distrust of employers regarding their abilities, inadequate education, barriers to physical access, lack of adapted public transport aggravate the already difficult situation of the people with disabilities and particularly those living in rural areas.

Along with targeted measures focused on employment and social inclusion, there is a clear need for better implementation of the legal provisions in the sector, improving the effectiveness of the state funding, deinstitutionalisation and decentralisation of the social services. A change of attitudes, perceptions and working methods needs to be promoted in order to ensure higher efficiency of the social protection system. Prioritising the social aid to people in need rather than everybody, linking better employment and social protection, decreasing the costs of the social services while increasing their effectiveness remain high priorities.

Under IPA, around EUR 60 million have been ***programmed*** for this sector.With this assistance, improvements have been made in the policy framework, creating a set of strategies tackling all aspects in the areas of employment and in social policy, education and training.

IPA II assistance will be ***programmed*** along the key national sectorial strategies, including the National Employment Strategy (2016-2020), the Comprehensive Education Strategy (2018-2025), the VET strategy 2013-2020, and the National Strategy for Alleviation of Poverty and Social Exclusion(2010-2020).The Employment and Social Reform ***Programme***[17]is designed to prioritise a limited number ofpolicy reforms and measures covering three areas: labour market and employment policies, human capital and skills development policies and social protection and social inclusion.

The implementation capacity within the Ministry of Education and Science and the Ministry of Labour and Social Policy, as well at governmental level in the National Economic Council, needs to be strengthened through a coherent monitoring and evaluation policy, as well as through the involvement of non-state actors and citizens in reform processes through a functional social dialogue and good coordination between public-private spheres.

6.2 Objectives, results, actions and indicators

The overall objectives of IPA II assistance in this sector are to ensure more inclusive and effective labour market, higher quality of education and a modern and flexible social protection system.

The results to be achieved include:

* Reduced rate of unemployment as a whole and of the young people, women and others disadvantage groups in particular

1. Increased labour market participation as a whole and of the young people, women and others disadvantage groups in particular
2. Improved basic school, VET and higher education
3. Improved match between skills demand and supply
4. Improved access to education, employment and social services, especially for women
5. Improved sustainability of the social protection system (improved targeting accessibility and adequacy of the financial social protection benefits for people in need)
6. Improved quality and accessibility of the social services.

In the employment subsector, EU fundswill be allocated for the implementation of the employment policy at national and local level including design and implementation of active employment-promotion approaches, flexible systems, influencing the productivity of the workforcelabour market measures, particularly for young people and women, stimulating self-employment, social entrepreneurship and promotion of entrepreneurship.Attention will be paid to funding measures aiming at decreasing the informal labour market and supportingtransformation of informal or undeclared work into regular employment. EU funds will also be allocated to improve working conditions, labour standards and observance of health and safety at work.

Support to youth and education policies shall be sustained and mainstreamed through IPA II. This will be in line with the major EU policies in the area, in particular the Education and training 2020, the Bruges Communiqué and the Copenhagen Process for Vocational Education and Training. Investments will be made in improving the quality of education and facilitating access to education for all, promotion of lifelong and entrepreneurial learning, improving the mobility and support services,digital training,etc. VET and adult education systems will be strengthened and modernised through legislative changes, mobility schemes and capacity building activities. Focus will be put on enhancing the cooperation between educational institutions, social partners and the private sector. The importance of informal and adult education should also be taken into account, where the three main challenges remain the noncompliance of its demand and supply due to lack of information about labour market needs, the low awareness across the population and companies and a lack of a system for validation of informal learning.

Support will also be provided for the Digital Education Action Plan that outlines a number of measures through which the EU will help education systems to adapt to the ongoing digital transformation. Other projects that aim at creating a common understanding of digital competences enable people to develop these competences and support their employability or participation will also be supported.

Social policy will be strengthened through supporting reforms for the social protection and health care systems; through supporting better access to quality social and care service, including health care services, in particular for vulnerable groups, such as Roma. Improving the access of young people and women to the labour market and thus to social protection mechanisms is expected to raise their participation in the labour market and optimise the cost of the social protection mechanisms. The access to affordable early childhood education and care services along with strengthening policies to support parents' access to the labour market will additionally stimulate its employability. Particular attention will be paid to the access of the disadvantage groups, such as Roma, women victims of violence and persons with disabilities to employment, education and social services. IPA II will support the involvement of the end beneficiaries into the design and delivery of social services, thus further decreasing the risks of social exclusion.A focus will also be put on building the capacity for monitoring and evaluating the social inclusion and wellbeing of the young people, women and vulnerable groups and elaborating of effective modern social policies.

On a horizontal level, emphasis will be put on supporting equal opportunities and non-discrimination, mainstreaming gender equality; strengthening inter-community relations through inter-community dialogue and interaction, and cultural, social and economic co-operation. EU funds will also be allocated for supporting the social dialogue and strengthening the capacities of the social partners. The efforts will be focused on strengthening the administrative capacity for crafting effective employment, education and social policies and monitoring their implementation. Priority will be given to extending the quality and scope of statistical indicators in all areas, monitoring and evaluating their dynamics. Assistance will be also provided for enhancing inter-institutional cooperation at central and local level and interaction between public sector, business, civil societyand the social partners. Reforming the legislative framework in support of equal opportunities approach and non-discrimination, with an emphasis on mainstreaming gender equality will remain a priority.

Indicators:

* Employment /Unemployment rate 15-64 ***years***, total %(Eurostat)

1. Social statistics & data –at-risk-of-poverty statistics, costs/beneficiaries of the social protection systems, etc.
2. EU targets for 2020 in education and training

6.3 Types of financing

Reforms will be supported through Twinning, service, supply, works, and grant contracts, implemented under direct and/or indirect management. TAIEX can be used for ad hoc and short-term technical assistance. The use of sector budget support can be considered, once the conditions have been met. In order to increase the leverage of EU funds, blending loans and grants should be considered as a financial instrument.

6.4 Risks

Insufficient government commitment, financial capacities and ownership to pursue reforms in the specific areas can be mitigated by emphasising reforms in the political dialogue. Issues such as fighting vulnerability of Roma populations or persons with disabilities, will be also addressed through political dialogue. Another important tool is the involvement of the social partners and stakeholders in the policy-making and implementation thus increasing the bottom-up axis of influence for improving the access of these groups to education, employment and social services.

Serious risks to employment and education are the traditional cultural stereotypes giving limited space to women and young people in social and professional life. Long-term cultural mediation efforts and strong community-based approaches will be required to overcome them particularly in the out-of-capital areas.

Reforms in the social protection systems, namely the health and pension systems, are politically sensitive and can be misused in a context of political instability. Moreover these are expensive endeavours with an enormous impact one the life of every single citizen. The way to proper address these issues passes through strengthening the social dialogue in the country and building the administrative capacities for implementing the reforms.

Lack of leadership, administrative capacitiesand coordination among beneficiary institutions can be mitigated through mediation and capacity-building assistance.

7. Territorialcooperation and regionalcooperation

7.1 Needs and capacities in the sector

In addition to the needs and objectives identified in this Strategy Paper, the country will benefit, together with the other IPA II beneficiaries, from support under the EU horizontal and regional pre-accession financial assistance ***programmes***.

The regional priorities are set in a Multi-country Strategy Paper, designed to complement the objectives set in the national Papers. Regional assistance will be delivered along the following four axes, each one representing one dimension of the added value of the horizontal and regional ***programming***: i) Horizontal support to sector policies and reforms; ii) Regional structures and networks; iii) Regional investment support; iv) Territorial cooperation.

As regards regional investment support, the WBIF will function as a mechanism for donor coordination and blending of grants and loans. The Western Balkan countries alongside the EU, the IFIs and bilateral donors can identify, prepare and implement priority socio-economic investments though the pooling of expertise and financial resources. WBIF will work on the basis of a prioritisation of infrastructure development using one single mechanism involving the relevant stakeholders.

Territorial cooperation is a the key EU instrument to support cooperation between partners across borders, with the aim of tackling common challenges together and finding shared solutions. As the third objective of cohesion policy, European Territorial Cooperation (ETC) is central to the construction of a common European space, and a cornerstone of European integration. It has clear European added value: helping to ensure that borders are not barriers, bringing Europeans closer together, helping to solve common problems, facilitating the sharing of ideas and assets and encouraging strategic work towards common goals.

There is also a particular need to foster sustainable local development and increasing the prosperity of people and communities in remote and rural border areas which are often lagging behind economically. Moreover, in the Western Balkans there is a need to foster reconciliation and promotion of good neighbourly relations which is particularly relevant in a post–conflict area. It is also crucial in emergency situations, such as natural disasters, disease outbreaks and epidemics, which do not recognise administrative borders. The partnership principle also needs to be enhanced and the involvement of various stakeholders – local authorities, civil society organisations, businesses, communities – to be ensured.

Cross-border cooperation (CBC) aims at overcoming the administrative, legal and physical obstacles by fostering good relations between regions and countries, familiarising future Member States with rules and procedures governing the European Territorial Cooperation under EU Structural Funds, and by promoting sustainable local development.

Each country's specifics are taken into account, as well as the indivisible nature and culture in and around border regions. Achievements to date have required open and strong cooperation by the respective authorities of the relevant countries, which needs to continue.

Under IPA I, around EUR 30 millionhave been allocated to CBC ***programmes***. Based on the high interest, experience gained and existing joint ***programme*** structures, the IPA CBC ***programmes*** with Member States (Greece and Bulgaria) have been continued under IPA II, as well as IPA CBC within the Western Balkans (with Albania and Kosovo). A new IPA II CBC ***programme*** with Serbia was adopted in 2016. Additionally, the country participates in the new transnational cooperation ***programme*** 'Balkan-Mediterranean' under the European Regional Development Fund (ERDF) European Territorial Co-operation goal.

7.2 Objectives, results, actions and indicators

The CBC/territorial cooperation ***programmes*** 2014-2020 will focus on the socio-economic development of the border areas. The scope, objectives and thematic priorities of each CBC/territorial cooperation ***programme*** are laid down in a dedicated 7-***year*** ***programming*** document, which was drafted on the basis of extensive consultation of local stakeholders. The multi-annual ***programming*** document foresees indicative annual budget allocations, the eligible areas, and a set of indicators to measure the impact of the ***programme***.

Continuation of people-to-people actions, human resource development and information sharing remains as an essential part of individual ***programmes***.

The CBC ***programmes*** with Albania, Kosovo and Bulgaria aim at encouraging tourism, culture and natural heritage; enhancing competitiveness, business, trade and investment; protecting environment, promoting climate change adaptation and mitigation, risk prevention and management. The CBC ***programme*** with Greece aims at promoting employment, labour mobility and social and cultural inclusion; promoting sustainable transport and improving public infrastructures; protecting the environment and promoting climate change adaptation and mitigation, risk prevention and management. The CBC ***programme*** with Serbia aims at promoting employment, labour mobility and social and cultural inclusion across the border; encouraging tourism and cultural and natural heritage.

The Interreg V-BBalkan–Mediterranean transnational cooperation ***programme*** fosters the ***programme*** area’s entrepreneurship potential by encouraging SMEs’ cooperation and networking, clusters and cluster policies, new business models’ applications and in particular the ones promoting innovation, opening-up of new markets and internationalisation. It will also provide support for natural and cultural heritage and resource efficiency

Indicators:

* Number of involved municipalities (MIS)

1. Number of organisations benefiting from EU support
2. Number of persons benefiting from EU support

7.3 Types of financing

Assistance is provided primarily through grant contracts via calls for proposals. Investmentscan also be financed depending on the objectives of each ***programme***. Technical assistance is provided in order to improve the capacities of the institutions involved in the implementation of the ***programmes***.

7.4 Risks

Any deterioration of good neighbourly relations can be countered through addressing this at high political level. Insufficient commitment and limited capacitiesfor managing ***programmes*** at institutional level can be mitigated throughemphasising, in political dialogue,the importance of such ***programmes***. Insufficient capacities of potential beneficiaries to apply and implement projects can be mitigated through information sessions, seminars and other educational and technical assistance-related activities.

With regard to the Interreg V-B Balkan-Mediterranean transnational cooperation ***programme***, the limited amount of IPA II funds allocated to finance the participation of the former Yugoslav Republic of Macedonia is insufficient to respond to the large demand of national partners willing to cooperate in joint projects with partners from EU countries.

ANNEX 1: REVISED INDICATIVE ALLOCATIONS (million EUR)[18]per policy areas and sectors

The former Yugoslav Republic of Macedonia

2014

2015

2016

2017

2018

2019

2020

Total 2018-2020

Total2014-2020\*)

Of which climate change relevant (%)

DEMOCRACY AND RULE OF LAW

39.7

15.8

24.4

24.6

37.9

5.8

39.6

83.3

187.8

Democracy and governance

19.7

15.8

9.8

24.594

36.5

4.4

20.2

61.1

130.9

Rule of law and fundamental rights

20.0

0.0

14.6

0.0

1.4

1.4

19.5

22.3

56.9

COMPETITIVENESS AND GROWTH

42.0

51.4

40.2

57.6

69.8

115.6

44.4

229.8

421.0

Environment, climate action and energy

15.0

18.4

11.0

16.6

27.6

10.4

24.2

62.2

123.3

100%

Transport

4.0

14.7

18.2

11.2

29.4

35.4

2.3

67.1

115.2

60%

Competitiveness, innovation, ***agriculture*** and rural development

23.0

18.3

11.0

6.0

11.4

49.4

16.5

77.3

135.6

10%

Education, employment and social policies

0.0

0.0

0.0

23.7

1.4

20.4

1.5

23.3

47.0

TOTAL

81.7

67.2

64.6

82.2

107.7

121.4

84.0

313.1

608.7

\*) Part of these funds have been allocated to the IPARD II ***programme*** for the former Yugoslav Republic of Macedonia C(2015) 760 of 13.02.2015 In accordance with this ***programme***, the following funds have been earmarked for IPARD II: EUR 5 million (2014), EUR 5 million (2015), EUR 5 million (2016), EUR 6 million (2017), EUR 10 million (2018), EUR 14 million(2019) and EUR 15 million (2020).

ANNEX 2: INDICATORS AND TARGETS

Context indicators

Indicators

Baseline(2010)

Last value(***year***)

General government grossdebt/GDP (% ) (Eurostat)

24.1

39.6(2016)

GDP at market prices (million €) (Eurostat)

7,108.3

9,722.8 (2016)

Unemployment rate (%) (Eurostat)

32.0

23.7 (2016)

GDP per capita at current prices (PPS €) (Eurostat)

8,900

10,900 (2016)

Inward FDI flows to the country per capita (€) (Eurostat)

78

163 (2016)

CO2 emissions (metric tons per capita) (World Bank)

4.2

3.6 (2014)

Outcome and impact indicator

Indicator

Baseline(2010)

Last value (***year***)

Milestone (2017)

Target(2020)

Composite indicator - average ranking provided by eight external sources: Corruption Barometer, Control of Corruption, Freedom of Press, Press Freedom, Rule of Law, Government Effectiveness, Regulatory Quality, Voice and Accountability

56.03

47.94(2016)

Not Provided

Not Provided

Common Sector Indicators\*

Sectors

Sub-Sectors

Indicators

Baseline(2010)

Last value (***year***)

Milestone (2017)

Target(2020)

Democracy & governance

Governance and PAR

Composite indicator (Government effectiveness (WB), Burden of Government Regulation (WEF) and Regulatory Quality (WB))

52

41.51(2016)

62.10

64.21

Statistics

Statistical compliance - % - Eurostat

21-27

51-57(2015)

57-67

84-94

Rule of law & fundamental rights

Judicial reform

Composite indicator (Access to Justice (WJP) and Judicial Independence (WEF)

53.8(2012)

55.07 (2015)

55.00

58.86

Fight against corruption and organised crime

Composite indicators Global Corruption (TI) and Control of Corruption (WB)

48.36

41.82(2016)

56.00

58.00

Fundamental rights

Composite indicator Freedom of Press (FH) and Press Freedom (RWB)

33.20

49.05(2016)

37.25

31.05

Environment, Climate Action and Energy

Climate action

Number of climate change strategies (a) developed and/or (b) implemented with EU support

No strategy in place.

No strategy in place.

No strategy in place.

Climate Strategy and Law prepared.

Energy

Quality of electricity supply (score) - WEF

4.60

4.90(2015)

NA

NA

Transport

Logistics performance indicator (score) - WB

2.56 (2012)

2.51 (2016)

Not Provided

Not Provided

Competitiveness and innovation, ***agriculture*** and rural development

Competitiveness & innovation

Distance to frontier, Doing Business (score) – WB

65.53

80.18(2015)

76.00

78.00

***Agriculture*** & rural development

Total investment generated via IPA in agri-food sector and rural development – DG AGRI

28427442

54181644

Education, employment and social policies

Employment

Employment rate (15-64 ***years***) (%) - Eurostat

43.52

47.8(2016)

48.10

50.80

Regional and territorial cooperation

Regional and territorial cooperation

Number of involved municipalities

0

37

58

126

\*Note: only common strategic indicators are included in this template

[1] OJ L 77, 15.03.2014, p. 11.

\* This designation is without prejudice to positions on the status, and in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

[2]Source: World Bank – Regional report Western Balkan labour market trends 2017

[3] Source: Eurostat

[4]COM(2016) 715 of 9.11.2016

[5] COM(2018) 65 of 6.2.2018

[6]Cf. South East Europe 2020 Strategy ([*http://www.rcc.int/pubs/0/20/south-east-europe-2020-strategy*](http://www.rcc.int/pubs/0/20/south-east-europe-2020-strategy)).

[7] Cf. National Strategy for Environmental Approximation, 2007-2015

[8][*https://europa.eu/european-union/topics/transport\_en*](https://europa.eu/european-union/topics/transport_en)

[9]Where the infrastructure manager is a public enterprise and railway operator is a joint stock company.

[10] Cf. SME Policy INDEX, December 2012.

[11]SITC Rev 4Statistical classification of ,exports, State Statistical office

[12]Trade flows by SITC product grouping 2011-2015, Eurostat

[13] Cf. Eurostat

[14]People at risk of poverty or social exclusion, (AROPE) headline indicator to monitor the EU 2020 strategy poverty target,

[15] UNDP/WB/EC regional Roma survey 2011

[16]Survey on income and living conditions in 2014

[17] To be finalised in 2017

[18]Any possible differences in figures displayed in policy areas and sectors compared to the annual totals are the effect of rounding to one decimal.

**Load-Date:** February 26, 2019

**End of Document**



[***R.E.A. Holdings plc: Annual Report in respect of -2-***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5S6G-XNW1-JCXB-2206-00000-00&context=1516831)

London Stock Exchange Aggregated Regulatory News Service (ARNS)

April 27, 2018 Friday 7:02 AM GMT

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**Length:** 1381 words

**Body**

a cash inflow to the group provisionally estimated at $57 million. The PBJ

estate is located some distance from the group's principal estates and

would, in the near future, have required the construction of a new mill and

other infrastructure for harvesting and processing crop. Divestment of PBJ

will therefore both reduce the funding required for the group's immediate

development ***programme*** and permit the group's management to focus on a

geographically more compact area of operations.

The proceeds from the divestment of PBJ will principally be applied in

reducing group indebtedness. Coupled with the funding actions taken over the

last two ***years***, this divestment leaves the group in a stronger financial

position. It will permit the group to operate with significantly reduced

indebtedness and, at the same time, to proceed quickly to develop suitable

areas of its remaining undeveloped land bank. Following the completion in

2017 of the agreements for the ***transfer*** to SYB of fully titled land areas

held by PU, the remaining developable land bank following the sale of PBJ is

currently estimated at about 10,000 hectares. The immediate impact on

production of the sale of PBJ will be immaterial as the majority of this

estate is not yet mature.

In view of the results for 2017, the directors have concluded that they

should not declare or recommend the ***payment*** of any ordinary dividend in

respect of the ***year***.

The recovery in group operations that began in 2017 has continued into 2018,

with production in March demonstrating a noticeable upturn, against a

background of generally poorer cropping in East Kalimantan. The positive

trend has continued into April, with daily cropping rates suggesting an FFB

crop for the month approaching 60,000 tonnes (2016: 32,070 tonnes). Higher

production combined with increases in mill efficiency should result in

further progress in the group's operational performance during the current

***year***.

The improvements to the group's balance sheet that will follow from the

divestment of PBJ and a resumption of coal revenues should help the group

accelerate development of its land bank. With CPO prices expected to remain

around current levels, the prospects for the group are more encouraging than

they have been for some ***years***.

DIVIDENDS

The fixed semi-annual dividends on the 9 per cent cumulative preference

shares that fell due on 30 June and 31 December 2017 were duly paid. In line

with previous indications and in view of the financial performance during

2017, the directors have concluded that, as previously announced, they

should not declare or recommend the ***payment*** of any dividend on the ordinary

shares in respect of 2017.

As previously indicated, if crops continue to recover as expected, prices

for the group's palm products are maintained at around current levels, the

sale of PBJ is successfully completed and the coal operations start to

generate suitable returns, the directors intend to resume the ***payment*** of

ordinary dividends. However, the ***programme*** of development of the group's

land bank remains ongoing and will require further significant capital

expenditure. The need to fund such expenditure will necessarily influence

the rates at which the directors feel that they can prudently declare, or

recommend the ***payment*** of, ordinary dividends over the next few ***years***.

ANNUAL GENERAL MEETING

The fifty-eighth annual general meeting of R.E.A. Holdings plc will be held

at the London office of Ashurst LLP at Broadwalk House, 5 Appold Street,

London EC2A 2HA on 13 June 2018 at 10.00 am.

RISKS AND UNCERTAINTIES

The group's business involves risks and uncertainties. Identification,

assessment, management and mitigation of the risks associated with

environmental, social and governance matters forms part of the group's

system of internal control for which the board of the company has ultimate

responsibility. The board discharges that responsibility as described in

"Corporate governance" in the annual report.

Those risks and uncertainties that the directors currently consider to be

material are described below. There are or may be other risks and

uncertainties faced by the group that the directors currently deem

immaterial, or of which they are unaware, that may have a material adverse

impact on the group.

Material risks, related policies and the group's successes and failures with

respect to environmental, social and governance matters and the measures

taken in response to any failures are described in more detail under

"Sustainability" in the annual report.

Where risks are reasonably capable of mitigation, the group seeks to

mitigate them. Beyond that, the directors endeavour to manage the group's

finances on a basis that leaves the group with some capacity to withstand

adverse impacts from identified areas of risk but such management cannot

provide insurance against every possible eventuality.

Risks assessed by the directors as being of particular significance are

those detailed below under climatic and other operational factors, produce

prices and funding. In the case of climatic and other operational factors

and produce prices, the directors' assessment reflects the negative impact

on revenues that could be caused by adverse climatic conditions or

operational circumstances and, in the case of funding, the considerations

referred to in the "Viability statement" in the "Directors' report" in the

annual report.

Risk Potential impact Mitigating or other

relevant

considerations

***Agricultural***

operations

Climatic factors

Material variations A loss of crop or Over a long period,

from the norm in reduction in the crop levels should

climatic conditions quality of harvest be reasonably

resulting in loss of predictable

potential revenue

Unusually low levels A reduction in Operations are

of rainfall that lead subsequent crop located in an area

to a water levels resulting in of high rainfall.

availability below the loss of potential Notwithstanding

minimum required for revenue; some seasonal

the normal development variations, annual

of the oil palm rainfall is usually

adequate for normal

the reduction is development

likely to be broadly

proportional to the

cumulative size of

the water deficit

Overcast conditions Delayed crop Normal sunshine

formation resulting hours in the

in loss of potential location of the

revenue operations are well

suited to the

cultivation of oil

palm

Low levels of rainfall Inability to obtain The group has

disrupting river delivery of estate established a

transport or, in an supplies or to permanent

extreme situation, evacuate CPO and downstream loading

bringing it to a CPKO (possibly facility, where the

standstill leading to river is tidal. In

suspension of addition, road

harvesting) access (currently

requiring repair)

between the ports

of Samarinda and

Balikpapan and the

estates when

available offers a

viable alternative

route for transport

with any associated

additional cost

more than

outweighed by the

potential negative

impact of

disruption to the

business cycle by

any delay in

evacuating CPO

Cultivation risks

Pest and disease A loss of crop or The group adopts

damage to oil palms reduction in the best ***agricultural***

and growing crops quality of harvest practice to limit

resulting in loss of pests and diseases

potential revenue

Other operational

factors

Shortages of necessary Disruption of The group maintains

inputs to the operations or stocks of necessary

operations, such as increased input inputs to provide

fuel and fertiliser costs leading to resilience and has

reduced profit established biogas

margins plants to improve

its self-reliance

in relation to fuel

A hiatus in collection FFB crops becoming The group

or processing of FFB rotten or over-ripe endeavours to

crops leading either to a maintain resilience

loss of CPO in its palm oil

production (and mills with each of

hence revenue) or to the mills operating

the production of separately and some

CPO that has an ability within each

**Load-Date:** April 27, 2018

**End of Document**



[***-Barclays, Hawaiian Airlines Introduce New Hawaiian Airlines Credit Cards; Companies donate $ 100,000 to Hawai'i agriculture in celebration of enhanced dining benefits***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SSB-GX61-F0K1-N4NS-00000-00&context=1516831)

ENP Newswire

July 11, 2018 Wednesday

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**Length:** 1312 words

**Body**

Barclays and Hawaiian Airlines today announced the launch of an enhanced Hawaiian Airlines World Elite Mastercard and Hawaiian Airlines Business Mastercard that allow cardmembers to earn more miles faster and embark on their next vacation sooner through a refreshed 3-2-1 rewards structure. New cardmembers are eligible to receive 50,000 bonus miles - after meeting the spend threshold - enough for a roundtrip between the U.S. West Coast and Hawai'i.

'As Hawai'i's destination carrier, we are excited to reward our cardmembers with greater benefits that make it easier for them to visit our islands while experiencing our award-winning Hawaiian hospitality,' said Peter Ingram, president and CEO at Hawaiian Airlines.

The consumer card's 3-2-1 rewards structure simplifies vacation savings for new World Elite cardmembers starting July 11, and for existing customers on their cycle date after July 11. Consumer cardmembers will earn 3x HawaiianMiles per dollar spent on Hawaiian Airline purchases; 2x on gas, dining and grocery store purchases; and 1x on all other purchases, with no mileage caps. World Elite consumer cardmembers will continue to enjoy current benefits such as one free checked bag for eligible bags on Hawaiian Airlines-operated flights, no foreign transaction fees, $ 100 annual companion discount and low introductory APR on balance ***transfers***, as well as all the World Elite Mastercard benefits.

'Whether a frequent flyer to the Hawaiian Islands or saving for a once-in-a-lifetime trip, our cards are tailored toward rewarding cardmembers with meaningful benefits,' said Dan Dougherty, managing director of airline partnerships, Barclays. 'By allowing cardmembers to earn miles faster as well as access companion discounts and mile sharing with friends and family, we're un-complicating travel to Hawaii and making dream vacations a reality.'

To mark the credit card's relaunch and celebrate the increased dining and grocery rewards, the Hawaiian Airlines World Elite Mastercard ***program***, supported by Barclays, Hawaiian Airlines, Mastercard and Bank of Hawaii, donated $ 100,000 to support Hawai?i's local ***agriculture*** industry. The funds will be shared by four nonprofit local organizations to advance sustainable ***agriculture*** and conservation in the islands.

The new Hawaiian Airlines World Elite Mastercard has an annual fee of $ 99 and includes the following features:

Get closer everyday with the new 3-2-1 rewards structure:

3x HawaiianMiles per dollar spent on eligible Hawaiian Airline purchases

2x HawaiianMiles per dollar spent on gas, dining and grocery store purchases

1x HawaiianMiles per dollar spent on all other purchases

New cardmembers earn 50,000 bonus miles after meeting the spend threshold in the first 90 days

New cardmembers earn a one-time 50% off companion discount for roundtrip coach travel between Hawaii and North America on Hawaiian Airlines

Receive a free checked bag for eligible bags on Hawaiian Airlines-operated flights when the card is used to purchase eligible tickets directly from Hawaiian Airlines

No foreign transaction fees on international purchases

Earn a $ 100 flight discount off one coach companion ticket after each credit card account anniversary, valid for roundtrip coach travel between Hawaii and North America on Hawaiian Airlines

Share Miles allows cardmembers to send and receive miles from friends and family into their HawaiianMiles account online without a fee.

Access to discounted award flights on Hawaiian Airlines

The new Hawaiian Airlines Business Mastercard has an annual fee of $ 99 and includes the following features:

Get closer everyday with the new 3-2-1 rewards structure:

3x HawaiianMiles per dollar spent on eligible Hawaiian Airline purchases

2x HawaiianMiles per dollar spent on gas, office supply stores and dining purchases

1x HawaiianMiles per dollar spent on all other purchases

New cardmembers earn 50,000 bonus miles after making the first purchase

Cardmembers can earn up to 40,000 additional miles after spending $ 100,000 or more in purchases during their cardmembership ***year***

New cardmembers earn a one-time 50% off companion discount for roundtrip coach travel between Hawaii and North America on Hawaiian Airlines

No foreign transaction fees on international purchases

Share Miles allows cardmembers to send and receive miles from friends and family into their HawaiianMiles account online without a fee

Employee cards at no additional fee to help earn rewards faster and control business spending

Beginning July 11, new and existing cardmembers can learn more or apply for the Hawaiian Airlines World Elite Mastercard or Hawaiian Airlines Business Mastercard at [*www.hawaiianairlines.com*](http://www.hawaiianairlines.com). Terms, conditions and restrictions apply.

About Barclays

Barclays is a transatlantic consumer and wholesale bank that moves, lends, invests and protects money for customers and clients worldwide. Barclays' U.S. consumer business, headquartered in Wilmington, Del., is one of the fastest-growing top 10 credit card issuers and online banks in the country. The company creates customized, co-branded credit card ***programs*** for some of the country's most successful travel, entertainment, retail and affinity institutions. The company also offers its own branded credit cards, online savings accounts and CDs, and personal loans.

About Hawaiian Airlines

Hawaiian has led all U.S. carriers in on-time performance for each of the past 14 ***years*** (2004-2017) as reported by the U.S. Department of Transportation. Consumer surveys by Conde Nast Traveler, Travel + Leisure and TripAdvisor have placed Hawaiian among the top of all domestic airlines serving Hawai'i.

Now in its 89th ***year*** of continuous service, Hawaiian is Hawai'i's biggest and longest-serving airline. Hawaiian offers non-stop service to Hawai'i from more U.S. gateway cities (12) than any other airline, along with service from Japan, South Korea, China, Australia, New Zealand, American Samoa and Tahiti. Hawaiian also provides approximately 170 jet flights daily between the Hawaiian Islands, with a total of more than 250 daily flights system-wide.

Hawaiian Airlines, Inc. is a subsidiary of Hawaiian Holdings, Inc. (NASDAQ: HA). Additional information is available at HawaiianAirlines.com. Follow Hawaiian's Twitter updates (@HawaiianAir), become a fan on Facebook (Hawaiian Airlines), and follow us on Instagram (hawaiianairlines).

About Mastercard

Mastercard (NYSE: MA),   [*www.mastercard.com*](http://www.mastercard.com), is a technology company in the global ***payments*** industry. We operate the world's fastest ***payments*** processing network, connecting consumers, financial institutions, merchants, governments and businesses in more than 210 countries and territories. Mastercard products and solutions make everyday commerce activities - such as shopping, traveling, running a business and managing finances - easier, more secure and more efficient for everyone. Follow us on Twitter @MastercardNews, join the discussion on the Beyond the Transaction Blog and subscribe for the latest news on the Engagement Bureau.

About Bank of Hawaii

Bank of Hawaii Corporation is an independent regional financial services company serving businesses, consumers and governments in Hawaii, the West Pacific and American Samoa. The Company's principal subsidiary, Bank of Hawaii, was founded in 1897. Bank of Hawaii offers a full array of banking services, including retail and commercial banking, investment services, wealth management, cash management, credit and debit cards, loans and leasing, estate and financial planning and international banking. With 69 branches and nearly 350 ATMs, Bank of Hawaii's ATM network is the largest and the most convenient in the state, serving more than half of Hawaii's households. For more information about Bank of Hawaii Corporation, see the Company's web site,   [*www.boh.com*](http://www.boh.com).

[Editorial queries for this story should be sent to [*newswire@enpublishing.co.uk*](mailto:newswire@enpublishing.co.uk) ]

**Load-Date:** July 11, 2018

**End of Document**



[***BBC News - 01:30 AM GMT***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5THM-5X11-JBH6-C1KK-00000-00&context=1516831)

TVEyes - BBC 1 South West

October 19, 2018 Friday

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**Section:** U.K. REGIONAL TV; News

**Length:** 749 words

**Highlight:** The latest national and international news from the BBC.

**Body**

**Speech to text transcript:**[[2]](#footnote-3)1

a final Brexit deal, and find a solution to the future of the Irish border. She has come under significant criticism for all this from her own party. Afghanistan is on high alert ahead of crucial Parliamentary elections, with Taliban militants increasingly active and posing a growing threat. The Taliban says it carried out a deadly attack inside the Governor's compound in the Kandahar.

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[***BBC News - 01:30 AM GMT***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5THM-5X11-JBH6-C1K9-00000-00&context=1516831)

TVEyes - BBC 1 South East

October 19, 2018 Friday

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**Section:** U.K. REGIONAL TV; News

**Length:** 749 words

**Highlight:** The latest national and international news from the BBC.

**Body**

**Speech to text transcript:**[[3]](#footnote-4)1

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TVEyes - BBC 1 North West

October 19, 2018 Friday

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**Section:** U.K. REGIONAL TV; News

**Length:** 749 words

**Highlight:** The latest national and international news from the BBC.

**Body**

**Speech to text transcript:**[[4]](#footnote-5)1

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TVEyes - BBC 1 Wales

October 19, 2018 Friday

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**Section:** U.K. REGIONAL TV; News

**Length:** 749 words

**Highlight:** The latest national and international news from the BBC.

**Body**

**Speech to text transcript:**[[5]](#footnote-6)1

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October 19, 2018 Friday

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**Section:** U.K. NATIONAL; News

**Length:** 749 words

**Highlight:** The latest national and international news from the BBC.

**Body**

**Speech to text transcript:**[[6]](#footnote-7)1

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October 19, 2018 Friday

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**Section:** U.K. REGIONAL TV; News

**Length:** 749 words

**Highlight:** The latest national and international news from the BBC.

**Body**

**Speech to text transcript:**[[7]](#footnote-8)1

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October 19, 2018 Friday

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**Section:** U.K. REGIONAL TV; News

**Length:** 749 words

**Highlight:** The latest national and international news from the BBC.

**Body**

**Speech to text transcript:**[[8]](#footnote-9)1

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October 19, 2018 Friday

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**Section:** U.K. REGIONAL TV; News

**Length:** 749 words

**Highlight:** The latest national and international news from the BBC.

**Body**

**Speech to text transcript:**[[9]](#footnote-10)1

a final Brexit deal, and find a solution to the future of the Irish border. She has come under significant criticism for all this from her own party. Afghanistan is on high alert ahead of crucial Parliamentary elections, with Taliban militants increasingly active and posing a growing threat. The Taliban says it carried out a deadly attack inside the Governor's compound in the Kandahar.

It's 2:30am. You up-to-date on the headlines. It's time for Thursday in Parliament. Hello again, and welcome to Thursday in Parliament, our round-up of the day at Westminster. In this ***programme***, counting the cost. The Government's under fire over a benefits mistake, that's left tens of thousands of sick and disabled people out of pocket. The DWP now estimates that it will pay up to #1 billion as a result of this shambolic error. Britain could be staying in the EU for longer, or perhaps not. The one thing I believe in it that it is vital that we leave the European Union as early as we can, so we can make sure that we are outside of the Common ***Agricultural*** Policy, outside the Common Fisheries Policy, and that we take back control. And a Minister shares his family's experience. My mother was 50 ***years*** old, she was having a really bad experience and she was taken off to a mental institution. All that to come and more. But first, up to 180,000 sick and disabled people could be in line for backdated benefits ***payments*** of around #5,000, after an error at the Department for Work and Pensions. Coming to the Commons to answer an urgent question, a Minister said it was hoped all the ***payments*** would be made by the end of next ***year***. And those who were terminally ill were being prioritised. The problem stems from a move to a new ***payment*** called Employment and Support Allowance, which began in 2011. The Shadow Minister for Disabled People said the Government's estimate of the number of people underpaid had more than doubled. It has taken this Government six ***years*** to acknowledge these mistakes, seven ***years*** to find out how many disabled people have actually been affected, and some disabled people will wait ten ***years*** to receive back ***payments***. The DWP now estimates that it will pay up to #1 billion as a result of this shambolic error. She said people had been pushed into debt, rent arrears, and destitution. Will she apologise to the almost 200,000 disabled people and their families who have been denied this vital social security support? The Minister said MPs had been regularly updated and she already apologised. This was a dreadful administrative error within the department, and it should not have happened. She explained how the mistake had happened, when people were moved to the new system. And so, all of the funding that they were receiving from the department was ***transferred*** across. And so nobody had anything taken away from them. What happened here was that people had missed the opportunity of receiving additional support, additional premium. So what wea re doing now... -- So what we are doing now... What we are doing now by reviewing these cases is to make sure people get everything that they're entitled to. But her claim about how the administrative errors were picked up provoked shouts from the Labour benches. In fact, it was the good housekeeping of the DWP that spotted the scale of the error. It was during the routine work that's undertaken on fraud and error that actually detected the scale of the problem. The Minister has quite rightly apologised. Can I apologise, as I was the Minister for part of the time when this migration was taking place? In all governments, mistakes happen - it happened over the 13 ***years*** of Labour in Government, us before, and it s how we handle this. So, a department which has a budget of in excess of #250 billion a ***year***, there will be mistakes made. But can I ask the Minister to make sure that if there is necessary ***payments*** in compensation, because there will be people here that have suffered, that we stand up and we admit that and we address that? It is absolutely staggering that this was allowed to happen in the DWP's part, and the fact that this was allowed to happen for so many ***years***, it should be shocking. But actually it's not shocking because myself and many of my colleagues at these benches, week in, week out, we see the absolute ineptitude of the Department for Work and Pensions

**Load-Date:** October 18, 2018

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[***Kazakh leader makes state of nation address - official transcript***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TFK-7161-JC8S-C2F7-00000-00&context=1516831)

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**Length:** 5965 words

**Body**

Text of report by Kazakh president's official website on 5 October; original subheadings retained

Dear Kazakh citizens!

Over the ***years*** of our independence we have achieved a great deal.

Having created a modern progressive state with a dynamic economy, we have ensured peace and public harmony.

We have made qualitative and historically significant structural, constitutional and political reforms.

We have managed to strengthen the international standing of Kazakhstan and its geopolitical role in the region.

We have proved to be a responsible and international partner, in-demand to address regional and global challenges.

Kazakhstan has become the first state among the CIS and Central Asian countries to be chosen by the global community to host the international exhibition - EXPO 2017.

We have built a new capital, Astana, which has become a financial, business, innovative and cultural centre of the Eurasian region.

The population of the country now exceeds 18 million people, with life expectancy reaching 72.5 ***years***.

We have established a strong economic framework.

Over the past 20 ***years***, the country has raised 300 billion dollars of direct foreign investment.

We see the development of small and medium-sized enterprises serving as the foundation for our economic prosperity.

Kazakhstan now ranks 36th among 190 countries in the World Bank Doing Business index.

We have always responded to external challenges in a timely manner and have been prepared for them.

In this regard, I have put forward relevant policy initiatives to modernise the country. Their implementation has become the main factor of our successful development.

Our strategic goal is to join the club of 30 developed countries of the world by 2050.

In 2014, we started implementing a comprehensive ***programme*** Nurly Zhol designed to modernise the country's infrastructure.

Three ***years*** ago we announced the Plan of the Nation - 100 Concrete Steps.

Furthermore, we launched the Third Modernisation of the country. Its main aim is creating a new model of economic growth ensuring Kazakhstan's global competitiveness.

The sustainable development of our country inspires great hope to further increase our quality of life.

We are ready to tackle new challenges.

Dear compatriots!

Recently we have seen the strengthening of the world's political and economic transformation.

The world is changing rapidly.

The foundations of the global security system and international trade rules that seemed unshakable are now crumbling.

New technology, robotics and automation complicate the requirements for labour resources and the quality of human capital.

A completely new financial system architecture is being built. At the same time, stock markets are creating another "bubble" that may provoke another financial crisis.

Today, global and local problems are intertwined. In this context, the development of the state's main asset - an individual - is the response to challenges and the guarantee of its success.

The Government, each and every head of a state agency or state company needs to reconsider their work approaches. The growing welfare of Kazakh citizens must be the highest priority.

This is the criterion I will refer to in assessing personal performance and compliance with the office.

Well-being of Kazakh citizens depends, first and foremost, on the steady growth of income and quality of life.

I. GROWING INCOME OF THE POPULATION

Income grows if a person is a hard-working professional in his or her area, has a decent salary or has an opportunity to start and develop his or her own business.

Only by concerting our efforts can we create the Universal Labour Society.

First, I instruct the Government to raise the minimal salary by 1.5 times from 28 thousand to 42 thousand tenge from January 1, 2019.

This will directly cover 1.3 million people, who work in enterprises of different types of ownership in all industries.

The increase will apply to 275 thousand workers of state-funded organisations, whose salaries will grow on average by 35 per cent.

For these purposes, we have to allocate 96 billion tenge annually from the republic's budget for 2019-2021.

From now on, the minimal salary will not depend on the subsistence level. In general, the amount of the new minimal salary will boost the labour remuneration covering the whole economy.

I hope this initiative will be supported by large companies in terms of increasing the salaries of low-paid workers.

Second, we need to create stable sources for business growth and foster private investment and facilitate freedom of the market.

It is business that creates new jobs and provides higher income to the majority of Kazakh citizens.

FIRST. In 2010, we launched the Business Road Map - 2020 ***Programme***.

I realised its effectiveness while visiting regions of the country.

The ***programme*** should be prolonged until 2025.

An additional 30 billion tenge has to be annually allocated to implement the ***programme***.

In three ***years*** this will allow the additional creation of at least 22 thousand new jobs, ensure 224 billion tenge of taxes and production of goods for an amount of 3 trillion tenge.

SECOND. We need to take decisive measures to develop economic competition and get utilities tariffs and natural monopolies under control.

Tariff setting and spending of consumers' money are still not transparent in the field of utilities and regulation of natural monopolies.

We lack the efficient monitoring and control over investment obligations of monopolies.

The Government needs to address this issue within three months and reform the anti-monopoly agency, significantly strengthening functions for competition protection.

This is important because this leads to the growth of business costs and reduction of real income for people.

THIRD. We need to enhance the protection of business from unlawful administrative pressure and criminal prosecution threats.

I am instructing to raise from January 1, 2019, the threshold of criminal liability with regard to tax violations up to 50 thousand MCI and increase fines.

In addition, we need to reorganise the Service of Economic Investigation by ***transferring*** its functions to the Financial Monitoring Committee that should be focused on the fight against the shadow economy.

We need to move towards a cashless economy. Here we have to be guided by not only repressive tools but also incentives, for example, by encouraging business to use cashless transactions.

Completion of the integration of tax and customs information systems will make administration more transparent.

The Government needs take effective measures to reduce the shadow economy by at least 40 per cent within three ***years***.

To give business an opportunity for a fresh start, I instruct to launch tax amnesty for SMEs starting from January 1, 2019 by cancelling fines and penalties provided the principal tax amount is paid.

FOURTH. Export-oriented industrialisation should be a central element of economic policy.

The Government must focus on supporting exporters in the manufacturing sector.

Our trade policy needs to stop being passive.

We need to make it vigorous in order to effectively promote our goods at regional and global markets.

At the same time, we need to support our enterprises in developing a wide range of consumer goods and promote the so-called "simple things economy".

This is essential not only to develop export potential, but also to fill the internal market with domestic goods.

I instruct the Government to allocate additional 500 billion tenge to support the manufacturing industry and non-commodity export in the next three ***years***.

To address the issue of affordable loans for priority projects I task the National Bank to allocate long-term tenge liquidity of no less than 600 billion tenge.

The Government together with the National Bank needs to ensure strict control over the targeted use of these funds.

To implement big breakthrough projects we need to consider the establishment of a direct investment fund in the non-commodity sector that will function based on the principle of co-investing with foreign investors.

We also need to intensify our activity to develop transport, logistics and other service sectors.

We need to pay special attention to the development of inbound and internal tourism to use our rich natural and cultural potential. The Government should adopt a sectoral ***programme*** at short notice.

FIFTH. We need to fully develop our ***agricultural*** and industrial potential.

The main objective is to increase labour productivity and export of processed ***agricultural*** products 2.5 times by 2022.

All state support measures should be focused on the large-scale attraction of modern ***agricultural*** technology to the country.

We need to use the best experience in managing the sector by introducing flexible practical standards and attracting reputable and experienced foreign experts to oversee ***agriculture*** specialists.

We need to build a system of comprehensive teaching of new management skills among rural entrepreneurs.

For these purposes, I instruct the Government to additionally allocate at least 100 billion tenge annually in the next three ***years***.

SIXTH. Special attention should be paid to the development of innovation and service sectors.

First of all, we need to ensure the development of areas of the "future economy" such as alternative energy, new materials, biomedicine, big data, the internet of things, artificial intelligence, block chain, etc.

They determine the global position and role of the country in the future.

I instruct the Government together with Nazarbayev University to develop special ***programmes*** with specific projects for each area.

The opening of a think-tank for the development of artificial intelligence technology within the university may be one of them.

SEVENTH. We need to strengthen the role of the financial sector in developing the real economy and ensure long-term macroeconomic stability.

Now people are mainly concerned with the rise in prices, access to financing and banks' stability.

The National Bank together with the Government has to finally start using a systemic approach to make the financial and real sectors of the economy healthy and to carry out a comprehensive anti-inflation policy.

Given the current situation, it is crucial to increase loans for the economy, especially for the manufacturing sector and SMEs.

We also need to enhance the efficiency of managing pension assets and social insurance system resources, and effectively develop alternative financial tools - securities market, insurance, etc.

The Astana International Financial Centre should play a pivotal role in providing business with foreign investment and access to capital. To this end, we have created a separate court, financial regulator and stock exchange.

All state agencies and national companies should actively use this platform and facilitate its rapid evolvement and development.

The effective implementation of the above-mentioned measures will boost the income of Kazakh citizens thanks to the growth of salaries and creation of new jobs.

These processes should constantly be in the focus of the Government.

II. INCREASE IN QUALITY OF LIFE

The second component of wellbeing is the growth of quality of life.

Quality and access to education, healthcare, housing, comfortable and safe life concerns every Kazakh family.

In this regard, the Government should review priorities of budget expenditures focusing on the social sector, security and infrastructure.

FIRST. We need to increase expenditures on education, science and healthcare from all sources up to 10 per cent from the GDP within 5 ***years***.

The funds should be used to carry out the planned reforms ensuring significant improvement of quality of services for the population.

SECOND. We need to drastically improve the quality of pre-school education.

The thinking framework, intelligence, creativity, and learning new skills are built in early childhood.

The emphasis in education is shifting towards the 4C model: creativity, critical thinking, communication skills and co-working.

In this area we need to review qualification requirements, training methods, the labour remuneration system for teachers and other employees of kindergartens.

This ***year*** the Ministry of Education and Science together with akimats needs to draft a relevant road map.

THIRD. We have defined the major approaches to secondary education, and at the current stage we need to focus on them.

The teaching system and methods of Nazarbayev Intellectual Schools must become a single standard for state schools. This will be a final stage in reforming school education.

The system of knowledge evaluation should be based on international standards.

Professional analysis and guiding of children in terms of choosing the most in-demand professions should be carried out starting from secondary school. This will help to shape an individual education track and reduce the academic load on students and teachers.

Given the importance of child safety, I task to equip all schools and kindergartens with video surveillance systems, to optimise activities of school psychologists and to adopt other consistent measures.

To make education more accessible, I instruct the Government to allocate an additional 50 billion tenge from the republic's budget for 2019-2021 to support regions facing the biggest deficit of school places and problems with three-shift schools or those in critical condition.

FOURTH. I suggest it is necessary to develop and adopt a Law on the Status of Teachers next ***year***.

It should envisage all incentives for teachers and employees of pre-school organisations, to reduce workload, protect from unscheduled inspections and uncharacteristic functions.

FIFTH. We need to raise the bar to the quality of education in academic institutions in the higher education system.

We have increased the number of scholarships, now the time has come for greater responsibility.

The main criterion of a successful university is the employment of graduates and high-paid jobs.

We need to conduct a policy of the integration of higher educational institutions.

Only those providing high quality education should remain in the market. It is crucial to establish partnerships with the world's leading universities while attracting best foreign senior managers as Nazarbayev University does.

I find it necessary to open a new regional higher education institution following the example of the Nazarbayev University based on the existing education infrastructure.

SIXTH. The quality of medical services is a key component of social well-being of the population.

First of all, we need to make primary health care more accessible, especially in rural areas.

To motivate PHC workers, from January 1, 2019, I task to gradually increase by 20 per cent the salary of district medical workers that introduced new approaches for treating diseases.

Next ***year*** 5 billion tenge will be allocated for these purposes.

All hospitals and clinics need to switch to paperless digital medical documentation from January 1, 2019.

This will allow the creation of electronic health passports for the whole population, eliminating queues and bureaucracy, and improving quality of services by 2020.

In 2019 we need to start the construction of a National Oncology Research Centre in Astana using the experience of operating cardiological and neurosurgery clusters.

By doing so, we will save many human lives.

SEVENTH. We need to find reserves at the regional level to increase the access to sport and physical education.

I instruct the Government and akims to construct at least 100 physical and health facilities.

In addition, we need to effectively use existing sports facilities, in particular in schools, and to equip outdoor areas, parks and squares for physical education purposes.

EIGHTH. The health of the nation is the main priority of the state. This means that Kazakh citizens should consume good-quality products.

Currently, we lack a comprehensive policy aimed at protecting our population from low-quality goods and services and those posing a threat to health and life.

I task the Government to take measures and get this activity under control.

A Committee on the Control over Quality and Security of Goods and Services should start operating from the next ***year***.

It will be responsible for expert examination of food products, medicines, potable water, children's goods and medical services.

For this, we need to establish state-of-the-art laboratories and to build teams of skilled specialists.

Furthermore, public associations protecting consumer rights should be institutionally strengthened and actively involved.

We always support business, but for a human being, his or her rights and health are more important.

As part of the reduction of administrative barriers, the state has cancelled numerous inspections, permits, etc.

That is why the business community also bears responsibility for the quality and security of offered goods and services.

In general, business should think not only about profit, but together with the state should ensure security and a comfortable environment for our citizens.

Qualitative social services provided for the population should be harmoniously complemented by broad opportunities to improve housing conditions, ensure comfortable and safe living in any residential area of the country.

III. CREATING A COMFORTABLE LIVING ENVIRONMENT

A comfortable environment means, first and foremost, affordability of housing, a beautiful and safe outdoor area, and a residential area that is convenient to live and work in as well as having qualitative infrastructure.

FIRST. Qualitative and affordable housing.

Today, we are successfully implementing the Nurly Zher ***Programme*** that gives a powerful impetus to the housing construction.

We have launched a new large-scale ***programme*** 7-20-25 that enhances the affordability of housing mortgages.

I instruct akims to work on a partial subsidising of down ***payments*** according to mortgage benefits from the local budget.

The allocation of such housing certificates will enhance the affordability of mortgages for highly-skilled teachers, medical workers, police officers and other experts the region needs.

In addition, we need to enhance the construction of rental housing for socially vulnerable population in big cities.

These measures will help more than 250 thousand families to improve their housing conditions.

Taking into account the construction of utility infrastructure for massive housing areas, in five ***years*** the state will help 650 thousand families or more than 2 million of our citizens.

SECOND. We need to ensure the introduction of new approaches to the territorial development of the country.

Currently, economies of leading countries are mostly represented by global cities and megalopolises.

Over 70 per cent of global GDP is generated in cities.

Throughout history, we have developed our own way of life dominated by ***agricultural*** economy with mono-cities and small regional centres.

Therefore, it is a great achievement for a country with 18 million people to have three cities with a million-plus population, two of them having become so during Kazakhstan's independence.

Astana and Almaty already generate over 30 per cent of the country's GDP.

However, the city infrastructure does not always correspond to the rapidly growing needs of enterprises and population.

In recent ***years***, we have built infrastructure of republican importance in line with the Nurly Zhol ***Programme***.

Since 2015, we have built and reconstructed 2.4 thousand kilometers of roads. This work is ongoing, and we will commission an additional 4.6 thousand kilometers of roads by 2020.

Now, we need to ensure the systemic development of regional and urban infrastructure.

To this end, this ***year*** financing for local roads has been increased up to 150 billion tenge, and funds for rural water supply up to 100 billion tenge.

Akims should focus on addressing the most acute problems in the regions using these funds.

The Government also needs to develop a systemic approach to this task, draft a list of additional infrastructure issues, assess projects and find sources to finance them.

The construction of new schools, kindergartens and hospitals needs to be synchronised with plans on the development of residential areas, it is also necessary to create conditions to bring private investors to this sector.

At the same time, we need to gradually transit from the "infrastructure-people" model to the "people-infrastructure" model.

This will facilitate the development of residential areas, enhancing the efficiency of using the allocated funds.

Each region and big city should develop based on their own model of sustainable economic growth and employment taking into account the current competitive advantages.

In this regard, we need to develop a regional standards system for different residential areas - from backbone villages to cities with the republican status.

The standard should include specific indicators for the listing and accessibility of social benefits and public services, transport, cultural, sport, business, production and digital infrastructure, etc.

We need to intensify activities aimed at improving the environmental situation, including polluting emissions, soil condition, land, air, waste disposal, as well as developing environmental monitoring systems with free online access.

Special attention should be paid to the creation of a "barrier-free environment" for people with disabilities.

I task the development of a Predictive Scheme for Territorial and Spatial Development of the Country until 2030 that will serve as a New Map of Administered Urbanisation of the Country until September 1, 2019.

To implement practical steps, I task the draft of a pragmatic Regional Development ***Programme*** until 2025 outlining specific events, projects and financing.

The above-mentioned aspects of regional development should be taken into account in Nurly Zhol and Nurly Zher state ***programmes***, their implementation terms should also be prolonged until 2025.

The first ***programme*** should focus on the development of transport infrastructure. The second one should centre on utilities and housing construction.

We need to give these ***programmes*** "a new lease of life".

THIRD. We need profound and qualitative transformations in the activity of law-enforcement agencies.

Security is an integral part of quality of life.

Internal affairs officers are at the forefront of the fight against crime and protect citizens from it, quite often risking their lives.

At the same time, society expects a drastic improvement in the work of law-enforcement agencies, mainly, of the police.

I task the Government together with the Executive Office of the President to adopt a road map to modernise internal affairs agencies.

These reforms must be launched on January 1, 2019.

First, we need to optimise the staffing of the Ministry of Internal Affairs and relieve the police of uncharacteristic functions.

The funds saved should be allocated to raise the salaries of police officers, solve their housing and other social problems.

Second, we need to adopt a new standard for police officers and change the system of career advancement, as well as training and selecting personnel in police academies.

All officers must be recertified. Only the best ones will continue to serve.

Third, we need to introduce new modern formats of working with the population, drastically changing police assessment criteria.

We need to switch the police to a service model.

It should be ingrained in the minds of citizens that a police officer does not punish but helps in a difficult situation.

We need to create comfortable conditions for receiving citizens in city and regional internal affairs agencies on a Public Service Centre basis.

All cities of Kazakhstan must be equipped with public security monitoring systems.

Public trust and a sense of security among the population should become the key parameters for assessing the work of the police.

FOURTH. Further judicial system modernisation.

We have achieved a lot over the past ***years***, but we have not tackled the main problem: ensuring a high level of trust in courts.

Moreover, the rule of law is a key to success of our reforms.

First, we should continue introducing modern formats of the work of courts and advanced electronic services.

Every ***year*** 4 million of our citizens are dragged into litigations.

We invest so much effort and funds!

We need to reduce the number of excessive judicial procedures, which require an unreasonable spending of time and resources. Processes which used to require personal presence can now be implemented remotely.

Second, we need to ensure a qualitative development and an upgrade of judicial personnel management system, providing incentives so that the best lawyers would strive to become judges.

Third, we need a clear and predictable legal practice, especially for legal disputes between business and state agencies, as well as excluding the possibilities of having an unlawful influence on judges.

I task the Supreme Court, together with the Government, to develop a relevant set of measures by the end of the ***year***.

A smaller and efficient state apparatus, which should consider all of its actions through the prism of increasing the wellbeing of the nation, will play a crucial role in the implementation of any reforms.

IV. CITIZEN-ORIENTED STATE APPARATUS

How should the state apparatus change in a new reality?

FIRST. Drastic increase in the effectiveness of state agencies

"Quality" should become a new lifestyle of civil servants, and personal growth - their main principle.

The new kind of civil servants should shorten the gap between the state and society. This means regular feedback, lively discussion and explaining specific measures and results of the state policy to people.

The Public Administration Academy together with the Nazarbayev University needs to develop a "Brand-new Leader" ***programme*** and special retraining courses when appointing to senior positions.

It is important to attract specialists from the private sector that have work experience in the best foreign companies or graduated from leading universities of the world.

This ***year*** we have introduced a new remuneration model in four state agencies.

All pilot projects have achieved good results.

We made the civil service more attractive, which is especially relevant at the regional level.

By optimising ineffective expenditures and reducing the number of senior positions, salaries of lower and mid-level civil servants grew 2-2.5 times.

The so called brain drain decreased by two times. The intake of highly-skilled professionals from the private sector increased by three times, including graduates of top higher education institutions.

The competition to the central administration at the Agency for Civil Service Affairs has increased up to 28 people per job position, at the regional offices - up to 60 people per job position.

16 people apply for one vacant position in the akimat of Mangystau, and 13 people on average in the Ministry of Justice.

We managed to save up over 30 billion tenge in Astana thanks to new approaches to financing PPP projects alone.

In order to move to a new remuneration model I granted heads of state agencies the right to make a budget and personnel maneuver.

They gained an opportunity to use the funds saved to increase the salaries of civil servants.

Now, many state agencies want to switch to a new model.

However they must understand that it is not a mere automatic increase in salaries, this means, first of all, the increase in effectiveness of their performance.

I task to ensure that the growth of expenditure on remuneration is compensated by optimisation and saving of budget expenses including the expenses of subordinate organisations.

Red tape and egalitarianism must not be allowed to keep this project from being discredited.

SECOND. In this challenging time, we need to ensure the maximum return for each tenge allocated.

Inspections show that the cost of construction is set too high as early as at the drafting stage of the project documentation.

There are projects that have not been finished or those that had no future in the first place.

If we take a responsible approach to the task assigned, we can free hundreds of billions of tenge from the budget and channel them to the real needs of population.

The Government needs to take systemic measures to optimise spending and save funds by excluding ineffective and untimely expenditures.

THIRD. Active fight against corruption will be continued.

First, we need to decrease direct interaction of civil servants with the population when providing public services.

One of the issues that concern people is red tape around land and construction.

This area lacks transparency, requiring full access for the population and business to information.

I task to create a single information database on land reserves and real estate properties.

We need to take this issue under control and give land to real investors!

This is just one example.

We also need to carry out relevant activities on other remaining areas criticised by people and business communities.

In 2019, 80 per cent and in 2020 at least 90 per cent of public services must be digitalised.

To this end, the Law on Public Services should be updated as soon as possible.

Second, we need to address the increase in personal disciplinary responsibility of senior officials when committing corruption-related offences by their subordinates.

At the same time, diligent workers should not be afraid of inspectors.

Third, we need to spread the capital's experience in implementing the anti-corruption strategy as part of "Corruption-free Regions" projects.

FOURTH. We need to reduce formality and red tape in the work of the Government and all states agencies.

Recently, we have seen a dramatic increase in the number of lengthy meetings and sessions in the Government, state agencies, as well in the paperwork.

Sometimes the Government holds up to seven meetings attended by akims and their deputies per day.

When should they have time to work?

We need to put an end to this practise and take this issue under control.

We need to give decision-making freedom to ministers and akims, who should undertake specific responsibilities and be publicly accountable.

This should be based on the developed map of indicators of the Strategic Country Development Plan until 2025.

FIFTH. To effectively implement the objectives set, we need to strengthen the mechanism of control over reforms.

By the end of the ***year*** the Government and state agencies must develop specific indicators and road maps covering all mentioned development issues, as well as submitting all necessary reforms-related bills to the Parliament in due time.

Parliament, in turn, should consider and adopt them in a qualitative and timely manner.

To monitor and assess the implementation of reforms and main strategic documents, I task to create a National Modernisation Office in the Executive Office of the President and grant it the relevant mandate.

Apart from monitoring statistic indicators, it will be responsible for conducting regular opinion polls among the population and business regarding issues of interest to the population as it is done in the OECD.

The Office will regularly report to me on the situation in each area.

Each Government member, head of a state agency, head of a state company will be personally responsible for achieving the objectives set.

V. EFFECTIVE FOREIGN POLICY

We need to further implement a proactive foreign policy in order to ensure the successful modernisation of Kazakhstan.

Our peaceful vision and clearly defined principles in this area prove their worth.

Interaction between Kazakhstan and the Russian Federation is exemplary for interstate relations.

The Eurasian Economic Union is successfully functioning as a fully integrated association and an active participant of global economic relations.

A new chapter of cooperation in the Central Asian region has been opened.

A comprehensive strategic partnership with the People's Republic of China has been gradually developing.

The One Belt - One Road ***programme*** gave a new impetus to our relations with China.

During my January official visit to Washington and negotiations with President Donald Trump, we reached an agreement on an enhanced strategic partnership between Kazakhstan and the USA in the 21st century.

We will continue our dynamic collaboration with the EU as our biggest trade and investment partner.

Mutually beneficial bilateral ties with CIS countries, Turkey, Iran, Arab and Asian countries have also been advanced.

The Convention on the Legal Status of the Caspian Sea adopted on the Aktau Summit opens new opportunities for cooperation with other Caspian states.

Kazakhstan is successfully completing its mission within the UN Security Council.

The Astana Process on Syria is nearly the only effective working format of talks on a peaceful settlement and recovery of this country from the crisis.

Additionally, in the context of difficult modern conditions, the foreign policy of the Republic of Kazakhstan requires adaptation and promotion of national interests based on the principles of pragmatism.

The Strong will to succeed and people's unity have always shaped the future of countries.

Only by uniting our efforts can we reach great heights.

VI. ENGAGEMENT OF EVERY KAZAKH CITIZEN IN TRANSFORMATION OF THE COUNTRY

Every Kazakh citizen should clearly understand the essence of the conducted reforms and their significance for prosperity of our Homeland.

To successfully implement them, it is important as never before to consolidate the society around common goals.

The Rukhani Zhangyru ***Programme*** was widely supported and gave a powerful impetus to modernisation processes in society.

This initiative should not only be continued, but also filled with new content and directions.

Comprehensive support to youth and institution of the family should become a priority for state policy.

We need to create a wide platform of social mobility, which will cover a full set of support measures for all youth categories.

I suggest declaring the next ***year*** as the ***Year*** of Youth.

We should start the modernisation of the social environment in rural areas.

This will be facilitated by the launch of a special project "Auyl - Yel Bessigi" ("Village is the cradle of the nation").

This project will help us to promote a labour ideology in the regions.

We need to establish child and youth associations Sarbaz similar to the Boy Scout movement, and to strengthen the role of military and patriotic education in schools.

We should restore mass school tourism in the regions of the country within the new "Discover Your Land" initiative.

Today, unique measures are offered in the main fields determining the social well-being of the population.

The financial value of the initiatives is over 1.5 trillion tenge, and their aggregate effect is even more ensuring a huge leap in the quality of the population's life.

This is the most reliable and beneficial investment.

Dear Kazakh citizens!

Well-being of the population and accession of Kazakhstan to the list of 30 developed countries are the long-term goals of our independent state.

We always adequately respond to the challenges of the time.

We manage to do so, primarily, thanks to our unity.

As we say, "A rich country is the country where people live in harmony".

We face complex challenges at this current time.

If we have harmony, there are no heights we cannot reach.

In all my addresses I pay special attention to improving social conditions and people's quality of life.

The main purpose of today's 7-20-25, Nurly Zhol, Nurly Zher and other state ***programmes*** is the improvement of the population's quality of life.

Kazakhstan still has a lot of heights to climb.

People's trust raises our spirits and gives us strength on this path.

There is nothing greater than this noble goal!

Source: Akorda.kz, Astana, in English 5 Oct 18

**Load-Date:** October 9, 2018

**End of Document**



[***BBC News - 01:30 AM GMT***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5THM-5X11-JBH6-C1KX-00000-00&context=1516831)

TVEyes - BBC 1 East Midlands

October 19, 2018 Friday

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**Section:** U.K. REGIONAL TV; News

**Length:** 749 words

**Highlight:** The latest national and international news from the BBC.

**Body**

**Speech to text transcript:**[[10]](#footnote-11)1

a final Brexit deal, and find a solution to the future of the Irish border. She has come under significant criticism for all this from her own party. Afghanistan is on high alert ahead of crucial Parliamentary elections, with Taliban militants increasingly active and posing a growing threat. The Taliban says it carried out a deadly attack inside the Governor's compound in the Kandahar.

It's 2:30am. You up-to-date on the headlines. It's time for Thursday in Parliament. Hello again, and welcome to Thursday in Parliament, our round-up of the day at Westminster. In this ***programme***, counting the cost. The Government's under fire over a benefits mistake, that's left tens of thousands of sick and disabled people out of pocket. The DWP now estimates that it will pay up to #1 billion as a result of this shambolic error. Britain could be staying in the EU for longer, or perhaps not. The one thing I believe in it that it is vital that we leave the European Union as early as we can, so we can make sure that we are outside of the Common ***Agricultural*** Policy, outside the Common Fisheries Policy, and that we take back control. And a Minister shares his family's experience. My mother was 50 ***years*** old, she was having a really bad experience and she was taken off to a mental institution. All that to come and more. But first, up to 180,000 sick and disabled people could be in line for backdated benefits ***payments*** of around #5,000, after an error at the Department for Work and Pensions. Coming to the Commons to answer an urgent question, a Minister said it was hoped all the ***payments*** would be made by the end of next ***year***. And those who were terminally ill were being prioritised. The problem stems from a move to a new ***payment*** called Employment and Support Allowance, which began in 2011. The Shadow Minister for Disabled People said the Government's estimate of the number of people underpaid had more than doubled. It has taken this Government six ***years*** to acknowledge these mistakes, seven ***years*** to find out how many disabled people have actually been affected, and some disabled people will wait ten ***years*** to receive back ***payments***. The DWP now estimates that it will pay up to #1 billion as a result of this shambolic error. She said people had been pushed into debt, rent arrears, and destitution. Will she apologise to the almost 200,000 disabled people and their families who have been denied this vital social security support? The Minister said MPs had been regularly updated and she already apologised. This was a dreadful administrative error within the department, and it should not have happened. She explained how the mistake had happened, when people were moved to the new system. And so, all of the funding that they were receiving from the department was ***transferred*** across. And so nobody had anything taken away from them. What happened here was that people had missed the opportunity of receiving additional support, additional premium. So what wea re doing now... -- So what we are doing now... What we are doing now by reviewing these cases is to make sure people get everything that they're entitled to. But her claim about how the administrative errors were picked up provoked shouts from the Labour benches. In fact, it was the good housekeeping of the DWP that spotted the scale of the error. It was during the routine work that's undertaken on fraud and error that actually detected the scale of the problem. The Minister has quite rightly apologised. Can I apologise, as I was the Minister for part of the time when this migration was taking place? In all governments, mistakes happen - it happened over the 13 ***years*** of Labour in Government, us before, and it s how we handle this. So, a department which has a budget of in excess of #250 billion a ***year***, there will be mistakes made. But can I ask the Minister to make sure that if there is necessary ***payments*** in compensation, because there will be people here that have suffered, that we stand up and we admit that and we address that? It is absolutely staggering that this was allowed to happen in the DWP's part, and the fact that this was allowed to happen for so many ***years***, it should be shocking. But actually it's not shocking because myself and many of my colleagues at these benches, week in, week out, we see the absolute ineptitude of the Department for Work and Pensions

**Load-Date:** October 18, 2018

**End of Document**



[***BBC News - 01:30 AM GMT***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5THM-5X11-JBH6-C1K2-00000-00&context=1516831)

TVEyes - BBC 1 Southampton

October 19, 2018 Friday

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**Section:** U.K. REGIONAL TV; News

**Length:** 749 words

**Highlight:** The latest national and international news from the BBC.

**Body**

**Speech to text transcript:**[[11]](#footnote-12)1

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TVEyes - BBC 1 Northern Ireland

October 19, 2018 Friday

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**Section:** NORTHERN IRELAND, U.K.; News

**Length:** 749 words

**Highlight:** The latest national and international news from the BBC.

**Body**

**Speech to text transcript:**[[12]](#footnote-13)1

a final Brexit deal, and find a solution to the future of the Irish border. She has come under significant criticism for all this from her own party. Afghanistan is on high alert ahead of crucial Parliamentary elections, with Taliban militants increasingly active and posing a growing threat. The Taliban says it carried out a deadly attack inside the Governor's compound in the Kandahar.

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[***BBC News - 01:30 AM GMT***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5THM-5X11-JBH6-C1KG-00000-00&context=1516831)

TVEyes - BBC 1 Scotland

October 19, 2018 Friday

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**Section:** U.K. REGIONAL TV; News

**Length:** 749 words

**Highlight:** The latest national and international news from the BBC.

**Body**

**Speech to text transcript:**[[13]](#footnote-14)1

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[***BBC News - 01:30 AM GMT***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5THM-5X11-JBH6-C1M6-00000-00&context=1516831)

TVEyes - BBC 1 Oxford

October 19, 2018 Friday

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**Section:** U.K. REGIONAL TV; News

**Length:** 749 words

**Highlight:** The latest national and international news from the BBC.

**Body**

**Speech to text transcript:**[[14]](#footnote-15)1

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TVEyes - BBC 1 Yorkshire and Lincolnshire

October 19, 2018 Friday

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**Section:** U.K. REGIONAL TV; News

**Length:** 749 words

**Highlight:** The latest national and international news from the BBC.

**Body**

**Speech to text transcript:**[[15]](#footnote-16)1

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[***Washington: EXECUTIVE AND OTHER COMMUNICATIONS (Senate - May 21, 2018)***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SCW-CNC1-JDG9-Y4J3-00000-00&context=1516831)

Impact News Service

May 22, 2018 Tuesday

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**Length:** 2290 words

**Body**

Washington: The Library of Congress, The Government  of USA has issued the following house proceeding:

 The following communications were laid before the Senate, together with accompanying papers, reports, and documents, and were referred as indicated: EC-5209. A communication from the Director of the Regulatory Management Division, Environmental Protection Agency, transmitting, pursuant to law, the report of a rule entitled ``Tebuconazole; Pesticide Tolerances'' (FRL No. 9976-62) received in the Office of the President of the Senate on May 15, 2018; to the Committee on ***Agriculture***, Nutrition, and Forestry. EC-5210. A communication from the Assistant Secretary for Legislation, Department of Health and Human Services, transmitting, pursuant to law, a report entitled ``Fiscal ***Year*** 2017 Annual Report on the Food and Drug Administration (FDA) Advisory Committee Vacancies and Public Disclosures''; to the Committees on Appropriations; and Health, Education, Labor, and Pensions. EC-5211. A communication from the Senior Official performing the duties of the Under Secretary of Defense (Personnel and Readiness), Department of Defense, transmitting, pursuant to law, a report entitled ``2018 Report to Congress on Sustainable Ranges''; to the Committee on Armed Services. EC-5212. A communication from the Under Secretary of Defense (Comptroller), transmitting, pursuant to law, a semiannual report entitled, ``Acceptance of Contributions for Defense ***Programs***, Projects, and Activities; Defense Cooperation Account'' and a semiannual listing of personal property contributed by coalition partners; to the Committee on Armed Services. EC-5213. A communication from the Assistant Secretary of Defense (Legislative Affairs), transmitting legislative proposals relative to the ``National Defense Authorization Act for Fiscal ***Year*** 2019''; to the Committee on Armed Services.

EC-5214. A communication from the Under Secretary of Defense (Acquisition and Sustainment), transmitting, pursuant to law, a report entitled ``Report to Congress on Distribution of Department of Defense Depot Maintenance Workloads for Fiscal ***Years*** 2017 through 2019''; to the Committee on Armed Services. EC-5215. A communication from the Under Secretary of Defense (Acquisition and Sustainment), transmitting, pursuant to law, a report entitled ``Report to Congress on Corrosion Policy and Oversight Budget Materials for Fiscal ***Year*** 2019''; to the Committee on Armed Services. EC-5216. A communication from the Secretary of Commerce, transmitting, pursuant to law, a report relative to the export to the People's Republic of China of items not detrimental to the U.S space launch industry; to the Committee on Banking, Housing, and Urban Affairs. EC-5217. A communication from the Chief Counsel, Federal Emergency Management Agency, Department of Homeland Security, transmitting, pursuant to law, the report of a rule entitled ``Suspension of Community Eligibility (Pennsylvania: Catharine, Township of, Blair County, et al.)'' ((44 CFR Part 64) (Docket No. FEMA-2018-0002)) received in the Office of the President of the Senate on May 15, 2018; to the Committee on Banking, Housing, and Urban Affairs. EC-5218. A communication from the General Counsel, Federal Energy Regulatory Commission, transmitting, pursuant to law, the report of a rule entitled ``Revised Critical Infrastructure Protection Reliability Standard CIP-003-7 - Cyber Security - Security Management Controls'' ((RIN1902- AF44) (Docket No. RM17-11-000)) received in the Office of the President of the Senate on May 15, 2018; to the Committee on Energy and Natural Resources. EC-5219. A communication from the Director of the Regulatory Management Division, Environmental Protection Agency, transmitting, pursuant to law, the report of a rule entitled ``National Priorities List'' (FRL No. 9978-14-OLEM) received in the Office of the [[Page S2792]] President of the Senate on May 15, 2018; to the Committee on Environment and Public Works. EC-5220. A communication from the Director of the Regulatory Management Division, Environmental Protection Agency, transmitting, pursuant to law, the report of a rule entitled ``Approval and Promulgation of Implementation Plans; Texas; Interstate Transport Requirements for the 1997 and 2006 PM2.5 NAAQS'' (FRL No. 9977-26-Region 6) received in the Office of the President of the Senate on May 15, 2018; to the Committee on Environment and Public Works. EC-5221. A communication from the Acting Administrator, Federal Highway Administration, Department of Transportation, transmitting, pursuant to law, a report entitled ``2017 Status of the Nation's Highways, Bridges, and Transit: Conditions and Performance''; to the Committee on Environment and Public Works. EC-5222. A communication from the Chief of the Publications and Regulations Branch, Internal Revenue Service, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled ``New Accounting Standards for Revenue Recognition (FASB 606)'' (Rev. Proc. 2018-29) received in the Office of the President of the Senate on May 15, 2018; to the Committee on Finance. EC-5223. A communication from the Chief of the Publications and Regulations Branch, Internal Revenue Service, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled ``Credit for Carbon Oxide Sequestration - 2018 Section 45Q Inflation Adjustment Factor'' (Notice 2018-40) received in the Office of the President of the Senate on May 15, 2018; to the Committee on Finance. EC-5224. A communication from the Chief of the Publications and Regulations Branch, Internal Revenue Service, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled ``2019 Sec. 223 Inflation-Adjusted Item'' (Rev. Proc. 2018-30) received in the Office of the President of the Senate on May 15, 2018; to the Committee on Finance. EC-5225. A communication from the Chief of the Publications and Regulations Branch, Internal Revenue Service, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled ``Determination of Housing Cost Amounts Eligible for Exclusion or Deduction for 2018'' (Notice 2018-44) received in the Office of the President of the Senate on May 10, 2018; to the Committee on Finance. EC-5226. A communication from the Chief of the Publications and Regulations Branch, Internal Revenue Service, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled ``2018 ***Calendar*** ***Year*** Resident Population Figures'' (Notice 2018-45) received in the Office of the President of the Senate on May 10, 2018; to the Committee on Finance. EC-5227. A communication from the Chief of the Publications and Regulations Branch, Internal Revenue Service, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled ``2018 List of Automatic Changes'' (Rev. Proc. 2018-31) received in the Office of the President of the Senate on May 10, 2018; to the Committee on Finance. EC-5228. A communication from the Director of Regulations and Policy Management Staff, Food and Drug Administration, Department of Health and Human Services, transmitting, pursuant to law, the report of a rule entitled ``Food Additives Permitted in Feed and Drinking Water of Animals; Marine Microalgae'' ((21 CFR Part 573) (Docket No. FDA-2014- F-1509)) received in the Office of the President of the Senate on May 15, 2018; to the Committee on Health, Education, Labor, and Pensions. EC-5229. A communication from the Director of Regulations and Policy Management Staff, Food and Drug Administration, Department of Health and Human Services, transmitting, pursuant to law, the report of a rule entitled ``Food Labeling: Revision of the Nutrition and Supplement Facts Labels and Serving Sizes of Foods That Can Reasonably Be Consumed At One Eating Occasion; Dual-Column Labeling; Updating, Modifying, and Establishing Certain Reference Amounts Customarily Consumed; Serving Size for Breath Mints; and Technical Amendments; Extension of Compliance Dates'' ((RIN0910-AH92) (Docket Nos. FDA-2012-N-1210 and FDA-2004-N- 0258)) received in the Office of the President of the Senate on May 15, 2018; to the Committee on Health, Education, Labor, and Pensions. EC-5230. A communication from the Director of Regulations and Policy Management Staff, Food and Drug Administration, Department of Health and Human Services, transmitting, pursuant to law, the report of a rule entitled ``Advisory Committee; Food Advisory Committee; Termination'' ((21 CFR Part 14) (Docket No. FDA-2017-N-6379)) received in the Office of the President of the Senate on May 15, 2018; to the Committee on Health, Education, Labor, and Pensions. EC-5231. A communication from the Director of Regulations and Policy Management Staff, Food and Drug Administration, Department of Health and Human Services, transmitting, pursuant to law, the report of a rule entitled ``Crabmeat; Amendment of Common or Usual Name Regulation'' ((RIN0910- AI04) (Docket No. FDA-2018-N-1438)) received in the Office of the President of the Senate on May 15, 2018; to the Committee on Health, Education, Labor, and Pensions. EC-5232. A communication from the Director of Regulations and Policy Management Staff, Food and Drug Administration, Department of Health and Human Services, transmitting, pursuant to law, the report of a rule entitled ``Removal of Certain Time of Inspection and Duties of Inspector Regulations for Biological Products; Withdrawal'' ((RIN0910- AH49) (Docket No. FDA-2017-N-7007)) received in the Office of the President of the Senate on May 15, 2018; to the Committee on Health, Education, Labor, and Pensions. EC-5233. A communication from the Deputy Inspector General for Audit Services, Department of Health and Human Services, transmitting, pursuant to law, a report entitled ``U.S Department of Health and Human Services Met Many Requirements of the Improper ***Payments*** Information Act of 2002 but Did Not Fully Comply for Fiscal ***Year*** 2017''; to the Committee on Homeland Security and Governmental Affairs. EC-5234. A communication from the Acting Assistant Secretary for Legislative Affairs, Department of the Homeland Security, transmitting, pursuant to law, a report entitled ``U.S Department of Homeland Security Cybersecurity Strategy''; to the Committee on Homeland Security and Governmental Affairs. EC-5235. A communication from the Alternate Federal Register Liaison Officer, Office of the Secretary, Department of Defense, transmitting, pursuant to law, the report of a rule entitled ``National Reconnaissance Office Freedom of Information Act ***Program***'' (RIN0790-AJ66) received during adjournment of the Senate in the Office of the President of the Senate on May 1, 2018; to the Committee on the Judiciary. EC-5236. A communication from the Alternate Federal Register Liaison Officer, Office of the Secretary, Department of Defense, transmitting, pursuant to law, the report of a rule entitled ``Defense Nuclear Agency (DNA) Freedom of Information Act ***Program***'' (RIN0790-AJ62) received during adjournment of the Senate in the Office of the President of the Senate on May 3, 2018; to the Committee on the Judiciary. EC-5237. A communication from the Alternate Federal Register Liaison Officer, Office of the Secretary, Department of Defense, transmitting, pursuant to law, the report of a rule entitled ``National Security Agency/Central Security Service (NSA/CSS) Freedom of Information Act ***Program***'' (RIN0790-AJ68) received during adjournment of the Senate in the Office of the President of the Senate on May 2, 2018; to the Committee on the Judiciary. EC-5238. A communication from the Alternate Federal Register Liaison Officer, Office of the Secretary, Department of Defense, transmitting, pursuant to law, the report of a rule entitled ``National Imagery Mapping Agency (NIMA) Freedom of Information Act ***Program***'' (RIN0790-AJ64) received during adjournment of the Senate in the Office of the President of the Senate on May 1, 2018; to the Committee on the Judiciary. EC-5239. A communication from the Alternate Federal Register Liaison Officer, Office of the Secretary, Department of Defense, transmitting, pursuant to law, the report of a rule entitled ``Defense Investigative Service (DIS) Freedom of Information Act ***Program***'' (RIN0790-AJ67) received during adjournment of the Senate in the Office of the President of the Senate on May 1, 2018; to the Committee on the Judiciary. EC-5240. A communication from the Alternate Federal Register Liaison Officer, Office of the Secretary, Department of Defense, transmitting, pursuant to law, the report of a rule entitled ``Defense Intelligence Agency (DIA) Freedom of Information Act'' (RIN0790-AJ63) received during adjournment of the Senate in the Office of the President of the Senate on May 1, 2018; to the Committee on the Judiciary.; to the Committee on the Judiciary. EC-5241. A communication from the Regulation Policy Development Coordinator, Office of Regulation Policy and Management, Department of Veterans Affairs, transmitting, pursuant to law, the report of a rule entitled ``Authority of Health Care Providers to Practice Telehealth'' (RIN2900-AQ06) received in the Office of the President of the Senate on May 15, 2018; to the Committee on Veterans' Affairs. EC-5242. A communication from the Regulation Policy Development Coordinator, Office of Regulation Policy and Management, Department of Veterans Affairs, transmitting, pursuant to law, the report of a rule entitled ``Expanded Access to Non-VA Care through the Veterans Choice ***Program***'' (RIN2900-AP60) received in the Office of the President of the Senate on May 15, 2018; to the Committee on Veterans' Affairs.

**Load-Date:** May 23, 2018

**End of Document**



[***Thursday in Parliament - 01:30 AM GMT***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5THM-5X11-JBH6-C1B1-00000-00&context=1516831)

TVEyes - BBC News 24

October 19, 2018 Friday

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**Section:** U.K. NATIONAL; News

**Length:** 770 words

**Highlight:** Highlights of Thursday's proceedings in Parliament.

**Body**

**Speech to text transcript:**[[16]](#footnote-17)1

That's your weather. The latest headlines: he believes the missing Saudi President Trump has now said is most likely dead. journalist Jamal Khashoggi responsible, the consequences should He said if the Saudis are be severe. The US Treasury Secretary has pulled out of an investment conference and French counterparts.

in Riyadh, joining his British is considering delaying the UK's Prime Minister Thesea May and the customs union. departure from the single market a final Brexit deal, This would give more time to agree of the Irish border. and find a solution to the future criticism for all this from her own She has come under significant party. Afghanistan is on high alert ahead of crucial Parliamentary increasingly active and posing elections, with Taliban militants a growing threat. out a deadly attack The Taliban says it carried compound in the Kandahar. inside the Governor's It's 2:30am. You up-to-date on the headlines. in Parliament. It's time for Thursday to Thursday in Parliament, Hello again, and welcome at Westminster. our round-up of the day counting the cost. In this ***programme***, over a benefits mistake, The Government's under fire of sick and disabled that's left tens of thousands people out of pocket. will pay up to #1 billion The DWP now estimates that it as a result of this shambolic error. in the EU for longer, Britain could be staying or perhaps not. that it is vital that we leave The one thing I believe in it as we can, so we can make the European Union as early of the Common ***Agricultural*** Policy, sure that we are outside outside the Common Fisheries Policy, and that we take back control. family's experience. And a Minister shares his My mother was 50 ***years*** old, experience and she was taken off she was having a really bad to a mental institution. All that to come and more. and disabled people could be in line But first, up to 180,000 sick ***payments*** of around #5,000, for backdated benefits for Work and Pensions. after an error at the Department to answer an urgent question, Coming to the Commons all the ***payments*** would be made a Minister said it was hoped by the end of next ***year***. were being prioritised. And those who were terminally ill to a new ***payment*** called Employment The problem stems from a move which began in 2011. and Support Allowance, for Disabled People said The Shadow Minister of the number of people underpaid the Government's estimate had more than doubled. ***years*** to acknowledge these mistakes, It has taken this Government six disabled people have actually been seven ***years*** to find out how many people will wait ten ***years*** affected, and some disabled to receive back ***payments***. will pay up to #1 billion The DWP now estimates that it as a result of this shambolic error. pushed into debt, rent She said people had been arrears, and destitution. 200,000 disabled people Will she apologise to the almost and their families who have been denied this vital social security support? been regularly updated The Minister said MPs had and she already apologised. error within the department, This was a dreadful administrative and it should not have happened. happened, when people were moved She explained how the mistake had to the new system. that they were receiving And so, all of the funding ***transferred*** across. from the department was taken away from them. And so nobody had anything had missed the opportunity What happened here was that people additional premium. of receiving additional support, So what wea re doing now... -- So what we are doing now... these cases is to make sure What we are doing now by reviewing they're entitled to. people get everything that the administrative errors But her claim about how from the Labour benches. were picked up provoked shouts housekeeping of the DWP that spotted In fact, it was the good the scale of the error. that's undertaken on fraud and error It was during the routine work that actually detected the scale of the problem. rightly apologised. The Minister has quite the Minister for part of the time Can I apologise, as I was was taking place? when this migration - it happened over the 13 ***years*** In all governments, mistakes happen and it s how we handle this. of Labour in Government, us before, So, a department which has a budget of in excess of #250 billion a ***year***, there will be mistakes made.

**Load-Date:** October 18, 2018

**End of Document**



[***BBC News - 01:30 AM GMT***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5THM-5X11-JBH6-C1KS-00000-00&context=1516831)

TVEyes - BBC 1 West Midlands

October 19, 2018 Friday

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**Section:** U.K. REGIONAL TV; News

**Length:** 749 words

**Highlight:** The latest national and international news from the BBC.

**Body**

**Speech to text transcript:**[[17]](#footnote-18)1

a final Brexit deal, and find a solution to the future of the Irish border. She has come under significant criticism for all this from her own party. Afghanistan is on high alert ahead of crucial Parliamentary elections, with Taliban militants increasingly active and posing a growing threat. The Taliban says it carried out a deadly attack inside the Governor's compound in the Kandahar.

It's 2:30am. You up-to-date on the headlines. It's time for Thursday in Parliament. Hello again, and welcome to Thursday in Parliament, our round-up of the day at Westminster. In this ***programme***, counting the cost. The Government's under fire over a benefits mistake, that's left tens of thousands of sick and disabled people out of pocket. The DWP now estimates that it will pay up to #1 billion as a result of this shambolic error. Britain could be staying in the EU for longer, or perhaps not. The one thing I believe in it that it is vital that we leave the European Union as early as we can, so we can make sure that we are outside of the Common ***Agricultural*** Policy, outside the Common Fisheries Policy, and that we take back control. And a Minister shares his family's experience. My mother was 50 ***years*** old, she was having a really bad experience and she was taken off to a mental institution. All that to come and more. But first, up to 180,000 sick and disabled people could be in line for backdated benefits ***payments*** of around #5,000, after an error at the Department for Work and Pensions. Coming to the Commons to answer an urgent question, a Minister said it was hoped all the ***payments*** would be made by the end of next ***year***. And those who were terminally ill were being prioritised. The problem stems from a move to a new ***payment*** called Employment and Support Allowance, which began in 2011. The Shadow Minister for Disabled People said the Government's estimate of the number of people underpaid had more than doubled. It has taken this Government six ***years*** to acknowledge these mistakes, seven ***years*** to find out how many disabled people have actually been affected, and some disabled people will wait ten ***years*** to receive back ***payments***. The DWP now estimates that it will pay up to #1 billion as a result of this shambolic error. She said people had been pushed into debt, rent arrears, and destitution. Will she apologise to the almost 200,000 disabled people and their families who have been denied this vital social security support? The Minister said MPs had been regularly updated and she already apologised. This was a dreadful administrative error within the department, and it should not have happened. She explained how the mistake had happened, when people were moved to the new system. And so, all of the funding that they were receiving from the department was ***transferred*** across. And so nobody had anything taken away from them. What happened here was that people had missed the opportunity of receiving additional support, additional premium. So what wea re doing now... -- So what we are doing now... What we are doing now by reviewing these cases is to make sure people get everything that they're entitled to. But her claim about how the administrative errors were picked up provoked shouts from the Labour benches. In fact, it was the good housekeeping of the DWP that spotted the scale of the error. It was during the routine work that's undertaken on fraud and error that actually detected the scale of the problem. The Minister has quite rightly apologised. Can I apologise, as I was the Minister for part of the time when this migration was taking place? In all governments, mistakes happen - it happened over the 13 ***years*** of Labour in Government, us before, and it s how we handle this. So, a department which has a budget of in excess of #250 billion a ***year***, there will be mistakes made. But can I ask the Minister to make sure that if there is necessary ***payments*** in compensation, because there will be people here that have suffered, that we stand up and we admit that and we address that? It is absolutely staggering that this was allowed to happen in the DWP's part, and the fact that this was allowed to happen for so many ***years***, it should be shocking. But actually it's not shocking because myself and many of my colleagues at these benches, week in, week out, we see the absolute ineptitude of the Department for Work and Pensions

**Load-Date:** October 18, 2018

**End of Document**



[***-Republic of Lithuania: IMF Executive Board Concludes Article IV Consultation***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SN5-XVT1-JD3Y-Y0R6-00000-00&context=1516831)

ENP Newswire

June 26, 2018 Tuesday

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**Length:** 1769 words

**Body**

On June 20, 2018, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation [1] with the Republic of Lithuania.

The economy picked up steam in 2017, following two ***years*** of sluggish growth. Real GDP expanded by 3.9 percent largely because of the acceleration of investment, which benefited from credit growth and high capacity utilization. Private consumption remained the main engine of growth, though it was held back by decelerating real wages. The external current account swung to a modest surplus with exports benefiting from past investments in export capacity and improved external demand. Rising wages, driven by a tightening labor market, and tax hikes led to a spike in inflation to 3.7 percent. With positive macroeconomic conditions, the government continued to consolidate public finances resulting in a headline budget surplus for the second ***year*** in a row. Data for the first quarter of 2018 point to a modest deceleration of the economy and inflation.

With Lithuania's economy expanding well above potential, growth is expected to moderate over time to a more sustainable pace. Growth in 2018 is projected at 3.2 percent, mainly because of weaker exports after a very strong performance last ***year*** and a slowdown of consumption driven by negative employment growth. Investment spending should pick up, however, thanks to faster EU funds absorption. Inflation is projected to moderate because of the waning effects of the 2017 tax hikes, lower wage increases, and a slowing economy.

Being a small open economy, Lithuania is highly vulnerable to a retreat from global trade, renewed euro area strains, geopolitics and global growth. On the domestic front, emigration and population aging, and lack of reforms are the main risks to the economic outlook.

Executive Board Assessment

Executive Directors welcomed Lithuania's strong economic performance supported by impressive macroeconomic management. The economy is rebounding and internal and external imbalances have been corrected. However, Directors noted that ambitious reforms are needed to address the significant medium-term structural challenges, including tackling adverse demographics as well as high poverty and income inequality, and ensuring continued convergence to the euro area income levels.

Directors commended the authorities for pursuing countercyclical fiscal policy in recent ***years***. Recognizing that Lithuania is a small open economy with no independent monetary policy, they considered that adequate fiscal buffers are needed to address external shocks and medium-term fiscal pressures. Directors agreed that a broadly neutral fiscal stance over the medium-term would strike the right balance between rebuilding buffers and addressing pressing social needs. They noted that the authorities could use some of the available fiscal space to finance productivity-enhancing reforms while maintaining moderate structural surpluses and a declining debt path. Noting that there is scope to simplify the existing fiscal framework, a number Directors highlighted the need to safeguard its counter-cyclical nature.

Directors agreed that pension reform is important for reducing old-age poverty while safeguarding fiscal sustainability. They welcomed recent increases in minimum pensions and the ***transfer*** of the social assistance element to the state budget. Directors noted that increasing participation is essential for the success of the reform. They emphasized the need for broad political and social consensus to ensure stability and long-term success of the pension system.

Directors acknowledged that the financial system is sound and that recent credit and housing market developments do not pose risks to financial stability. Given the rapid growth in housing prices and credit and that spillovers from Nordic parent banks could pose risks, they encouraged the authorities to continue using macroprudential policy proactively to address systemic risks and cooperating closely with banks' home-country authorities.

Directors underscored the importance of continued productivity gains for sustainable improvement in wages and living standards. They noted that while low wages are increasingly posing challenges, excessive high wage growth above productivity could harm competitiveness. To ensure convergence with Western European living standards, Directors encouraged the authorities to implement reforms that boost productivity growth. Top priorities are education and healthcare reform, including rationalizing and consolidating bloated networks.

Directors underscored the importance of boosting labor supply to mitigate demographic pressures and raise potential growth. They agreed that policies in this area should include reducing the labor tax wedge, linking retirement to life expectancy, tightening early retirement schemes, retraining ***programs***, and immigration.

Directors agreed that additional resources may be needed to reduce social disparities and address aging-related pressures. While welcoming recent tax proposals, they encouraged the authorities to consider greater reliance on capital and wealth taxes instead of labor. Given Lithuania's low tax ratio, Directors also urged more ambitious reforms to mobilize revenues allowing greater use of targeted social ***programs*** to tackle social disparities.

It is expected that the next Article IV consultation with the Republic of Lithuania will be held on the standard 12-month cycle.

Republic of Lithuania: Selected Economic Indicators, 2014-231

Quota (current, % of total): SDR 441.6 million, 0.09 percent

Per capita GDP (2016): EUR 13,500

Main products and exports: minerals (incl. refined fuel), ***agricultural*** and wood products, chemicals, plastics, textiles

Literacy rate (2015): 99.8 %

At-risk-of-poverty (after ***transfers***), share of population (2016): 30.1%

Key export markets: Russia, Latvia, Estonia, Poland, Germany

2014

2015

2016

2017

2018

2019

2020

2021

2022

2023

Projections

Output

Real GDP growth (annual percentage change)

3.5

2.0

2.3

3.9

3.2

2.9

2.7

2.4

2.2

2.0

Domestic demand growth (***year***-on-***year***, in percent)

3.4

6.9

2.5

3.1

4.1

3.9

3.6

3.3

3.1

3.0

Private consumption growth (***year***-on-***year***, in percent)

4.0

4.0

4.9

3.8

3.5

3.4

3.3

3.2

3.1

3.0

Domestic fixed investment growth (***year***-on-***year***, in percent)

5.7

4.8

0.5

7.3

7.8

6.7

5.6

4.3

3.9

3.6

Inventories (contribution to growth)

0.4

3.2

0.8

0.9

0.0

0.0

0.0

0.0

0.0

0.0

Net external demand (contribution to growth)

0.2

5.2

0.1

0.4

0.9

1.1

1.0

0.9

1.1

1.2

Nominal GDP (in billions of euro)

36.6

37.4

38.7

41.9

44.1

46.5

49.0

51.4

53.9

56.3

Output gap (percent of potential GDP)

0.1

0.6

1.0

0.1

0.5

0.6

0.6

0.5

0.2

0.0

Employment

Employment (annual percentage change)

2.0

1.2

2.0

0.5

0.5

0.4

0.3

0.2

0.1

0.0

Unemployment rate (***year*** average, in percent of labor force)

10.7

9.1

7.9

7.1

6.9

6.8

6.7

6.7

6.6

6.5

Average monthly gross earnings (annual percentage change)

4.5

5.1

7.9

8.2

6.8

6.2

5.7

5.2

4.9

4.4

Average monthly gross earnings, real (CPI-deflated, annual percentage change)

4.3

5.8

7.2

4.3

4.3

3.9

3.3

2.7

2.4

2.0

Labor productivity (annual percentage change)

1.5

0.8

0.4

4.4

3.7

3.4

3.0

2.6

2.3

2.0

Prices

HICP, end of period (***year***-on-***year*** percentage change)

0.1

0.2

2.0

3.8

2.2

2.2

2.3

2.4

2.5

2.5

GDP deflator (***year***-on-***year*** percentage change)

1.0

0.3

1.0

4.2

2.2

2.4

2.5

2.5

2.5

2.5

HICP core, period average (annual percentage change)

0.7

1.9

1.7

2.6

2.3

2.3

2.4

2.4

2.4

2.4

HICP, period average (annual percentage change)

0.2

0.7

0.7

3.7

2.4

2.2

2.3

2.4

2.5

2.5

General government finances 2/

Revenue (percent of GDP)

34.0

34.6

34.5

33.9

35.1

35.4

35.7

35.0

34.8

34.5

Of which EU grants

2.7

1.8

0.8

0.6

1.5

2.0

2.3

1.8

1.5

1.3

Expenditure (percent of GDP)

34.6

34.9

34.2

33.3

34.5

34.6

34.9

34.2

34.1

33.9

Of which: Non-interest

33.0

33.4

32.9

32.2

33.5

33.8

34.1

33.5

33.4

33.2

Fiscal balance (percent of GDP)

0.6

0.2

0.3

0.5

0.6

0.8

0.8

0.8

0.7

0.6

Fiscal balance excl. one-offs (percent of GDP)

1.1

0.5

0.2

0.6

0.7

0.7

0.7

0.7

0.6

0.6

Structural fiscal balance (percent of potential GDP) 3/

0.9

0.3

0.6

0.8

0.6

0.6

0.6

0.6

0.6

0.6

General government gross debt (percent of GDP)

40.5

42.6

40.1

39.7

37.1

34.4

31.9

29.6

27.6

25.7

Of which: Foreign currency-denominated

31.9

11.9

11.3

11.2

10.4

9.7

9.0

8.3

7.7

7.2

Credit

Private sector credit (end of period, percent change)

0.9

4.1

7.1

4.5

4.9

...

...

...

...

...

Long-term lending rate to private sector

7.0

8.0

6.6

...

...

...

...

...

...

...

Short-term lending rate to private sector

2.7

2.5

2.3

...

...

...

...

...

...

...

Balance of ***payments*** (in percent of GDP, unless otherwise specified)

Current account balance

3.2

2.8

1.1

0.8

0.3

0.1

0.8

1.5

2.1

2.6

Current account balance (billions of euros

1.2

1.0

0.4

0.3

0.1

0.1

0.4

0.7

1.1

1.5

Exports of goods and services (volume change, in percent)

3.3

0.4

3.5

13.6

4.8

4.0

4.1

3.8

3.6

3.4

Imports of goods and services (volume change, in percent)

3.1

6.2

3.5

12.8

5.7

5.1

5.0

4.6

4.5

4.4

Foreign direct investment, net

0.0

1.9

0.4

1.3

1.4

1.4

1.4

1.4

1.5

1.6

Short-term debt at original maturity

22.6

26.8

39.7

36.9

34.6

32.4

30.9

29.9

28.6

27.6

Gross external debt 4/

69.9

75.7

85.5

83.3

78.6

74.0

70.3

67.4

64.4

61.9

Exchange rates

Real effective exchange rate (2005=100, +=appreciation)

120.7

118.9

121.0

123.0

..

..

..

..

..

..

Exchange rate (euro per U.S. dollar, end of period)

0.81

0.92

0.95

0.84

..

..

..

..

..

..

Exchange rate (euro per U.S. dollar, period average)

0.75

0.90

0.90

0.89

..

..

..

..

..

..

Saving-investment balance (in percent of GDP)

Gross national saving

22.2

17.8

16.2

18.0

18.6

18.4

18.1

17.6

17.1

16.7

Gross national investment

19.0

20.6

17.3

17.2

18.3

18.5

18.9

19.1

19.2

19.3

Foreign net savings

3.2

2.8

1.1

0.8

0.3

0.1

0.8

1.5

2.1

2.6

Sources: Lithuanian authorities; World Bank; Eurostat; and IMF staff estimates and projections.

1/ Data are presented on ESA2010, and BPM6 manuals basis.

2/ The numbers for 2014 include 302 million euros (0.8 percent of GDP) in compensation ***payments*** for past pension cuts on accrued basis. The ***payments*** are spread over 2014-16, affecting the debt profile for these ***years***. ESM contributions are spread over 2015-19, and also increase debt. Passive projections from 2016 onward; incorporate only announced budgetary measures; budgetary impact of further defense spending, wage compensation and their potential offsetting measures are not included.

3/ Calculation takes into account standard cyclical adjustments as well as absorption gap.

4/ Government external debt excludes guaranteed loans.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every ***year***. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

IMF Communications Department

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[***BBC News - 01:30 AM GMT***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5THM-5X11-JBH6-C1KH-00000-00&context=1516831)

TVEyes - BBC 1 North East and Cumbria

October 19, 2018 Friday

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**Section:** U.K. REGIONAL TV; News

**Length:** 749 words

**Highlight:** The latest national and international news from the BBC.

**Body**

**Speech to text transcript:**[[18]](#footnote-19)1

a final Brexit deal, of the Irish border. and find a solution to the future criticism for all this from her own She has come under significant party. Afghanistan is on high alert ahead of crucial Parliamentary increasingly active and posing elections, with Taliban militants a growing threat. out a deadly attack The Taliban says it carried compound in the Kandahar.

inside the Governor's It's 2:30am. You up-to-date on the headlines. in Parliament. It's time for Thursday to Thursday in Parliament, Hello again, and welcome at Westminster. our round-up of the day counting the cost. In this ***programme***, over a benefits mistake, The Government's under fire of sick and disabled that's left tens of thousands people out of pocket. will pay up to #1 billion The DWP now estimates that it as a result of this shambolic error. in the EU for longer, Britain could be staying or perhaps not. that it is vital that we leave The one thing I believe in it as we can, so we can make the European Union as early of the Common ***Agricultural*** Policy, sure that we are outside outside the Common Fisheries Policy, and that we take back control. family's experience. And a Minister shares his My mother was 50 ***years*** old, experience and she was taken off she was having a really bad to a mental institution. All that to come and more. and disabled people could be in line But first, up to 180,000 sick ***payments*** of around #5,000, for backdated benefits for Work and Pensions. after an error at the Department to answer an urgent question, Coming to the Commons all the ***payments*** would be made a Minister said it was hoped by the end of next ***year***. were being prioritised. And those who were terminally ill to a new ***payment*** called Employment The problem stems from a move which began in 2011. and Support Allowance, for Disabled People said The Shadow Minister of the number of people underpaid the Government's estimate had more than doubled. ***years*** to acknowledge these mistakes, It has taken this Government six disabled people have actually been seven ***years*** to find out how many people will wait ten ***years*** affected, and some disabled to receive back ***payments***. will pay up to #1 billion The DWP now estimates that it as a result of this shambolic error. pushed into debt, rent She said people had been arrears, and destitution. 200,000 disabled people Will she apologise to the almost been denied this vital and their families who have social security support? been regularly updated The Minister said MPs had and she already apologised. error within the department, This was a dreadful administrative and it should not have happened. happened, when people were moved She explained how the mistake had to the new system. that they were receiving And so, all of the funding ***transferred*** across. from the department was taken away from them. And so nobody had anything had missed the opportunity What happened here was that people additional premium. of receiving additional support, So what wea re doing now... -- So what we are doing now... these cases is to make sure What we are doing now by reviewing they're entitled to. people get everything that the administrative errors But her claim about how from the Labour benches. were picked up provoked shouts housekeeping of the DWP that spotted In fact, it was the good the scale of the error. that's undertaken on fraud and error It was during the routine work the scale of the problem. that actually detected rightly apologised. The Minister has quite the Minister for part of the time Can I apologise, as I was was taking place? when this migration - it happened over the 13 ***years*** In all governments, mistakes happen and it s how we handle this. of Labour in Government, us before, of in excess of #250 billion a ***year***, So, a department which has a budget there will be mistakes made. sure that if there is necessary But can I ask the Minister to make because there will be people ***payments*** in compensation, that we stand up and we admit here that have suffered, that and we address that? that this was allowed to happen It is absolutely staggering in the DWP's part, to happen for so many ***years***, and the fact that this was allowed it should be shocking. shocking because myself But actually it's not at these benches, week in, and many of my colleagues ineptitude of the Department week out, we see the absolute for Work and Pensions

**Load-Date:** October 18, 2018

**End of Document**



[***Register of Commission documents: Minutes - Attendance List Document date: 2018-07-05 P8\_PV-PROV(2018)07-05(LP) Provisional minutes - Plenary documents***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5T4K-PKW1-JDG9-Y1M1-00000-00&context=1516831)

Impact News Service

August 4, 2018 Saturday

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**Length:** 11111 words

**Body**

Brussels: Public Register European Parliament has issued the following document:

2018 - 2019 MINUTES of the sitting of Wednesday 4 July 2018 P8\_PV-PROV(2018)07-04 PROVISIONAL VERSION PE 624.847 EN United in diversity EN KEYS TO SYMBOLS USED \* Consultation procedure \*\*\* Consent procedure \*\*\*I Ordinary legislative procedure: first reading \*\*\*II Ordinary legislative procedure: second reading \*\*\*III Ordinary legislative procedure: third reading (The type of procedure is determined by the legal basis proposed in the draft act.) ABBREVIATIONS USED FOR PARLIAMENTARY COMMITTEES AFET Committee on Foreign Affairs DEVE Committee on Development INTA Committee on International Trade BUDG Committee on Budgets CONT Committee on Budgetary Control ECON Committee on Economic and Monetary Affairs EMPL Committee on Employment and Social Affairs ENVI Committee on the Environment, Public Health and Food Safety ITRE Committee on Industry, Research and Energy IMCO Committee on the Internal Market and Consumer Protection TRAN Committee on Transport and Tourism REGI Committee on Regional Development AGRI Committee on ***Agriculture*** and Rural Development PECH Committee on Fisheries CULT Committee on Culture and Education JURI Committee on Legal Affairs LIBE Committee on Civil Liberties, Justice and Home Affairs AFCO Committee on Constitutional Affairs FEMM Committee on Women's Rights and Gender Equality PETI DROI SEDE Committee on Petitions Subcommittee on Human Rights Subcommittee on Security and Defence ABBREVIATIONS USED FOR POLITICAL GROUPS PPE Group of the European People’s Party (Christian Democrats) S&D Group of the Progressive Alliance of Socialists and Democrats in the European Parliament ECR European Conservatives and Reformists Group ALDE Group of the Alliance of Liberals and Democrats for Europe Verts/ALE Group of the Greens/European Free Alliance GUE/NGL Confederal Group of the European United Left – Nordic Green Left EFDD Europe of Freedom and Direct Democracy Group ENF Europe of Nations and Freedom NI Non-attached Members Contents 1. 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MINUTES WEDNESDAY 4 JULY 2018 IN THE CHAIR: Antonio TAJANI President 1. Opening of the sitting The sitting opened at 9.05 2. Debate on cases of breaches of human rights, democracy and the rule of law (announcement of motions for resolutions tabled) In accordance with Rule 135, the following Members or political groups had requested that such a debate be held on the following motions for resolutions: I. The political crisis in Moldova following the invalidation of the mayoral elections in Chisinau (2018/2783(RSP)) — Cristian Dan Preda, Tomáš Zdechovský, José Ignacio Salafranca Sánchez Neyra, Jaromír Štětina, Željana Zovko, Bogdan Andrzej Zdrojewski, Ivan Štefanec, Luděk Niedermayer, Pavel Svoboda, Anna Záborská, Patricija Šulin, Lorenzo Cesa, Elisabetta Gardini, Tunne Kelam, Brian Hayes, Milan Zver, Bogdan Brunon Wenta, Csaba Sógor, Michaela Šojdrová, Siegfried Mureşan, David McAllister, Mairead McGuinness, Adam Szejnfeld, Romana Tomc, Eduard Kukan, Lefteris Christoforou, Giovanni La Via, Deirdre Clune, Seán Kelly, Dubravka Šuica, Sandra Kalniete, Ivana Maletić, Ivo Belet, Joachim Zeller, Ramón Luis Valcárcel Siso, Inese Vaidere, Francisco José Millán Mon, Róża Gräfin von Thun und Hohenstein and Michał Boni on behalf of the PPE Group, on the political crisis in Moldova following the invalidation of the mayoral elections in Chisinau (B8-0322/2018); — Charles Tannock, Karol Karski, Anna Elżbieta Fotyga, Ryszard Czarnecki, Ruža Tomašić, Notis Marias, Jana Žitňanská, Jan Zahradil, Jadwiga Wiśniewska and Monica Macovei, on behalf of the ECR Group, on the political crisis in Moldova following the invalidation of the mayoral elections in Chisinau (B8-0326/2018); — Rebecca Harms, Heidi Hautala and Barbara Lochbihler, on behalf of the Verts/ALE Group, on the political crisis in Moldova following the invalidation of the mayoral elections in Chisinau (B8-0328/2018); — Elena Valenciano, Victor Boştinaru, Josef Weidenholzer and Knut Fleckenstein, on behalf of the S&D Group, on the political crisis in Moldova following the invalidation of the mayoral elections in Chisinau (B8-0329/2018); — Petras Auštrevičius, Beatriz Becerra Basterrechea, María Teresa Giménez Barbat, Charles Goerens, Marian Harkin, Ivan Jakovčić, Ilhan Kyuchyuk, Patricia Lalonde, Valentinas Mazuronis, Louis Michel, Javier Nart, Urmas Paet, Maite Pagazaurtundúa Ruiz, Jozo Radoš, Frédérique Ries, Robert Rochefort, Marietje Schaake, Jasenko Selimovic, Pavel Telička, P8\_PV-PROV(2018)07-04 PE 624.847 - 5 EN Ramon Tremosa i Balcells, Viktor Uspaskich, Ivo Vajgl, Johannes Cornelis van Baalen, Hilde Vautmans, Renate Weber and Cecilia Wikström, on behalf of the ALDE Group, on the political crisis in Moldova following the invalidation of the mayoral elections in Chisinau (B8-0330/2018); — Helmut Scholz, Merja Kyllönen, Dimitrios Papadimoulis, Sofia Sakorafa and Stelios Kouloglou, on behalf of the GUE/NGL Group, on the political crisis in Moldova following the invalidation of the mayoral elections in Chisinau (B8-0332/2018). II. Somalia (2018/2784(RSP)) — Charles Tannock, Karol Karski, Urszula Krupa, Anna Elżbieta Fotyga, Ryszard Czarnecki, Ruža Tomašić, Notis Marias, Angel Dzhambazki, Geoffrey Van Orden, Jana Žitňanská, Jan Zahradil, Monica Macovei, Jadwiga Wiśniewska, Raffaele Fitto and Pirkko Ruohonen Lerner, on behalf of the ECR Group, on the situation in Somalia (B8-0323/2018); — Klaus Buchner, Heidi Hautala, Judith Sargentini, Bart Staes, Barbara Lochbihler, Ernest Urtasun, Bodil Valero and Jordi Solé, on behalf of the Verts/ALE Group, Fabio Massimo Castaldo and Ignazio Corrao, on Somalia (B8-0324/2018); — Elena Valenciano, Victor Boştinaru, Josef Weidenholzer and Pier Antonio Panzeri, on behalf of the S&D Group, on Somalia (B8-0325/2018); — Javier Nart, Nedzhmi Ali, Petras Auštrevičius, Beatriz Becerra Basterrechea, Izaskun Bilbao Barandica, Dita Charanzová, Gérard Deprez, Martina Dlabajová, María Teresa Giménez Barbat, Charles Goerens, Marian Harkin, Ivan Jakovčić, Ilhan Kyuchyuk, Patricia Lalonde, Valentinas Mazuronis, Louis Michel, Urmas Paet, Maite Pagazaurtundúa Ruiz, Jozo Radoš, Frédérique Ries, Robert Rochefort, Marietje Schaake, Jasenko Selimovic, Pavel Telička, Viktor Uspaskich, Ivo Vajgl, Johannes Cornelis van Baalen, Hilde Vautmans and Cecilia Wikström, on behalf of the ALDE Group, on Somalia (B8-0327/2018); — Cristian Dan Preda, Michaela Šojdrová, José Ignacio Salafranca Sánchez Neyra, Marijana Petir, Tomáš Zdechovský, Jaromír Štětina, Željana Zovko, Bogdan Andrzej Zdrojewski, Ivan Štefanec, Luděk Niedermayer, Pavel Svoboda, Anna Záborská, Patricija Šulin, Lorenzo Cesa, Elisabetta Gardini, Tunne Kelam, Brian Hayes, Bogdan Brunon Wenta, Milan Zver, Csaba Sógor, David McAllister, Mairead McGuinness, Adam Szejnfeld, Romana Tomc, Eduard Kukan, Lefteris Christoforou, Giovanni La Via, Seán Kelly, Deirdre Clune, Dubravka Šuica, Sandra Kalniete, Ivana Maletić, Ivo Belet, Joachim Zeller, Ramón Luis Valcárcel Siso, Inese Vaidere and Francisco José Millán Mon, on behalf of the PPE Group, on Somalia (B8- 0331/2018); — Miguel Urbán Crespo, Lola Sánchez Caldentey, Marie Christine Vergiat, Merja Kyllönen, Neoklis Sylikiotis, Takis Hadjigeorgiou, Malin Björk, Dimitrios Papadimoulis, Stelios Kouloglou, Tania González Peñas, Xabier Benito Ziluaga, Estefanía Torres Martínez and Sofia Sakorafa, on behalf of the GUE/NGL Group, on the terrorist attacks in Somalia (B8- 0334/2018). III. Burundi (2018/2785(RSP)) — Charles Tannock, Karol Karski, Anna Elżbieta Fotyga, Ryszard Czarnecki, Monica Macovei, Ruža Tomašić, Notis Marias, Jana Žitňanská, Jan Zahradil, Jadwiga Wiśniewska, Raffaele Fitto and Pirkko Ruohonen Lerner, on behalf of the ECR Group, on the situation in Burundi (B8-0333/2018); P8\_PV-PROV(2018)07-04 PE 624.847 - 6 EN — Elena Valenciano, Victor Boştinaru, Josef Weidenholzer and Maria Arena, on behalf of the S&D Group, on Burundi (B8-0335/2018); — Fabio Massimo Castaldo, Ignazio Corrao, Isabella Adinolfi and Rolandas Paksas, on behalf of the EFDD Group, and Bodil Valero, on Burundi (B8-0336/2018); — Louis Michel, Nedzhmi Ali, Petras Auštrevičius, Beatriz Becerra Basterrechea, Izaskun Bilbao Barandica, Dita Charanzová, Gérard Deprez, Martina Dlabajová, María Teresa Giménez Barbat, Charles Goerens, Marian Harkin, Ivan Jakovčić, Ilhan Kyuchyuk, Patricia Lalonde, Valentinas Mazuronis, Javier Nart, Urmas Paet, Maite Pagazaurtundúa Ruiz, Jozo Radoš, Frédérique Ries, Robert Rochefort, Marietje Schaake, Jasenko Selimovic, Pavel Telička, Ramon Tremosa i Balcells, Viktor Uspaskich, Ivo Vajgl, Johannes Cornelis van Baalen, Hilde Vautmans and Cecilia Wikström, on behalf of the ALDE Group, on Burundi (B8-0337/2018); — Cristian Dan Preda, Joachim Zeller, José Ignacio Salafranca Sánchez Neyra, Marijana Petir, Tomáš Zdechovský, Željana Zovko, Bogdan Andrzej Zdrojewski, Ivan Štefanec, Luděk Niedermayer, Pavel Svoboda, Anna Záborská, Patricija Šulin, Lorenzo Cesa, Elisabetta Gardini, Tunne Kelam, Brian Hayes, Milan Zver, Bogdan Brunon Wenta, Csaba Sógor, Michaela Šojdrová, David McAllister, Mairead McGuinness, Adam Szejnfeld, Romana Tomc, Eduard Kukan, Lefteris Christoforou, Giovanni La Via, Deirdre Clune, Seán Kelly, Dubravka Šuica, Sandra Kalniete, Ivana Maletić, Ivo Belet, Ramón Luis Valcárcel Siso, Inese Vaidere and Francisco José Millán Mon, on behalf of the PPE Group, on Burundi (B8-0338/2018); — Marie Christine Vergiat, Merja Kyllönen, Neoklis Sylikiotis, Takis Hadjigeorgiou, Dimitrios Papadimoulis, Kostadinka Kuneva, Stelios Kouloglou, Barbara Spinelli, Miguel Urbán Crespo, Tania González Peñas, Xabier Benito Ziluaga, Lola Sánchez Caldentey, Estefanía Torres Martínez, Paloma López Bermejo and Sofia Sakorafa, on behalf of the GUE/NGL Group, on Burundi (B8-0339/2018). Speaking time would be allocated in accordance with Rule 162. 3. Delegated acts (Rule 105(6)) The following draft delegated act had been forwarded to Parliament: - Commission Delegated Regulation correcting Commission Delegated Regulation (EU) 2016/2374 establishing a discard plan for certain demersal fisheries in South-Western waters (C(2018)03989 - 2018/2787(DEA)) Deadline for lodging objections: 2 months from the date of receipt of 28 June 2018 referred to committee responsible PECH Draft delegated act for which the deadline has been amended from 1 to 3 months at the request of the committee responsible: - Commission Delegated Regulation (EU) …/... supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on settlement discipline (C(2018)03097 – 2018/2725(DEA)) Deadline for lodging objections: 3 months from the date of receipt of 25 May 2018, at the request of the committee responsible. P8\_PV-PROV(2018)07-04 PE 624.847 - 7 EN Referred to the committee responsible: ECON 4. Debate with the Prime Minister of Poland, Mateusz Morawiecki, on the Future of Europe (debate) Debate with the Prime Minister of Poland, Mateusz Morawiecki, on the Future of Europe (2018/2729(RSP)) The President made a brief statement introducing the debate. The following spoke: Mateusz Morawiecki (Prime Minister of Poland) and Valdis Dombrovskis (Vice-President of the Commission). The following spoke: Manfred Weber, on behalf of the PPE Group, Udo Bullmann, on behalf of the S&D Group, Ryszard Antoni Legutko, on behalf of the ECR Group, (the President on the remarks by Ryszard Antoni Legutko), Dobromir Sośnierz, on what the President had said (the President clarified matters), Guy Verhofstadt, on behalf of the ALDE Group, Ska Keller, on behalf of the Verts/ALE Group, Tania González Peñas, on behalf of the GUE/NGL Group, (the President clarified matters), Gerard Batten, on behalf of the EFDD Group, Stanisław Żółtek, on behalf of the ENF Group, Dobromir Sośnierz, non-attached Member, (the President on the remarks by Dobromir Sośnierz). The following spoke: Mateusz Morawiecki. The following spoke under the catch-the-eye procedure: Roberta Metsola, Josef Weidenholzer, Zdzisław Krasnodębski, Sophia in 't Veld, Judith Sargentini, Barbara Spinelli, Georgios Epitideios, Ana Gomes, Viviane Reding, Elly Schlein, Karol Karski, Helmut Scholz, Jean-Luc Schaffhauser, Róża Gräfin von Thun und Hohenstein, Ramón Jáuregui Atondo, Gunnar Hökmark, Costas Mavrides, Hans-Olaf Henkel, Frank Engel, Krystyna Łybacka, Michael Gahler and Janusz Zemke. The following spoke: Mateusz Morawiecki. The debate closed. IN THE CHAIR: Mairead McGUINNESS Vice-President 5. Negotiations ahead of Parliament's first reading (Rule 69c) The President announced that she had received a request from the GUE/NGL, EFDD and ENF Groups for a vote to be taken on the decision by the AFCO Committee to enter into interinstitutional negotiations on the basis of the Report on the proposal for a regulation of the European Parliament and of the Council on the European citizens’ initiative (COM(2017)0482 - C8-0308/2017- 2017/0220(COD)) - Rapporteur: György Schöpflin (A8-0226/2018), announced on Monday, 2 July 2018 (minutes of 2.7.2018, item 9). The President announced that she had received a request from the GUE/NGL and EFDD Groups for a vote to be taken on the decision by the JURI Committee to enter into interinstitutional negotiations on the basis of the Report on the proposal for a directive of the European Parliament P8\_PV-PROV(2018)07-04 PE 624.847 - 8 EN and of the Council on copyright in the Digital Single Market (COM(2016)0593 - C8-0383/2016- 2016/0280(COD)) - Rapporteur: Axel Voss (A8-0245/2018), announced on Monday, 2 July 2018 (minutes of 2.7.2018, item 9). The votes would be held the next day, pursuant to Rule 69(2). The President announced that she had not received any requests, from Members or from one or more political groups reaching at least the medium threshold in respect of the other decisions to enter into interinstitutional negotiations announced on Monday, 2 July 2018 (minutes of 2.7.2018, item 9). The ECON Committee had therefore been able to enter into negotiations upon expiry of the deadline laid down in Rule 69(2). 6. Voting time Detailed voting results (amendments, separate and split votes, etc.) appear in the Results of Votes annex to the minutes. The results of roll-call votes are available in electronic form only, as an annex to the minutes, and can be accessed via Europarl. 6.1 Structural Reform Support ***Programme***: financial envelope and general objective \*\*\*I (Rule 150) (vote) Report on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2017/825 to increase the financial envelope of the Structural Reform Support ***Programme*** and adapt its general objective [COM(2017)0825 - C8-0433/2017- 2017/0334(COD)] - Committee on Regional Development. Rapporteur: Ruža Tomašić (A8-0227/2018) (Simple majority) (Voting record: 'Results of votes', Item 1) COMMISSION PROPOSAL and AMENDMENTS Adopted by single vote (P8\_TA-PROV(2018)0281) The following spoke: Ruža Tomašić, after the vote, to request that the matter be referred back to the committee responsible for interinstitutional negotiations, in accordance with Rule 59(4). Parliament agreed to the request. 6.2 Reform of the electoral law of the European Union \*\*\* (Rule 150) (vote) Recommendation on the draft Council decision amending the Act concerning the election of the members of the European Parliament by direct universal suffrage, annexed to Council Decision 76/787/ECSC, EEC, Euratom of 20 September 1976 [09425/2018 - C8-0276/2018 - 2015/0907 (APP)] - Committee on Constitutional Affairs. Rapporteurs: Jo Leinen and Danuta Maria Hübner (A8-0248/2018) (Majority of Parliament's component Members) (Voting record: 'Results of votes', Item 2) P8\_PV-PROV(2018)07-04 PE 624.847 - 9 EN DRAFT COUNCIL DECISION Adopted by single vote (P8\_TA-PROV(2018)0282) Parliament consented to the draft Council decision. 6.3 Partnership Agreement between the EU and EAEC and Armenia \*\*\* (Rule 150) (vote) Recommendation on the draft Council decision on the conclusion, on behalf of the Union, of the Comprehensive and Enhanced Partnership Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and the Republic of Armenia, of the other part [12543/2017 - C8-0422/2017 - 2017/0238(NLE)] - Committee on Foreign Affairs. Rapporteur: László Tőkés (A8-0177/2018) (Simple majority) (Voting record: 'Results of votes', Item 3) DRAFT COUNCIL DECISION Adopted by single vote (P8\_TA-PROV(2018)0283) Parliament consented to the conclusion of the agreement. 6.4 Partnership Agreement between the EU and EAEC and Armenia (resolution) (Rule 150) (vote) Report containing a motion for a non-legislative resolution on the draft Council decision on the conclusion, on behalf of the Union, of the Comprehensive and Enhanced Partnership Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and the Republic of Armenia, of the other part [2017/2269(INI)] - Committee on Foreign Affairs. Rapporteur: László Tőkés (A8-0179/2018) (Simple majority) (Voting record: 'Results of votes', Item 4) MOTION FOR A RESOLUTION Adopted (P8\_TA-PROV(2018)0284) 6.5 EU-Iraq Partnership and Cooperation Agreement \*\*\* (Rule 150) (vote) Recommendation on the draft Council decision on the conclusion of a Partnership and Cooperation Agreement between the European Union and its Member States, of the one part, and the Republic of Iraq, of the other part [10209/1/2012 - C8-0038/2018 - 2010/0310(NLE)] - Committee on Foreign Affairs. Rapporteur: Tokia Saïfi (A8-0222/2018) (Simple majority) (Voting record: 'Results of votes', Item 5) DRAFT COUNCIL DECISION Adopted by single vote (P8\_TA-PROV(2018)0285) P8\_PV-PROV(2018)07-04 PE 624.847 - 10 EN Parliament consented to the conclusion of the agreement. 6.6 EU-Iraq Partnership and Cooperation Agreement (resolution) (Rule 150) (vote) Report containing a motion for a non-legislative resolution on the draft Council decision on the conclusion of a Partnership and Cooperation Agreement between the European Union and its Member States, of the one part, and the Republic of Iraq, of the other part [2010/0310M(NLE)] - Committee on Foreign Affairs. Rapporteur: Tokia Saïfi (A8-0224/2018) (Simple majority) (Voting record: 'Results of votes', Item 6) MOTION FOR A RESOLUTION Adopted by single vote (P8\_TA-PROV(2018)0286) 6.7 EU-New Zealand Agreement relating to the modification of concessions (accession of Croatia) \*\*\* (Rule 150) (vote) Recommendation on the draft Council decision on the conclusion of the Agreement in the form of an Exchange of Letters between the European Union and New Zealand pursuant to Article XXIV:6 and Article XXVIII of the General Agreement on Tariffs and Trade (GATT) 1994 relating to the modification of concessions in the schedule of the Republic of Croatia in the course of its accession to the European Union [10670/2017 - C8-0121/2018 - 2017/0137(NLE)] - Committee on International Trade. Rapporteur: Daniel Caspary (A8-0220/2018) (Simple majority) (Voting record: 'Results of votes', Item 7) DRAFT COUNCIL DECISION Adopted by single vote (P8\_TA-PROV(2018)0287) Parliament consented to the conclusion of the agreement. 6.8 Statute of the European System of Central Banks and of the European Central Bank: clearing and ***payment*** systems \*\*\*I (vote) Report on the draft decision of the European Parliament and of the Council amending Article 22 of the Statute of the European System of Central Banks and of the European Central Bank [10850/2017 - C8-0228/2017 - 2017/0810(COD)] - Committee on Economic and Monetary Affairs - Committee on Constitutional Affairs. Rapporteurs: Gabriel Mato and Danuta Maria Hübner (A8- 0219/2018) (Simple majority) (Voting record: 'Results of votes', Item 8) COMMISSION PROPOSAL and AMENDMENTS Approved (P8\_TA-PROV(2018)0288) P8\_PV-PROV(2018)07-04 PE 624.847 - 11 EN The following spoke: Gabriel Mato, after the vote, to request that the matter be referred back to the committee responsible for interinstitutional negotiations, in accordance with Rule 59(4). Parliament agreed to the request. 6.9 Vehicle taxation: charging of heavy good vehicles for the use of certain infrastructures \* (vote) Report on the proposal for a Council directive amending Directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructures, as regards certain provisions on vehicle taxation [COM(2017)0276 - C8-0196/2017 - 2017/0115(CNS)] - Committee on Transport and Tourism. Rapporteur: Deirdre Clune (A8-0200/2018) (Simple majority) (Voting record: 'Results of votes', Item 9) COMMISSION PROPOSAL and AMENDMENTS Approved as amended (P8\_TA-PROV(2018)0289) 6.10 Draft amending budget No 2/2018: Entering the surplus of the financial ***year*** 2017 (vote) Report on the Council position on Draft amending budget No 2/2018 of the European Union for the financial ***year*** 2018: Entering the surplus of the financial ***year*** 2017 [09325/2018 - C8-0277/2018 - 2018/2057(BUD)] - Committee on Budgets. Rapporteur: Siegfried Mureşan (A8-0209/2018) (Simple majority) (Voting record: 'Results of votes', Item 10) MOTION FOR A RESOLUTION Adopted (P8\_TA-PROV(2018)0290) 6.11 Draft amending budget No 3/2018: Extension of the Facility for refugees in Turkey (vote) Report on the Council position on Draft amending budget No 3/2018 of the European Union for the financial ***year*** 2018, Section III - Commission: Extension of the Facility for refugees in Turkey [09713/2018 - C8-0302/2018 - 2018/2072(BUD)] - Committee on Budgets. Rapporteur: Siegfried Mureşan (A8-0246/2018) (Simple majority) (Voting record: 'Results of votes', Item 11) MOTION FOR A RESOLUTION Adopted (P8\_TA-PROV(2018)0291) 6.12 EU guarantee to the EIB against losses under financing operations supporting investment projects outside the Union, as regards Iran Motion for a resolution, tabled under Rule 105(3), by Jonathan Bullock, on behalf of the EFDD P8\_PV-PROV(2018)07-04 PE 624.847 - 12 EN Group, on Commission Delegated Regulation (EU) .../... of 6 June 2018 amending Annex III to Decision No 466/2014/EU of the European Parliament and of the Council granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union, as regards Iran (C(2018)03730 ; 2018/2758(DEA)) (B8-0313/2018) (Majority of Parliament's component Members required for the adoption of the motion for a resolution) (Voting record: 'Results of votes', Item 12) MOTION FOR A RESOLUTION Rejected 6.13 Towards an EU external strategy against early and forced marriages (vote) Report Towards an EU external strategy against early and forced marriages – next steps [2017/2275 (INI)] - Committee on Foreign Affairs. Rapporteur: Charles Goerens (A8-0187/2018) (Simple majority) (Voting record: 'Results of votes', Item 13) MOTION FOR A RESOLUTION Adopted (P8\_TA-PROV(2018)0292) 6.14 The definition of SMEs (vote) Motion for a resolution B8-0304/2018 (Simple majority) (Voting record: 'Results of votes', Item 14) MOTION FOR A RESOLUTION Adopted (P8\_TA-PROV(2018)0293) 6.15 Negotiations on the EU-Azerbaijan Comprehensive Agreement (vote) Report on a European Parliament recommendation to the Council, the Commission and the Vice- President of the Commission / High Representative of the Union for Foreign Affairs and Security Policy on the negotiations on the EU-Azerbaijan Comprehensive Agreement [2017/2056(INI)] - Committee on Foreign Affairs. Rapporteur: Norica Nicolai (A8-0185/2018) (Simple majority) (Voting record: 'Results of votes', Item 15) PROPOSAL FOR A RECOMMENDATION Adopted (P8\_TA-PROV(2018)0294)52 P8\_PV-PROV(2018)07-04 PE 624.847 - 13 EN (Continuation of voting time: see minutes of 4.7.2018, item 9) (The sitting was suspended at 12.01 pending the formal sitting.) IN THE CHAIR: Antonio TAJANI President IN THE CHAIR: Antonio TAJANI President 7. Formal sitting - Republic of Angola From 12.10 to 12.31, a formal sitting of Parliament was held on the occasion of the address by João Manuel Gonçalves Lourenço, President of the Republic of Angola. IN THE CHAIR: Rainer WIELAND Vice-President 8. Resumption of the sitting The sitting resumed at 12.32 The following spoke: Philippe Lamberts. 9. Voting time (continued) (Beginning of voting time: see minutes of 4.7.2018, item 6) 9.1 Enforcement requirements and specific rules for posting drivers in the road transport sector \*\*\*I (vote) Report on the proposal for a directive of the European Parliament and of the Council amending Directive 2006/22/EC as regards enforcement requirements and laying down specific rules with respect to Directive 96/71/EC and Directive 2014/67/EU for posting drivers in the road transport sector [COM(2017)0278 - C8-0170/2017- 2017/0121(COD)] - Committee on Transport and Tourism. Rapporteur: Merja Kyllönen (A8-0206/2018) (Simple majority) (Voting record: 'Results of votes', Item 16) COMMISSION PROPOSAL and AMENDMENTS Rejected The following had spoken: P8\_PV-PROV(2018)07-04 PE 624.847 - 14 EN William (The Earl of) Dartmouth. Merja Kyllönen, after the vote, to request that the matter be referred back to the committee responsible for interinstitutional negotiations, in accordance with Rule 59(4). Parliament agreed to the request by electronic vote (371 in favour, 291 against, 10 abstentions). 9.2 Daily and weekly driving times, minimum breaks and rest periods and positioning by means of tachographs \*\*\*I (vote) Report on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EC) No 561/2006 as regards on minimum requirements on maximum daily and weekly driving times, minimum breaks and daily and weekly rest periods and Regulation (EU) 165/2014 as regards positioning by means of tachographs [COM(2017)0277 - C8-0167/2017- 2017/0122(COD)] - Committee on Transport and Tourism. Rapporteur: Wim van de Camp (A8-0205/2018) (Simple majority) (Voting record: 'Results of votes', Item 17) PROPOSAL TO REJECT THE COMMISSION PROPOSAL Rejected COMMISSION PROPOSAL and AMENDMENTS Rejected The following spoke: Wim van de Camp, after the vote, to request that the matter be referred back to the committee responsible for interinstitutional negotiations, in accordance with Rule 59(4). Parliament agreed to the request by electronic vote (436 in favour, 219 against, 12 abstentions). 9.3 Adapting to development in the road transport sector \*\*\*I (vote) Report on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EC) 1071/2009 and Regulation (EC) 1072/2009 with a view to adapting them to developments in the sector [COM(2017)0281 - C8-0169/2017- 2017/0123(COD)] - Committee on Transport and Tourism. Rapporteur: Ismail Ertug (A8-0204/2018) (Simple majority) (Voting record: 'Results of votes', Item 18) COMMISSION PROPOSAL and AMENDMENTS Rejected The following spoke: Ismail Ertug, after the vote, to request that the matter be referred back to the committee responsible for interinstitutional negotiations, in accordance with Rule 59(4). Parliament agreed to the request by electronic vote (495 in favour, 162 against, 10 abstentions). P8\_PV-PROV(2018)07-04 PE 624.847 - 15 EN 9.4 Opening of negotiations for an EU-Jordan Agreement on the exchange of personal data for fighting serious crime and terrorism (vote) Report on the recommendation, by the Commission, for a Council decision authorising the opening of negotiations for an agreement between the European Union and the Hashemite Kingdom of Jordan on the exchange of personal data between the European Union Agency for Law Enforcement Cooperation (Europol) and the Jordanian competent authorities for fighting serious crime and terrorism [2018/2060(INI)] - Committee on Civil Liberties, Justice and Home Affairs. Rapporteur: Claude Moraes (A8-0232/2018) (Simple majority) (Voting record: 'Results of votes', Item 19) MOTION FOR A RESOLUTION Adopted (P8\_TA-PROV(2018)0295) The following had spoken: Julia Reda on the conduct of the vote. 9.5 Opening of negotiations for an EU-Turkey Agreement on the exchange of personal data for fighting serious crime and terrorism (vote) Report on the recommendation, by the Commission, for a Council decision authorising the opening of negotiations for an agreement between the European Union and the Republic of Turkey on the exchange of personal data between the European Union Agency for Law Enforcement Cooperation (Europol) and the Turkish competent authorities for fighting serious crime and terrorism [2018/2061 (INI)] - Committee on Civil Liberties, Justice and Home Affairs. Rapporteur: Claude Moraes (A8- 0233/2018) (Simple majority) (Voting record: 'Results of votes', Item 20) MOTION FOR A RESOLUTION Adopted (P8\_TA-PROV(2018)0296) 9.6 Opening of negotiations for an EU-Israel Agreement on the exchange of personal data for fighting serious crime and terrorism (vote) Report on the recommendation, by the Commission, for a Council decision authorising the opening of negotiations for an agreement between the European Union and the State of Israel on the exchange of personal data between the European Union Agency for Law Enforcement Cooperation (Europol) and the Israeli competent authorities for fighting serious crime and terrorism [2018/2062 (INI)] - Committee on Civil Liberties, Justice and Home Affairs. Rapporteur: Claude Moraes (A8- 0235/2018) (Simple majority) (Voting record: 'Results of votes', Item 21) MOTION FOR A RESOLUTION P8\_PV-PROV(2018)07-04 PE 624.847 - 16 EN Adopted (P8\_TA-PROV(2018)0297) 9.7 Opening of negotiations for an EU-Tunisia Agreement on the exchange of personal data for fighting serious crime and terrorism (vote) Report on the recommendation, by the Commission, for a Council decision authorising the opening of negotiations for an agreement between the European Union and Tunisia on the exchange of personal data between the European Union Agency for Law Enforcement Cooperation (Europol) and the Tunisian competent authorities for fighting serious crime and terrorism [2018/2063(INI)] - Committee on Civil Liberties, Justice and Home Affairs. Rapporteur: Claude Moraes (A8- 0237/2018) (Simple majority) (Voting record: 'Results of votes', Item 22) MOTION FOR A RESOLUTION Adopted (P8\_TA-PROV(2018)0298) 9.8 Opening of negotiations for an EU-Morocco Agreement on the exchange of personal data for fighting serious crime and terrorism (vote) Report on the recommendation, by the Commission, for a Council decision authorising the opening of negotiations for an agreement between the European Union and the Kingdom of Morocco on the exchange of personal data between the European Union Agency for Law Enforcement Cooperation (Europol) and the Moroccan competent authorities for fighting serious crime and terrorism [2018/2064(INI)] - Committee on Civil Liberties, Justice and Home Affairs. Rapporteur: Claude Moraes (A8-0238/2018) (Simple majority) (Voting record: 'Results of votes', Item 23) MOTION FOR A RESOLUTION Adopted (P8\_TA-PROV(2018)0299) 9.9 Opening of negotiations for an EU-Lebanon Agreement on the exchange of personal data for fighting serious crime and terrorism (vote) Report on the recommendation, by the Commission, for a Council decision authorising the opening of negotiations for an agreement between the European Union and the Lebanese Republic on the exchange of personal data between the European Union Agency for Law Enforcement Cooperation (Europol) and the Lebanese competent authorities for fighting serious crime and terrorism [2018/2065(INI)] - Committee on Civil Liberties, Justice and Home Affairs. Rapporteur: Claude Moraes (A8-0234/2018) (Simple majority) (Voting record: 'Results of votes', Item 24) MOTION FOR A RESOLUTION Adopted (P8\_TA-PROV(2018)0300) P8\_PV-PROV(2018)07-04 PE 624.847 - 17 EN 9.10 Opening of negotiations for an EU-Egypt Agreement on the exchange of personal data for fighting serious crime and terrorism (vote) Report on the recommendation, by the Commission, for a Council decision authorising the opening of negotiations for an agreement between the European Union and the Arab Republic of Egypt on the exchange of personal data between the European Union Agency for Law Enforcement Cooperation (Europol) and the Egyptian competent authorities for fighting serious crime and terrorism [2018/2066(INI)] - Committee on Civil Liberties, Justice and Home Affairs. Rapporteur: Claude Moraes (A8-0236/2018) (Simple majority) (Voting record: 'Results of votes', Item 25) MOTION FOR A RESOLUTION Adopted (P8\_TA-PROV(2018)0301) 9.11 Opening of negotiations for an EU-Algeria Agreement on the exchange of personal data for fighting serious crime and terrorism (vote) Report on the recommendation, by the Commission, for a Council decision authorising the opening of negotiations for an agreement between the European Union and the People’s Democratic Republic of Algeria on the exchange of personal data between the European Union Agency for Law Enforcement Cooperation (Europol) and the Algerian competent authorities for fighting serious crime and terrorism [2018/2067(INI)] - Committee on Civil Liberties, Justice and Home Affairs. Rapporteur: Claude Moraes (A8-0239/2018) (Simple majority) (Voting record: 'Results of votes', Item 26) MOTION FOR A RESOLUTION Adopted (P8\_TA-PROV(2018)0302) 10. Explanations of vote Written explanations of vote: Written explanations of vote within the meaning of Rule 183 appear on the Members’ pages on Parliament’s website. Oral explanations of vote: Report: László Tőkés - A8-0177/2018 Morten Messerschmidt Report: László Tőkés - A8-0179/2018 Morten Messerschmidt Report: Charles Goerens - A8-0187/2018 Urszula Krupa, Michaela Šojdrová, Morten Messerschmidt, Dobromir Sośnierz, José Inácio Faria and Miapetra Kumpula-Natri P8\_PV-PROV(2018)07-04 PE 624.847 - 18 EN Report: Merja Kyllönen - A8-0206/2018 Rosa D'Amato, Rory Palmer, Daniela Aiuto, Danuta Jazłowiecka, Csaba Sógor, Thomas Mann and Miapetra Kumpula-Natri Report: Wim van de Camp - A8-0205/2018 Rory Palmer, Daniela Aiuto and Miapetra Kumpula-Natri Report: Ismail Ertug - A8-0204/2018 Younous Omarjee and Daniela Aiuto 11. Corrections to votes and voting intentions Corrections to votes and voting intentions appear on the Europarl website under 'Plenary/Votes/Results of Votes (Results of roll-call votes)'. They are published in hard copy in the 'Results of roll-call votes' annex. The electronic version on Europarl will be regularly updated for a maximum of two weeks after the day of the vote concerned. After the two-week deadline has passed, the list of corrections to votes and voting intentions will be finalised so that it can be translated and published in the Official Journal. (The sitting was suspended at 13.52 ) IN THE CHAIR: David-Maria SASSOLI Vice-President 12. Resumption of the sitting The sitting resumed at 15.15 13. Approval of the minutes of the previous sitting The minutes of the previous sitting were approved. 14. Documents received The following documents had been received: 1) from the Council and Commission - Proposal for ***transfer*** of appropriations DEC 12/2018 - Section III – Commission (N8-0064/2018 - C8-0279/2018 - 2018/2126(GBD)) referred to responsible : BUDG - Proposal for ***transfer*** of appropriations DEC 13/2018 - Section III – Commission (N8-0065/2018 - C8-0280/2018 - 2018/2127(GBD)) referred to responsible : BUDG P8\_PV-PROV(2018)07-04 PE 624.847 - 19 EN - Proposal for ***transfer*** of appropriations DEC 14/2018 - Section III – Commission (N8-0066/2018 - C8-0281/2018 - 2018/2128(GBD)) referred to responsible : BUDG - Proposal for ***transfer*** of appropriations DEC 15/2018 - Section III – Commission (N8-0067/2018 - C8-0282/2018 - 2018/2129(GBD)) referred to responsible : BUDG - Proposal for ***transfer*** of appropriations DEC 16/2018 - Section III – Commission (N8-0068/2018 - C8-0283/2018 - 2018/2130(GBD)) referred to responsible : BUDG - Proposal for ***transfer*** of appropriations V/AB-03/C/18 - European Court of Auditors (N8- 0071/2018 - C8-0286/2018 - 2018/2133(GBD)) referred to responsible : BUDG - Proposal for ***transfer*** of appropriations V/AB-04/C/18 - European Court of Auditors (N8- 0072/2018 - C8-0287/2018 - 2018/2134(GBD)) referred to responsible : BUDG - Proposal for ***transfer*** of appropriations V/AB-05/C/18 - European Court of Auditors (N8- 0073/2018 - C8-0288/2018 - 2018/2135(GBD)) referred to responsible : BUDG - Proposal for ***transfer*** of appropriations V/AB-06/C/18 - European Court of Auditors (N8- 0074/2018 - C8-0289/2018 - 2018/2136(GBD)) referred to responsible : BUDG - Proposal for ***transfer*** of appropriations V/AB-07/A/18 - European Court of Auditors (N8- 0075/2018 - C8-0290/2018 - 2018/2137(GBD)) referred to responsible : BUDG - Proposal for ***transfer*** of appropriations V/AB-08/C/18 - European Court of Auditors (N8- 0076/2018 - C8-0291/2018 - 2018/2138(GBD)) referred to responsible : BUDG - Proposal for ***transfer*** of appropriations V/AB-09/C/18 - European Court of Auditors (N8- 0077/2018 - C8-0292/2018 - 2018/2139(GBD)) referred to responsible : BUDG - Proposal for ***transfer*** of appropriations 2/2018 - European Ombudsman (N8-0078/2018 - C8- 0299/2018 - 2018/2140(GBD)) referred to responsible : BUDG - Proposal for ***transfer*** of appropriations DEC 17/2018 - Section III – Commission (N8-0079/2018 - C8-0300/2018 - 2018/2141(GBD)) referred to responsible : BUDG - Proposal for ***transfer*** of appropriations DEC 18/2018 - Section III – Commission (N8-0080/2018 - C8-0301/2018 - 2018/2142(GBD)) referred to responsible : BUDG P8\_PV-PROV(2018)07-04 PE 624.847 - 20 EN - Proposal for ***transfer*** of appropriations INF1/2018 - Economic and Social Committee (N8- 0081/2018 - C8-0303/2018 - 2018/2143(GBD)) referred to responsible : BUDG - Proposal for ***transfer*** of appropriations INF 1/2018 - Court of Justice (N8-0082/2018 - C8- 0308/2018 - 2018/2163(GBD)) referred to responsible : BUDG - Proposal for ***transfer*** of appropriations INF 2/2018 - Court of Justice (N8-0083/2018 - C8- 0309/2018 - 2018/2164(GBD)) referred to responsible : BUDG 2) from committees - Report on the mandate for the trilogue on the 2019 draft budget (2018/2024(BUD)) - BUDG Committee - Rapporteur: Daniele Viotti (A8-0247/2018) 15. ***Transfers*** of appropriations In accordance with Article 25 of the Financial Regulation, the Committee on Budgets decided not to raise any objections to the ***transfer*** of appropriations INF 1/2018 – European Data Protection Supervisor. In accordance with Article 25 of the Financial Regulation, the Committee on Budgets decided not to raise any objections to the ***transfer*** of appropriations INF 1/2018 – Economic and Social Committee. In accordance with Article 25 of the Financial Regulation, the Committee on Budgets decided not to raise any objections to the ***transfer*** of appropriations INF 1/2018 – Committee of the Regions. In accordance with Article 25 of the Financial Regulation, the Committee on Budgets decided not to raise any objections to the ***transfer*** of appropriations C 3/2018 – European Parliament. In accordance with Article 25 of the Financial Regulation, the Committee on Budgets decided not to raise any objections to the ***transfer*** of appropriations No 2/2018 – European Ombudsman. In accordance with Article 25 of the Financial Regulation, the Committee on Budgets decided to approve the ***transfer*** of appropriations V/AB-04/T/18 – European Court of Auditors. In accordance with Article 25 of the Financial Regulation, the Committee on Budgets decided not to raise any objections to the ***transfer*** of appropriations V/AB-05/A/18, V/AB-03/C/18, V/AB-06/C/18, V/AB-07/A/18, V/AB-08/C/18, V/AB-09/C/18 – European Court of Auditors. In accordance with Article 27(1) of the Financial Regulation, the Committee on budgets decided to approve the ***transfer*** of appropriations DEC 11/2018 - Section III – Commission by the European Commission. In accordance with Article 27(3) of the Financial Regulation, the Committee on budgets decided to approve the ***transfer*** of appropriations DEC 10/2018, DEC 12/2018, DEC 13/2018, DEC 14/2018, DEC 15/2018, DEC 16/2018 - Section III – Commission by the Commission. P8\_PV-PROV(2018)07-04 PE 624.847 - 21 EN In accordance with Article 27(4) of the Financial Regulation, the Council of the European Union informed the budgetary authority that the ***transfer*** of appropriations DEC 10/2018 - Section III – Commission had been approved. 16. Conclusion of the third economic adjustment ***programme*** for Greece (debate) Declaration by the President of the Eurogroup: Conclusion of the third economic adjustment ***programme*** for Greece (2018/2740(RSP)) Mário Centeno (President of the Eurogroup) made the declaration. The following spoke: Pierre Moscovici (Member of the Commission). The following spoke: Manolis Kefalogiannis, on behalf of the PPE Group, Roberto Gualtieri, on behalf of the S&D Group, Bernd Lucke, on behalf of the ECR Group, Ramon Tremosa i Balcells, on behalf of the ALDE Group, Philippe Lamberts, on behalf of the Verts/ALE Group, Dimitrios Papadimoulis, on behalf of the GUE/NGL Group, Marco Valli, on behalf of the EFDD Group, Barbara Kappel, on behalf of the ENF Group, Sotirios Zarianopoulos, non-attached Member, Markus Ferber, Pervenche Berès, Notis Marias, Wolf Klinz, Kostas Chrysogonos, Patrick O'Flynn, Steeve Briois, Lampros Fountoulis, Dariusz Rosati, Agnes Jongerius, Sander Loones, Nils Torvalds, Sofia Sakorafa, Jörg Meuthen, Georgios Kyrtsos, Pedro Silva Pereira, Pirkko Ruohonen-Lerner, Nikolaos Chountis and Rosa D'Amato. IN THE CHAIR: Heidi HAUTALA Vice-President The following spoke: Othmar Karas, Paul Tang, Joachim Starbatty, Martin Schirdewan, David Coburn, José Manuel Fernandes, Jonás Fernández, Eleni Theocharous, Maria Spyraki, Miltiadis Kyrkos, Richard Sulík, Paulo Rangel, Costas Mavrides, Gunnar Hökmark, Eva Kaili, Theodor Dumitru Stolojan, Carlos Zorrinho, Tom Vandenkendelaere and Siegfried Mureşan. The following spoke under the catch-the-eye procedure: Demetris Papadakis, João Ferreira, Kostadinka Kuneva and Georgios Epitideios. The following spoke: Pierre Moscovici and Mário Centeno. The debate closed. 17. The recent declaration of Italy's Interior Minister on Sinti and Roma and minority rights in the EU (topical debate) The recent declaration of Italy's Interior Minister on Sinti and Roma and minority rights in the EU (2018/2777(RSP)) The following spoke: Marco Affronte to open the debate proposed by the Verts/ALE Group. The following spoke: Karoline Edtstadler (President-in-Office of the Council) and Věra Jourová (Member of the Commission). The following spoke: Lívia Járóka, on behalf of the PPE Group, Soraya Post, on behalf of the S&D P8\_PV-PROV(2018)07-04 PE 624.847 - 22 EN Group, Anders Primdahl Vistisen, on behalf of the ECR Group, and Cecilia Wikström, on behalf of the ALDE Group. IN THE CHAIR: Evelyne GEBHARDT Vice-President The following spoke: Romeo Franz, on behalf of the Verts/ALE Group, Cornelia Ernst, on behalf of the GUE/NGL Group, Mara Bizzotto, on behalf of the ENF Group, Soraya Post, who objected to what was said by the previous speaker (the Chair replied that the matter would be forwarded to the President of Parliament), Carlos Coelho, Tanja Fajon, Ruža Tomašić, Maite Pagazaurtundúa Ruiz, Miroslavs Mitrofanovs, Barbara Spinelli, Mario Borghezio, Stefano Maullu, Silvia Costa, Bodil Valero, Jacques Colombier, Elisabetta Gardini, Cécile Kashetu Kyenge, for a point of order in response to what had been said by the previous speaker following (the Chair replied that the request fould be forwarded), Elly Schlein, Christelle Lechevalier, Cécile Kashetu Kyenge, Kati Piri, Ana Gomes and Pier Antonio Panzeri. The following spoke: Věra Jourová and Karoline Edtstadler. The debate closed. 18. European Travel Information and Authorisation System (ETIAS) \*\*\*I - European Travel Information and Authorisation System (ETIAS): Europol tasks \*\*\*I (debate) Report on the proposal for a regulation of the European Parliament and of the Council establishing a European Travel Information and Authorisation System (ETIAS) and amending Regulations (EU) No 515/2014, (EU) 2016/399 and (EU) 2016/1624 [COM(2016)0731 - C8-0466/2016 - 2016/0357A(COD)] - Committee on Civil Liberties, Justice and Home Affairs. Rapporteur: Kinga Gál (A8-0322/2017) Report on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2016/794 for the purpose of establishing a European Travel Information and Authorisation System (ETIAS) [N8-0050/2017 - C8-0306/2017 - 2016/0357B(COD)] - Committee on Civil Liberties, Justice and Home Affairs. Rapporteur: Kinga Gál (A8-0323/2017) Kinga Gál introduced the reports. The following spoke: Dimitris Avramopoulos (Member of the Commission). The following spoke: Gérard Deprez (rapporteur for the opinion of the BUDG Committee), Roberta Metsola, on behalf of the PPE Group, Sylvie Guillaume, on behalf of the S&D Group, Helga Stevens, on behalf of the ECR Group, Romeo Franz, on behalf of the Verts/ALE Group, Marie- Christine Vergiat, on behalf of the GUE/NGL Group, Gilles Lebreton, on behalf of the ENF Group, Konstantinos Papadakis, non-attached Member, and Agustín Díaz de Mera García Consuegra. IN THE CHAIR: Ramón Luis VALCÁRCEL SISO Vice-President The following spoke: Tanja Fajon, Monica Macovei, Carlos Coelho, Brando Benifei, Ruža Tomašić and Tomáš Zdechovský. P8\_PV-PROV(2018)07-04 PE 624.847 - 23 EN The following spoke under the catch-the-eye procedure: Doru-Claudian Frunzulică and Notis Marias. The following spoke: Dimitris Avramopoulos and Kinga Gál. The debate closed. Vote: 5 July 2018. 19. 2019 budget - Trilogue mandate (debate) Report on the mandate for the trilogue on the 2019 draft budget [2018/2024(BUD)] - Committee on Budgets. Rapporteur: Daniele Viotti (A8-0247/2018) Daniele Viotti introduced the report. The following spoke: Günther Oettinger (Member of the Commission). The following spoke: Marita Ulvskog (rapporteur for the opinion of the EMPL Committee), Morten Løkkegaard (rapporteur for the opinion of the CULT Committee), Monika Hohlmeier, on behalf of the PPE Group, Jens Geier, on behalf of the S&D Group, Bernd Kölmel, on behalf of the ECR Group, Gérard Deprez, on behalf of the ALDE Group, Indrek Tarand, on behalf of the Verts/ALE Group, Liadh Ní Riada, on behalf of the GUE/NGL Group, Mike Hookem, on behalf of the EFDD Group, who declined a blue-card question from Tomáš Zdechovský, André Elissen, on behalf of the ENF Group, Udo Voigt, non-attached Member, José Manuel Fernandes, John Howarth, Zbigniew Kuźmiuk, Jean Arthuis, Jordi Solé, Xabier Benito Ziluaga, Stanisław Żółtek, Joachim Zeller, Karine Gloanec Maurin, Anneli Jäätteenmäki, Bronis Ropė, Miguel Viegas and Tomáš Zdechovský. The following spoke under the catch-the-eye procedure: Seán Kelly and Notis Marias. The following spoke: Günther Oettinger and Daniele Viotti. The debate closed. Vote: 5 July 2018. IN THE CHAIR: Heidi HAUTALA Vice-President 20. Financial rules applicable to the general budget of the Union \*\*\*I (debate) Report on the proposal for a regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union and amending Regulation (EC) No 2012/2002, Regulations (EU) No 1296/2013, (EU) 1301/2013, (EU) No 1303/2013, EU No 1304/2013, (EU) No 1305/2013, (EU) No 1306/2013, (EU) No 1307/2013, (EU) No 1308/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, (EU) No 652/2014 of the European Parliament and of the Council and Decision No 541/2014/EU of the European Parliament and of the Council [COM(2016)0605 - C8-0372/2016 - 2016/0282A(COD)] - Committee on Budgets - Committee on Budgetary Control. Rapporteurs: Ingeborg Gräßle and P8\_PV-PROV(2018)07-04 PE 624.847 - 24 EN Richard Ashworth (A8-0211/2017) Ingeborg Gräßle and Richard Ashworth introduced the report. The following spoke: Peter Jahr (rapporteur for the opinion of the AGRI Committee). The following spoke: Günther Oettinger (Member of the Commission). The following spoke: Lambert van Nistelrooij, on behalf of the PPE Group, Nedzhmi Ali, on behalf of the ALDE Group, Bronis Ropė, on behalf of the Verts/ALE Group, Luke Ming Flanagan, on behalf of the GUE/NGL Group, Tomáš Zdechovský, Inés Ayala Sender and Vladimír Maňka. The following spoke under the catch-the-eye procedure: Seán Kelly and Notis Marias. The following spoke: Günther Oettinger, Ingeborg Gräßle and Richard Ashworth. The debate closed. Vote: 5 July 2018. 21. Adequacy of the protection afforded by the EU-US Privacy Shield (debate) Commission statement: Adequacy of the protection afforded by the EU-US Privacy Shield (2018/2645(RSP)) Věra Jourová (Member of the Commission) made the statement. The following spoke: Axel Voss, on behalf of the PPE Group, Birgit Sippel, on behalf of the S&D Group, Daniel Dalton, on behalf of the ECR Group, Sophia in 't Veld, on behalf of the ALDE Group, Romeo Franz, on behalf of the Verts/ALE Group, Cornelia Ernst, on behalf of the GUE/NGL Group, Seán Kelly, Josef Weidenholzer, Helga Stevens and Nadja Hirsch. The following spoke under the catch-the-eye procedure: Notis Marias. The following spoke: Věra Jourová. Motion for a resolution to wind up the debate tabled under Rule 123(2): — Claude Moraes, on behalf of the LIBE Committee, on the adequacy of the protection afforded by the EU-US Privacy Shield (2018/2645(RSP)) (B8-0305/2018). The debate closed. Vote: 5 July 2018. 22. The adverse effects of the US Foreign Account Tax Compliance Act on EU citizens (debate) Question for oral answer (O-000052/2018) by Cecilia Wikström, on behalf of the PETI Committee, to the Council : The adverse effects of FATCA on EU citizens and in particular 'accidental P8\_PV-PROV(2018)07-04 PE 624.847 - 25 EN Americans' (B8-0033/2018) Question for oral answer (O-000053/2018)by Cecilia Wikström, on behalf of the PETI Committee, to the Commission: The adverse effects of FATCA on EU citizens and in particular 'accidental Americans' (B8-0032/2018) Cecilia Wikström moved the questions. Karoline Edtstadler (President-in-Office of the Council) and Věra Jourová (Member of the Commission) answered the questions. The following spoke: Peter Jahr, on behalf of the PPE Group, Virginie Rozière, on behalf of the S&D Group, Notis Marias, on behalf of the ECR Group, Sophia in 't Veld, on behalf of the ALDE Group, Eleonora Evi, on behalf of the EFDD Group, Alex Mayer, Helga Stevens and Pervenche Berès. The following spoke under the catch-the-eye procedure: Seán Kelly. The following spoke: Věra Jourová and Karoline Edtstadler. Motion for a resolution to wind up the debate tabled under Rule 128(5): — Cecilia Wikström, on behalf of the PETI Committee on the adverse effects of the US Foreign Tax Compliance Act (FATCA) on EU citizens and in particular ‘accidental Americans’ (2018/2646(RSP)) (B8-0306/2018). The debate closed. Vote: 5 July 2018. 23. Agenda of the next sitting The agenda of the next day's sitting had been established ('Agenda' PE 624.394/OJJE). 24. Closure of the sitting The sitting closed at 22.52 P8\_PV-PROV(2018)07-04 PE 624.847 - 26 EN ATTENDANCE REGISTER 4.7.2018 Present: Ademov, Adinolfi, Affronte, Agea, Agnew, Aguilera García, Aiuto, Aker, Ali, Alliot-Marie, Anderson Lucy, Anderson Martina, Andersson, Andrieu, Androulakis, Annemans, Arena, Arimont, Arnautu, Arnott, Arthuis, Ashworth, Assis, Auken, Auštrevičius, Ayala Sender, Ayuso, van Baalen, Bach, Balas, Balčytis, Balczó, Balz, Barekov, Bashir, Batten, Bay, Bayet, Bearder, Becerra Basterrechea, Becker, Beghin, Belder, Belet, Bendtsen, Benifei, Benito Ziluaga, Beňová, Berès, Bergeron, Bettini, Bilbao Barandica, Bilde, Bizzotto, Björk, Blanco López, Blinkevičiūtė, Bocskor, Böge, Bogovič, Bonafè, Boni, Borghezio, Borrelli, Borzan, Boştinaru, Bours, Boutonnet, Bové, Boylan, Bresso, Briano, Briois, Brok, Buchner, Buda, Bullmann, Bullock, Buşoi, Bütikofer, Cabezón Ruiz, Cadec, Calvet Chambon, van de Camp, Campbell Bannerman, Caputo, Carthy, Carver, Casa, Caspary, del Castillo Vera, Cavada, Cesa, Charanzová, Chauprade, Childers, Chinnici, Chountis, Christensen, Chrysogonos, Ciocca, Cirio, Clune, Coburn, Coelho, Cofferati, Collin- Langen, Collins, Colombier, Corbett, Cornillet, Corrao, Costa, Couso Permuy, Cozzolino, Cramer, Cristea, Csáky, Czarnecki, Czesak, Dalli, Dalton, Dalunde, D'Amato, Dance, Danjean, Danti, Dantin, (The Earl of) Dartmouth, Dati, De Castro, Delahaye, Deli, Delli, Delvaux, Demesmaeker, De Monte, Deprez, Deß, Detjen, Deutsch, Díaz de Mera García Consuegra, Didier, Dlabajová, Dodds, Dohrmann, Dorfmann, D'Ornano, Drăghici, Durand, Eck, Ehler, Eickhout, Elissen, Engel, Epitideios, Erdős, Ernst, Ertug, Evans, Evi, Fajon, Faria, Federley, Ferber, Fernandes, Fernández, Ferrandino, Ferrara, Ferreira, Fisas Ayxelà, Fitto, Fjellner, Flack, Flanagan, Fleckenstein, Florenz, Foster, Fotyga, Fountoulis, Franz, Freund, Frunzulică, Gabelic, Gahler, Gál, Gambús, García Pérez, Gardiazabal Rubial, Gardini, Gasbarra, Gebhardt, Geier, Gentile, Gericke, Geringer de Oedenberg, Giegold, Gierek, Gieseke, Gill Neena, Gill Nathan, Giménez Barbat, Girling, Giuffrida, Gloanec Maurin, Goddyn, Goerens, Gollnisch, Gomes, González Peñas, González Pons, Gosiewska, Grammatikakis, Grapini, Gräßle, Graswander-Hainz, Griesbeck, Griffin, Grigule-Pēterse, Grossetête, Grzyb, Gualtieri, Guerrero Salom, Guillaume, Guteland, Gutiérrez Prieto, Gyürk, Hadjigeorgiou, Halla-aho, Hannan, Harkin, Harms, Häusling, Hautala, Hayes, Hazekamp, Henkel, Herranz García, Hetman, Heubuch, Hirsch, Hoc, Hoffmann, Hohlmeier, Hökmark, Hölvényi, Honeyball, Hookem, Hortefeux, Howarth, Hübner, Huitema, Hyusmenova, in 't Veld, Iturgaiz, Ivan, Jaakonsaari, Jäätteenmäki, Jadot, Jahr, Jakovčić, Jalkh, James, Jamet, Járóka, Jáuregui Atondo, Jávor, Jazłowiecka, Ježek, Jiménez-Becerril Barrio, Joly, de Jong, Jongerius, Joulaud, Jurek, Juvin, Kadenbach, Kaili, Kalinowski, Kallas, Kalniete, Kammerevert, Kappel, Karas, Kari, Karim, Karlsson, Karski, Katainen, Kaufmann, Kefalogiannis, Kelam, Keller Jan, Keller Ska, Kelly, Khan, Klinz, Kłosowski, Koch, Kofod, Kohlíček, Kohn, Kölmel, Konečná, Kósa, Köster, Kouloglou, Kouroumbashev, Kovács, Kovatchev, Kozłowska-Rajewicz, Krasnodębski, Krehl, Krupa, Kudrycka, Kuhn, Kumpula-Natri, Kuneva, Kuźmiuk, Kyenge, Kyllönen, Kyrkos, Kyrtsos, Kyuchyuk, Lalonde, Lamassoure, Lambert, Lange, de Lange, Langen, La Via, Lavrilleux, Lebreton, Lechevalier, Le Hyaric, Leinen, Lenaers, Lewandowski, Liberadzki, Liese, Lietz, Lins, Lochbihler, Loiseau, Løkkegaard, Loones, Lope Fontagné, López Aguilar, López Bermejo, López-Istúriz White, Lösing, Lucke, Ludvigsson, Łukacijewska, Lundgren, Łybacka, McAllister, McAvan, McClarkin, McGuinness, McIntyre, Macovei, Maletić, Malinov, Maltese, Mamikins, Mandl, Mănescu, Maňka, P8\_PV-PROV(2018)07-04 PE 624.847 - 27 EN Mann, Marcellesi, Marias, Marinescu, Marinho e Pinto, Martin David, Martin Dominique, Martin Edouard, Martusciello, Marusik, Matera, Matias, Mato, Matthews, Maullu, Maurel, Mavrides, Maydell, Mayer Georg, Mayer Alex, Mazuronis, Meissner, Mélin, Melior, Melo, Messerschmidt, Meszerics, Metsola, Metz, Meuthen, Michel, Michels, Mihaylova, Mikolášik, Millán Mon, van Miltenburg, Mineur, Mitrofanovs, Mizzi, Mobarik, Moi, Moisă, Molnár, Monot, Montel, Moody, Morano, Morgano, Morin-Chartier, Mosca, Müller, Mureşan, Muselier, Mussolini, Nagtegaal, Nagy, Nart, Nekov, Neuser, Nica, Nicholson, Nicolai, Niebler, Niedermayer, Niedermüller, Ní Riada, van Nistelrooij, Noichl, Novakov, Nuttall, Obermayr, O'Flynn, Olbrycht, Omarjee, Ożóg, Pabriks, Padar, Paet, Pagazaurtundúa Ruiz, Paksas, Palmer, Panzeri, Papadakis Demetris, Papadakis Konstantinos, Papadimoulis, Pargneaux, Parker, Paşcu, Patriciello, Pavel, Payne, Pedicini, Peillon, Peterle, Petersen, Petir, Philippot, Picierno, Picula, Piecha, Pieper, Pietikäinen, Pimenta Lopes, Piotrowski, Piri, Pirinski, Pitera, Plura, Poc, Poche, Polčák, Popa, Pospíšil, Post, Preda, Preuß, Procter, Proust, Quisthoudt-Rowohl, Radev, Radoš, Radtke, Rangel, Rebega, Reda, Reding, Regner, Reid, Reimon, Reintke, Revault d'Allonnes Bonnefoy, Ribeiro, Ries, Riquet, Rivasi, Rochefort, Rodrigues Liliana, Rodrigues Maria João, Rodríguez-Piñero Fernández, Rodust, Rohde, Rolin, Ropė, Rosati, Rozière, Ruas, Rübig, Ruohonen-Lerner, Saïfi, Sakorafa, Salafranca Sánchez-Neyra, Salini, Sánchez Caldentey, Sander, Sant, dos Santos, Sârbu, Sargentini, Sarvamaa, Saryusz-Wolski, Sassoli, Saudargas, Schaake, Schaffhauser, Schaldemose, Schirdewan, Schlein, Schmidt, Scholz, Schöpflin, Schreijer-Pierik, Schulze, Schuster, Schwab, Scottà, Sehnalová, Selimovic, Senra Rodríguez, Sernagiotto, Serrão Santos, Siekierski, Silva Pereira, Simon Peter, Simon Siôn, Sippel, Škripek, Škrlec, Smith, Smolková, Sógor, Šojdrová, Solé, Šoltes, Sommer, Sonneborn, Sośnierz, Spinelli, Spyraki, Staes, Stanishev, Starbatty, Štefanec, Štětina, Stevens, Stihler, Stolojan, Stuger, Šuica, Sulík, Šulin, Svoboda, Swinburne, Sylikiotis, Szájer, Szanyi, Szejnfeld, Tajani, Tamburrano, Tănăsescu, Tang, Tannock, Țapardel, Tarabella, Tarand, Taylor, Telička, Terricabras, Theocharous, Thomas, Thun und Hohenstein, Toia, Tőkés, Tolić, Tomaševski, Tomašić, Tomc, Toom, Torres Martínez, Torvalds, Tošenovský, Trebesius, Tremosa i Balcells, Troszczynski, Trüpel, Ţurcanu, Ujazdowski, Ujhelyi, Ulvskog, Ungureanu, Urutchev, Uspaskich, Vaidere, Vajgl, Valcárcel Siso, Vălean, Valenciano, Valero, Valli, Vallina, Vana, Van Bossuyt, Van Brempt, Vandenkendelaere, Van Orden, Vaughan, Vautmans, Vehkaperä, Vergiat, Verheyen, Viegas, Vieu, Vilimsky, Viotti, Virkkunen, Vistisen, Voigt, Voss, Vozemberg-Vrionidi, Waitz, Ward, Weber Renate, Weidenholzer, von Weizsäcker, Wenta, Werner, Westphal, Wierinck, Wikström, Winberg, Winkler Hermann, Winkler Iuliu, Wiśniewska, Wölken, Woolfe, Záborská, Zahradil, Zala, Zammit Dimech, Zanni, Zanonato, Zarianopoulos, Zdechovský, Zdrojewski, Zeller, Zemke, Zijlstra, Zīle, Žitňanská, Złotowski, Zoană, Zoffoli, Żółtek, Zorrinho, Zovko, Zullo, Zver, Zwiefka Excused: Albiol Guzmán, Crowley, Händel, Punset P8\_PV-PROV(2018)07-04 PE 624.847 - 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[***DGAP-News: Hannover Re anticipates stable prices and conditions for 2019 following last year's large loss events***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5T7B-MG41-F022-H3G9-00000-00&context=1516831)

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**Body**

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| DGAP-News: Hannover Rück SE / Key word(s): MiscellaneousHannover Re anticipates stable prices and conditions for 2019 following last ***year***'s large loss events 10.09.2018 / 09:00 The issuer is solely responsible for the content of this announcement.Press Release Hannover Re anticipates stable prices and conditions for 2019 following last ***year***'s large loss eventsMonte Carlo, 10 September 2018: The market environment in worldwide property and casualty reinsurance remains challenging. The enormous natural catastrophe losses of the past ***year*** led to an increase of reinsurance rates in affected regions and ***programmes***, which however were lower than expected. At loss-free ***programmes***, rates tend to stabilize. Competition continues to be intense and is clearly shaping the pricing situation. At the same time, the capital resources available to most insurers can be described as good, as is also reflected in retention levels. These are still high, suppressing demand for reinsurance coverage. The ILS (insurance-linked securities) market also continues to provide considerable capacities, adding to the pressure on prices and conditions. A gradual shift in sentiment can nevertheless be discerned in the industry. The results posted by some companies deteriorated sharply in 2017. Some reinsurers' results in 2018 were also impacted by follow-up losses from natural disasters. Furthermore, diminished run-off profits must be expected. Rising inflation - fuelled in part by new trade barriers - is pressuring the industry to increasingly implement rate adjustments in some segments. Merely moderate rate increases overall have so far emerged out of the price negotiations within the ***year***. In the case of natural catastrophe business, which had been hard hit in the previous ***year***, more appreciable mark-ups were nevertheless recorded for loss-impacted treaties. All in all, the rate quality in the reinsurance market is slightly improved ***year***-on-***year***, albeit remaining on a low while still adequate level. "The further development of the loss amounts from last ***year***'s hurricanes as well as the minimal large losses incurred in the current ***year*** to date will be crucial in determining prices in property and casualty reinsurance", CEO Ulrich Wallin commented during a press conference in Monte Carlo. "The lower the strains from catastrophe losses turn out to be this ***year***, the more difficult it will be to push through requisite additional price increases in the coming ***year***. Nevertheless, we are seeing strong demand and hence rather favourable opportunities for growth in certain segments." Hannover Re anticipates increasing demand in, among other areas, covers for cyber risks as well as solutions designed to provide solvency relief under structured reinsurance. For the treaty renewals as at 1 January 2019 the Group therefore expects - despite the overabundance of reinsurance capacity - stable prices and conditions for the most part. Similarly, an industry-wide softening in profitability as well as a higher burden of attritional losses point to a need for improved market conditions. For the three pillars of its property and casualty reinsurance - namely target markets, specialty lines and global reinsurance - Hannover Re anticipates the following developments in the treaty renewals as at 1 January 2019: I. Target markets: North AmericaThe economy and the North American primary insurance market continue to develop favourably. The rate level remains stable overall and further steady growth can therefore be anticipated. Markets are still fiercely competitive, with both property and casualty business seeing vigorous competition despite the ongoing trend of mid-sized losses. The hurricanes and Californian wildfires of the previous ***year*** caused very significant losses on both the insurance and reinsurance side. Capacity in the market nevertheless remains unaffected, as a consequence of which the price adjustments even under loss-impacted ***programmes*** were moderate. While appreciable increases were recorded, the similarly anticipated impact on loss-free ***programmes*** failed to materialise. The market is currently preoccupied with the issue of sustainable coverage concepts for flood and terrorism risks. In the case of proportional reinsurance covers Hannover Re expects to see - especially in property insurance - a slight reduction in commissions and stable treaty conditions, which will continue to be driven by losses from forest fires and windstorm events. Non-proportional reinsurance is in a robust state that promises risk-appropriate treaty conditions for the upcoming renewals as well, with further modest price adjustments anticipated in property insurance overall. Interest in covers offering solvency relief is picking up again, with the result that here too Hannover Re expects to see stronger demand.Continental EuropeThe markets of Northern, Eastern and Central Europe are grouped together under Continental Europe. The largest single market is Germany. Germany: Hannover Re expects to see continued growth on the German property and casualty primary insurance market. It is open to question, however, whether the previous ***year***'s level can be matched, in part because of the increasing competition emerging on the motor insurance market. Homeowners' comprehensive insurance is still in need of remedial action. As things currently stand, the strains caused by events such as winter storm Friederike in January of this ***year*** and various heavy rainfall events are likely to have reinsurance implications only in isolated instances because in many cases they remained within the retention run by primary insurers.In motor insurance the earnings situation is clouded by the onset of more lively competition. For 2019 Hannover Re currently anticipates growth of just under two percent for the total market in terms of policy numbers, with at most a break-even result. Average claim amounts in motor third party liability insurance are continuing to rise. Claims frequency continues to decline, though less pronounced than in the previous ***years***. Against this backdrop Hannover Re sees a need for adjustments with respect to some customer accounts depending on the performance of motor reinsurance cessions. The influence of telematics tariffs and developments relating to self-driving vehicles on the market as a whole continues to be assessed as relatively slight.Growth opportunities can be discerned in the area of cyber insurance. It is Hannover Re's expectation that insurers will focus more closely on commercial customers and small and mid-sized enterprises in this segment over the coming ***year***. Central and Eastern Europe: In primary insurance the market in Europe continues to be shaped by surplus capacities. Reinsurance markets consequently also remain fiercely competitive, even though prices are more stable than in the previous ***year***. Most notably, covers for risks in the fire, industrial and motor insurance lines are seeing sustained intense competition. In France the rivalry among primary insurers in motor business remains focused primarily on the pricing side, while at the same time the claims incidence is high. Industrial risks are seeing continued price erosion. Many insurers are therefore concentrating on SMEs, thereby increasing the pressure on prices in this area too. As a further factor, rising inflation rates are adding to the cost of settling claims, as is also true of other markets. Thanks to the improved state of the economy, modest growth can nevertheless be observed in primary insurance business. The upturn in construction activity noted in the previous ***year*** has been sustained, which Hannover Re should continue to benefit from in view of its leading position in builder's risk insurance. Competition on the reinsurance side remains fierce, just as it is on the primary market, not least given the absence of extraordinary losses in the first half of the ***year***. The frequency of more minor natural catastrophe events was, however, on an unchanged high level. Growth rates in the countries of Eastern Europe, on the whole, continue to be higher than the overall European average. This is true of both the primary and reinsurance market. New rules governing compensation for relatives will lead to further premium hikes in motor insurance. The brisk demand for top-quality reinsurance solutions remains undiminished across the entire region. Key drivers here include tighter requirements placed on insurers' capital resources by Solvency II as well as more rigorous regulatory oversight and anticipated changes in accounting principles. Despite intense competition, sizeable growth opportunities can be expected in Eastern Europe over the medium to long term - against a backdrop of continuing broadly adequate reinsurance prices and conditions. In view of its robust position in the market, it is Hannover Re's assumption that the company will be able to further expand its customer relationships. Demand for high-grade reinsurance solutions remains strong. II. Specialty lines: AviationThe stabilising tendencies that could already be discerned on the primary market for aviation insurance last ***year*** have been sustained. In certain segments, such as the market for small planes and corporate jets, it was possible to secure rate increases in some cases. At the same time, the capacity available on the primary market was lower than in the previous ***year*** due to the discontinuation of business activities by some players, especially on the London Market. On the reinsurance side capacity remains unchanged, although here too a trend towards stabilisation can be detected thanks to the disciplined underwriting approach adopted by some market participants. Very much as in the original market, therefore, Hannover Re anticipates a longer-term and piecemeal improvement in the market environment. Particularly when it comes to globally operating airlines, initial indications can be observed on the primary insurance market of a stabilisation in prices. Over the short to medium term, however, Hannover Re does not expect to see any significant change in the overall situation owing to the continued abundant supply of insurance and reinsurance capacity. The pricing level in the space segment remains under pressure due to an excess of capacity and the consistent success of proven space launch systems. MarineThe losses incurred from natural catastrophe events in the second half of 2017 brought about some stabilisation in marine business. Moderate and in some instances appreciable price increases were obtained on the particularly hard-hit London Market in the renewals during the first half of 2018. It remains to be seen, however, whether this trend will be sustained in 2019. While overall results for the marine insurance segment continue to be inadequate on the primary side, the very low loss experience to date in 2018 may further ease the pressure for additional price increases in the short term. In the offshore energy sector the upswing in the price of oil in 2017 and 2018 prompted a slow resurgence in demand for primary insurance covers. Nevertheless, the premium volume for this sub-segment of marine insurance is still well below the highs of 2014. Unlike in 2015 and 2016, large losses were absent in 2017 and also thus far in the first half of 2018, hence enabling primary insurers and reinsurers to report at least good results. Hannover Re only expects to see a sustained improvement in the premium and rate trend in this segment over the medium term. Credit and surety Compared to prior ***years***, the loss ratios in credit and surety insurance as well as political risks business are slightly higher. The loss experience is characterised by a stable claims frequency on a good level and modestly rising loss amounts in individual cases. The elevated claim costs witnessed in emerging markets in previous ***years*** have now retreated again, although they are still on the high side viewed from a multi-***year*** perspective. With this in mind, prices for insurance and reinsurance should remain stable; demand for reinsurance covers in the area of credit, surety and political risks is either stable or trending slightly higher.United Kingdom / IrelandThe climate on the primary insurance market in the United Kingdom and Ireland continues to be intensely competitive. Thanks also in part to the initiative launched by Lloyd's to take a critical look at the business results reported by syndicates, Hannover Re expects at least a stable environment in this market. In property reinsurance, too, Hannover Re was able to secure double-digit price increases on business impacted by hurricanes Harvey, Irma and Maria. Stable rates and conditions were negotiated in all other lines of reinsurance. Further price increases on liability reinsurance business covering private customer portfolios - and hence affected by the 2017 cut in the Ogden rate - are unlikely in 2019. The rate improvements obtained in the various rounds of renewals since the spring of 2017 were well into the double-digit percentage range. III. Global reinsurance: Catastrophe business Even after what can certainly be described as the historic hurricane losses of the past ***year***, there has been no change in the prevailing oversupply of reinsurance capacity shaping worldwide natural catastrophe business. As a further factor, the considerable capacities originating from the ILS market remain undiminished. Overall, this led to a merely modest increase in prices for property catastrophe business that was driven by loss-impacted ***programmes***, although here too the rate increases came in below market expectations. Hannover Re anticipates the following developments on individual markets for natural catastrophe risks: North America: The recent mid-***year*** treaty renewals brought modest rate rises. In Florida increases of around 20 percent were generated under loss-affected ***programmes***, with improvements otherwise in the low single digits. If there are no appreciable losses in the current ***year***, it will likely be difficult to push through further rate increases for the coming ***year***. Growing demand for reinsurance coverage can be observed from state-backed ***programmes*** offering protection against flood risks. Subject to commensurate prices, Hannover Re would be prepared to make capacity available for such covers. Europe: European reinsurance markets have seen less change in the sustained pressure on prices. The protracted soft market is most striking in United Kingdom but is also evident for Germany, where there are currently no grounds to anticipate a shift in market conditions. The losses caused by the forest fires in Sweden are unlikely to be reflected on the pricing side. Japan: Modest price reductions for catastrophe covers were observed here in the current ***year***. The flood losses in Hiroshima prefecture will probably have no appreciable effect on demand for reinsurance capacity or prices. In the next round of treaty renewals for Japan on 1 April 2019 the price level is therefore expected to remain roughly stable. Australia / New Zealand: The earthquake losses in New Zealand from 2016 have stabilised rates there; negative run-offs are still being seen, however, prompting some providers to take a rather cautious approach. In Australia, on the other hand, prices remain under pressure - although the pain threshold for further price reductions has now been reached. Reinsurers with a very good rating, long-standing expertise and excellent business relationships - such as Hannover Re - have opportunities to secure more attractive prices than the market as a whole, especially in Australia. Latin America: The markets of Central and South America continue to post above-growth rates, albeit with substantial differences from country to country. Most markets are still seeing elevated demand for high-quality reinsurance protection, enabling financially robust reinsurers to book business at adequate prices. Recent acquisitions of sizeable portfolios by primary insurers in Latin America have generated a greater need for reinsurance capacity, a development from which Hannover Re is also benefiting. Caribbean: Caribbean nations were hit hard by the hurricane losses of the past ***year***. The renewals as at 1 July consequently saw price increases of up to 40 percent under loss-affected ***programmes***, while the figure was around 10 percent for ***programmes*** that had escaped unscathed. Hannover Re is a well-established market player in this region. Further price increases after the sharp rises seen in the current ***year*** are, however, rather unlikely if no additional losses are incurred. Worldwide treaty businessDevelopments in worldwide treaty business varied across markets and regions. Asia-Pacific: In what is a very mixed region from a reinsurance standpoint, Hannover Re continues to trust in its strategy of diversification - both in terms of the coverage offered and its regional positioning. Through special extensions of the book of business written with selected target customers Hannover Re is able to secure profitability and growth for the medium term. This is backed by further strengthening of the local network.Latin America: Larger ceding companies, in particular, prefer to work with only a limited number of reinsurers, primarily the major providers. One reason here is the significant natural disasters of 2017, which showed which reinsurers were in a position to promptly meet their ***payment*** obligations. Consequently, Hannover Re benefited considerably from an increased demand for natural catastrophe coverage in Latin America. ***Agricultural*** risks: The growing need for ***agricultural*** commodities and foodstuffs as well as the increased prevalence of extreme weather events continue to stimulate demand for insurance and reinsurance solutions, especially in emerging and developing countries. The "InsuResilience" initiative launched by the G7 countries has, for example, set itself the goal of improving access to insurance coverage against climate risks for millions of particularly poor and vulnerable people in developing countries by 2020. The increasingly widespread implementation of public-private partnerships is opening up new opportunities for Hannover Re to write profitable business in markets that have still to establish themselves. Furthermore, the growing availability of new technologies, including for example remote sensing by satellites, is enabling continuing expansion of this segment with innovative and efficient insurance products such as parametric covers. In Germany the dry and arid conditions of the summer of 2018 have not as yet become an issue for the insurance industry because ***agricultural*** covers here are focused virtually exclusively on hail risks. Insurance-Linked Securities: Hannover Re accesses the ILS market both to obtain protection for its own catastrophe risks and to ***transfer*** its clients' life & health and property & casualty risks to the capital market. The latter primarily takes the form of collateralised reinsurance, which is still the largest business segment within Hannover Re's ILS activities, but is also supplemented by the issuance of catastrophe bonds. In 2018, for example, the company has so far brought four catastrophe bonds to market for US clients with a total volume of around USD 1.4 billion. Over the coming ***years*** Hannover Re expects demand to show moderate growth overall. The company is also itself an investor in catastrophe bonds, thereby maximising all the opportunities offered by the ILS market. Structured reinsurance/Advanced Solutions: This business delivered strong growth in the current ***year*** across all regions, especially in North and South America as well as in Europe. Not only did the average premium per contract increase, but also the number of contracts in absolute terms. Going forward, Hannover Re expects a further rise in demand for innovative and tailor-made reinsurance solutions. Growth opportunities on a continuing high level are anticipated in North America, Europe and Asia. The purchasing habits of many clients have changed of late, reflecting a shift towards holistic reinsurance solutions. This trend shows no sign of abating and will mean that in the future, too, more and more customers will be calling for increasingly complex reinsurance solutions. It is still too early to foresee what effect the adoption of IFRS 17 will have on structured reinsurance business. Nevertheless, implementation should generate stronger demand for reinsurance solutions, driven by the further increase in the complexity of capital and risk management faced by customers.Outlook Hannover Re expects to see stability in prices and conditions overall for the treaty renewals as at 1 January 2019. While improvements should be possible under loss-impacted ***programmes***, covers that were spared any losses have reached the minimum level from a technical standpoint. Ultimately, though, when it comes to determining prices it still remains to be seen how the major loss situation for 2018 ends up, how large losses from the previous ***year*** continue to develop, how inflation turns out and whether the run-off results from reserves in the US casualty market deteriorate. As has been apparent from the renewals over the course of the ***year***, broadly diversified reinsurers with expertise and a very good rating are able to profit from the current state of the market. Hannover Re has thus been highly satisfied with the business renewed to date in 2018. Looking ahead to 2019, further promising possibilities should open up. Along with the opportunities arising out of digitalisation, demand for coverage of cyber risks - not just from large corporations but now also from SMEs - is on the rise. Similarly, business in the Asian growth markets (China, India) should also present some openings. Structured reinsurance offers further scope for growth in covers taken out for capital relief as a consequence of the implementation of risk-based solvency systems. In the present climate Hannover Re will stay focused on its core competence: traditional reinsurance, supplemented by individual coverage concepts such as product-oriented cooperation arrangements with primary insurance customers. As in the previous ***year***, the company is concentrating on consistently growing its existing high-quality book of business, complemented by strategic partnerships. In addition, Hannover Re will take advantage of opportunities that arise in niche and specialty segments. As was true of earlier soft market phases, the guiding principle is to only write business that satisfies margin requirements; at the same time, though, it remains important to offer customers alternative solutions at an appropriate price level. "The positive future prospects for the global reinsurance market are the cornerstone of our success over the medium and long term. With this in mind, we are concentrating quite deliberately on the products and services typically associated with a reinsurer", Mr. Wallin asserted. "We have no doubt that this is the right course to pursue when it comes to generating sustainable value for our clients, our shareholders and our employees." In view of the business development so far in the current financial ***year*** and the company's very good positioning in the market, Hannover Re considers itself well on track to achieve its 2018 ***year***-end targets. Based on constant exchange rates, the company anticipates an increase of more than 10% in its gross premium volume and net income in excess of EUR 1 billion for its total business. This is conditional upon major loss expenditure not significantly exceeding the budgeted level of EUR 825 million and assumes that there are no unforeseen distortions on capital markets. Hannover Re, with gross premium of EUR 17.8 billion, is the fourth-largest reinsurer in the world. It transacts all lines of property & casualty and life & health reinsurance and is present on all continents with around 3,300 staff. Established in 1966, the Hannover Re Group today has a network of more than 140 subsidiaries, branches and representative offices worldwide. The Group's German business is written by the subsidiary E+S Rück. The rating agencies most relevant to the insurance industry have awarded both Hannover Re and E+S Rück outstanding financial strength ratings: Standard & Poor's AA- "Very Strong" and A.M. Best A+ "Superior". 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**Body**

Holding the potential to become a major economic growth driver, Jordan's ICT sector has seen decades of robust telecoms expansion and a liberalisation agenda launched in the early 2000s, supporting rapid growth in mobile penetration and internet usage.

Jordan is slated to benefit from rising next-generation mobile broadband adoption, while its broader ICT sector has been the focus of a series of recent government reforms aimed at supporting macroeconomic growth, with new lending ***programmes*** and multiple tax incentives supporting tech firms and IT service providers.

The same cannot be said for telecommunications operators, which face one of the world's highest sector-specific tax burdens, with ongoing government efforts to accelerate fiscal consolidation remaining a cause for concern among stakeholders.

Recent sector development strategies have identified multiple ICT business lines offering considerable private sector investment opportunities, with the ongoing e-government services and digitisation drive expected to support private sector growth, enabling sustainable long-term development and the eventual transformation into a knowledge-based economy.

**Public Oversight**

Jordan's ICT sector is dynamic, liberalised and well developed, with telecoms activity dating back to 1921, and the kingdom's first dedicated telecoms operator, the Telecommunications Corporation, established 50 ***years*** later in 1971.

The Ministry of Information and Communications Technology (MICT) and the Telecommunications Regulatory Commission (TRC) are the main government bodies overseeing ICT development. The MICT is in charge of developing sector policies and legislation, increasing investment in the IT and postal sectors, and delivering the government's national broadband network (NBN), as well as creating and supporting deployment of e-government services. Operating under the aegis of the MICT, the National Information Technology Centre (NITC) was established in 2003, and acts as an executive authority for all public procurement of IT resources, including equipment, software, information, operations and human resources training. The TRC was formed under Telecommunications Law No. 13 of 1995, and acts as an independent jurisdictional body responsible for regulating the telecoms and ICT sector, as well as the postal sector. It also responsible for overseeing mobile operator licensing and spectrum allocation.

A wave of liberalisation reforms launched in 1999, and concurrent adoption of progressive ICT development policies, saw the creation of the Information Technology Association of Jordan (int@j), which plays a supportive role in the formation of national ICT strategies, data collection and industry lobbying: as well as Oasis500, a government-backed entrepreneur support organisation that has grown to become one of the largest start-up seed investors in the region.

**Private Sector**

Liberalisation between 1999 and 2004 also permitted private sector investment in telecoms services for the first time, with the Telecommunications Corporation - now operating as the Jordan Telecom Group (JTG) - privatised in phases ending in 2000, with the government holding a 30% stake today, and the remainder owned by France's Orange. JTG is branded as Orange Jordan and stands as the kingdom's second-largest mobile operator with a 31% market share. The only integrated operator offering fixed, mobile, wholesale and internet services. The firm listed on the Amman Stock Exchange in 2002.

Orange is one of three mobile operators active in the market. Zain Jordan is the largest by market share, with 40%, and was the first firm to introduce GSM mobile services in 1995, following the entrance of Kuwait's Zain Group the previous ***year***. Rounding out the big three is Umniah, a subsidiary of Bahrain's Batelco. It was the last to enter the market, launching operations in 2005.

Jordan is also home to 16 internet service providers, although Orange maintains a monopoly on international gateway and local landline services, and all providers use the company's copper network to attain last-mile connectivity, especially for ADSL services. Orange launched fibre-to-the-home internet services in October 2014, followed by Zain in November 2014. In February 2017 the US International Trade Administration (ITA) noted that there were 600 active technology firms operating in Jordan, of which 300 are start-ups.

**Economic Impact**

The ICT sector represented 4% of GDP in 2016, according to the Department of Statistics, although mobile operators reported in February 2017 that the telecoms sector alone accounts for 14% of GDP annually. In its 2016 annual report, the TRC reported average annual investment in the telecommunications sector of JD185m ($261m) between 2012 and 2016, with a recent high of JD290m ($409.1m) in 2015, falling to JD95m ($134m) in 2016.  Jordan's ICT market - like many of its regional neighbours - has undergone a rapid shift towards data service usage over traditional voice and SMS services, supported by equally swift mobile broadband network expansion, which has had a large impact on internet usage since 2014. According to the ITA, estimated internet penetration stood at 85% by the end of 2017, up from 62.3% the previous ***year***.

**Mobile Broadband Expansion**

Orange Jordan was the first operator to receive a 3G licence, paying $71m to acquire 3G spectrum in 2009. The company was granted exclusive rights to 3G deployment from March 2010 to March 2011. Zain became the first operator to secure a 4G licence in April 2014, at a cost of $76.75m. Its commercial 4G LTE network went live in February 2015, while Orange Jordan acquired a $100m 4G licence using spectrum on the 1800-MHz frequency, and launched services in May 2015. Umniah secured a 4G licence in September 2015, and commenced 4G LTE services in June of the following ***year***.

Although the TRC floated a bid offering new spectrum allocations in June 2013, paving the way for the entrance of a fourth mobile operator and fixed-broadband wireless access provider on the 800-MHz, 1800-Mhz, 2100-MHz, 2300-MHz and 2600-MHz frequencies, a new operator was not selected.

Advancements in mobile technology have helped spur a rapid uptake of services. Telecoms research firm BuddeCom notes that there were 14.7m mobile phone subscribers in Jordan in 2017, compared with 11m in 2014, while fixed-line subscribers fell from 370,000 to 350,000 over the same period. Broadband subscribership rose by 170% between 2014 and 2017 to 4.1m, and BuddeCom states that 4G penetration could reach 70% by 2020, with 3G penetration standing at 70% in 2017.

**Sector Strategies**

Jordan's mid- and long-term ICT development targets are encapsulated in the MICT's National ICT Strategy (NIS), spanning 2013-17; an e-government strategy running from 2014 to 2016; and the REACH2025 national ICT development and digitisation strategy, successor to the NIS, which runs until 2025.

REACH2025 targets transforming Jordan into a regional IT centre, recommending reforms including improved access to finance, investor incentives and tax exemptions, many of which have been adopted recently. It targets boosting ICT development to contribute an additional 3-4% to GDP, increasing sector revenues by between 25% and 30%, creating 130,000 to 150,000 new jobs and establishing between 5000 and 7000 new businesses active in the digital economy.

The plan's core elements include smart specialisation and growth, public sector innovation, start-up and entrepreneurship support, skills development, improvements to the business environment and the creation of smart digital infrastructure.

**GROWTH PLAN**

REACH2025 was incorporated into the government's mid-term economic development agenda, the Jordan Economic Growth Plan (JEGP), which was published in mid-2017 and runs from 2018 to 2022. The JEGP aims to support 12% annual expansion in the ICT sector over the period, as part of a broader effort to boost GDP growth to a ***yearly*** average of 5% through 2022, against an average of 2.5% between 2010 and 2016, with the World Bank forecasting this figure to stand at 2.3% in 2017 (see Economy chapter).

The plan highlights 85 government projects valued at $8.8bn, and 27 private sector-led investment projects worth $13.3bn, as necessary to meet this target, with its digitisation budget estimated at JD430m ($606.6m).

The JEGP maintains REACH2025's 96 identified action items to foster ICT development in support of six broad targets: promoting the use of technology through digital policymaking; adopting open data and security and information protection policies; permitting private sector investment in delivering local knowledge stations and upgrading post offices; reducing the use of paper in government institutions; attracting new investment across the ICT sector; and establishing a national digitisation policy. The total budget for these initiatives is expected to be JD175m ($246.9m).

**Private Sector Participation**

Private sector investment plays a critical role in recent ICT policies: the NIS recommends an "aggressive" re-examination of current e-government initiatives, with the aim of identifying new modalities to attract private sector investment in developing and managing e-government services, while the JEGP reports that public-private partnerships (PPPs) will be essential for rehabilitating post offices and launching knowledge stations, which will provide financial and social support, and a range of e-commerce and e-government services.

The JEGP also targets a periodic review of the telecoms tax system, as well as reviews of operators' profit-sharing models, allowing them to capitalise on shifting consumer trends, including increased data usage and falling voice and SMS usage. The plan encourages PPPs with foreign firms under a build-operate-***transfer*** model, with an emphasis on attracting investment in mobile applications and emerging technologies serving the banking, e-commerce and transportation sectors.

**Broadband Potential**

Private investment opportunities could also be on offer in the JD115m ($162.2m) NBN. The NIS reports that the country's broadband network, which was originally launched in 2003 as a private governmental network to expand online education, health and public service delivery, has not been completed as a result of fiscal constraints.

Although the NBN is meant to act as a tool to enhance the development and competitiveness of local ICT firms in online service delivery, the network's required investment cannot be provided through public funding alone. The NIS notes that the creation of large-scale demand and usage of e-government services is necessary to make private investment in the NBN economically feasible, reporting that partial or complete handover to the private sector will reduce or eliminate the government's operational costs, while providing a potentially attractive opportunity to private investors.

**Infrastructure Investment**

The ITA reports that the government signed a contract to implement a sizeable part of the network's southern component in May 2015. This was expected to be up and running by the end of 2017, connecting over 800 public entities across three cities at a total cost of $31m, although the network's launch had not been confirmed at the time of press. The central portion of the network will receive support from the Saudi Fund for Development, with the ITA highlighting the NBN as a significant target for future external investment.

According to the ITA, internet infrastructure works associated with the Port of Aqaba's relocation also hold major potential for private firms to boost their ICT share in Jordan. Outside of the NBN and physical internet infrastructure, the ITA forecasts future ICT investment will be driven by technology and start-up firms developing applications targeting early internet adopters, with e-***payment*** systems offering particular opportunities for growth. The government has also been active in developing e-***payment*** infrastructure, with the ITA reporting that recent initiatives have coincided with MasterCard's deployment of near-field communications mobile ***payment*** terminals across the kingdom.

**E-government**

E-government services have become an important component of ICT growth, and the JEGP notes that expanding application of e-government services will support improvements to the kingdom's business and investment climate, with e-government services expanding rapidly over the previous decade, rising from 15 online services in 2003 to 125 in 2016.

One of the largest e-government initiatives introduced in recent ***years*** is the eFawateerCom system, an e-***payment*** platform owned by the Central Bank of Jordan (CBJ) and operated by MadfooatCom Electronic ***Payments***. Launched in 2014, the system allows users to pay bills through ATMs, bank tellers, mobile and online banking platforms, and post offices, as well as major retail centres, and also permits credit card ***payments***. The government reports that in a period of just under three ***years*** since its launch, more than 3m transactions valued at JD1bn ($1.4bn) have been carried out using eFawateerCom, with 87 separate billers offering a total of 255 services (see Financial Services chapter).

In October 2017, following its launch in May of the previous ***year***, the Ministry of Education (MoE) announced the completion of a national project to link almost 3000 of Jordan's state schools and the MoE on an integrated IT network. The project, carried out by Umniah, is the result of an agreement between the MoE and the Special Communications Commission set to benefit connectivity, data sharing and additional application capabilities between 2652 schools, 43 directorates and 69 administrative buildings.

Other e-government services have sought to eliminate red tape and reduce the time it takes to set up a company in the kingdom, in support of ongoing reforms aimed at improving Jordan's business climate, as well as new service platforms in the health care, education and transportation sectors (see analysis).

**Smart ID Cards**

A national e-ID card system, launched in July 2016, is also expected to streamline civil identification processes and reduce ministries' operational costs. In early 2018 Jordan's Civil Status and Passports Department noted 3m new e-IDs, or smart ID cards, had been issued since June 2016, with the agency stating its long-term target of replacing all civil identification documents with e-IDs.

Dutch firm Gemalto, a private tech company selected to issue the kingdom's national e-ID cards, reported in June 2017 that the new cards will be formatted similar to credit cards and contain a microchip. They will be issued to any citizen over 18 ***years*** old at a cost of JD2 ($2.82). In addition, the new cards will eventually contain 18 data fields, with early cards including gender, name in Arabic and English, place of birth, area of residence and blood type. Later stages of development will integrate driving licence data, health insurance coverage and social security number information into the cards, as well as fingerprints and electronic signatures.

Private e-service development is also poised for robust future growth, with the relatively undeveloped financial technology (fintech) sector holding particularly high potential given the high proportion of unbanked citizens. In August 2017 private sector think tank Jordan Strategy Forum reported that the financial inclusion rate, which measures the proportion of citizens over 15 ***years*** of age who have a bank account, is 24.6%, and just 15.5% for females over 15 ***years*** of age. This leaves substantial room for so-called disruptive fintech technologies including mobile banking and mobile money ***transfers***, especially given the high level of remittance inflows the kingdom records each ***year***, with personal remittance inflows amounting to 13.3% of GDP in 2016, according to World Bank data.

A March 2016 report in online publication *CryptocoinNews* showed that several fintech businesses such as Emerging Markets ***Payments***, GreenWallet and MadfooatCom are already offering mobile financial services in Jordan, while PayFellow and Middle East ***Payment*** Services are active in secure e-***payment*** processing. Peerto-peer (P2P) lending platforms, including Islamic P2P lending start-up liwwa, also offer alternative financing channels for small businesses and entrepreneurs, further supporting improved financial inclusion.

**Mobile Money**

Mobile ***payment*** growth, meanwhile, is supported by a progressive regulatory environment, with the CBJ moving to publish mobile ***payment*** services instructions in December 2013 as part of a three-***year*** ***payment*** systems strategy. The strategy is designed to improve financial inclusion, stability, integrity and consumer protection, with the CBJ introducing the instructions as part of an effort to encourage mobile operators to play a larger role in financial service provision. The instructions permit operators to become ***payment*** service providers (PSPs) offering direct mobile money services via the establishment of a subsidiary to carry out these activities with a minimum paid-up capital of JD1.5m ($2.1m). The framework also allows PSPs to register new customers, in addition to providing cash-in and cash-out services.

**Interoperability**

In a December 2016 case study on mobile money in Jordan, the GSM Association (GSMA) reported that further reforms to enable interoperability through the CBJ's central switch, JoMoPay, put Jordan at the forefront of regional financial inclusion efforts, as it is the first country in the MENA region to launch an interoperable mobile money system. Umniah, Zain and Orange have each launched mobile money offerings in recent ***years***. The segment holds high potential to augment telecoms revenues in the coming ***years***, with growth forecast to be supported by rapid smartphone and mobile broadband adoption.

**IT Taxes**

IT companies benefit from one of the most favourable tax environments in Jordan, after the government moved in April 2016 to adopt a host of new tax incentives. These include sales tax and Custom duty exemptions for all software development, mobile application, website portal, outsourcing, digital content and electronic games services, as well as IT training and e-learning. In addition, goods and services required for IT service provision were exempted from sales tax, while the government also unveiled plans to reduce the sector's tax rates from 20% to 5%. IT export taxes were also eliminated. Other recent reforms have removed all minimum capital requirements for foreign investment in the IT sector, as well as trade licence rules that had prevented tech start-ups from operating home offices, and which have been a challenge to start-up growth in the kingdom. Working on attracting new investors is of course a great move," Nader S Nemeh, general manager of local consultancy Migrate Business Services, told OBG. "However, public authorities should focus more on retaining the investors who are already present in Jordan by reducing regulatory changes, delays in announcements and uncertainty," he added.

**Start-up Lending**

The government is moving to boost credit access for technology companies and start-ups, as part of a broader strategy to improve lending to small and medium-sized enterprises (SMEs). In March 2017 the CBJ announced plans to launch a $100m entrepreneurship lending fund, the Innovative Start-ups and SME Fund (ISSF), in partnership with the World Bank. The World Bank will provide $50m of financing for the project, which was officially launched in June 2017 (see Financial Services chapter).

The fund is expected to improve financing for early-stage SMEs that have shown the potential to become "engines for job creation", with authorities targeting provision of 200 loans to innovative start-ups nationwide, emphasising underserved industries and female entrepreneurs. The World Bank reports that investment will be split between companies at three separate stages of development, including seed, early stage and venture capital. Priority borrowers under the ISSF ***programme*** include tech-focused media, telecoms, services, ***agricultural***, pharmaceuticals, water and green energy companies. "We are very excited, and we hope the fund will make a significant impact in ICT growth," Nidal Bitar, CEO of int@j, told OBG. "If we evaluate projects' borrowing eligibility based only on financials, it is not enough to support start-ups and entrepreneurship. We need to examine the issue from an innovative and technical perspective as well, looking at comprehensive, long-term benefits of supporting young companies, towards making Jordan a major regional start-up hub."

One of the main recommendations under the REACH2025 strategy is the 1000 Entrepreneurs National Initiative, led by int@j and the MITC. The ***programme*** seeks to support new technology firms by ***transferring*** innovative ideas to 3000 new digital economy start-ups and SMEs, to provide development support to existing firms, and to create 5000 jobs.

**Telecoms Taxes**

Telecoms operators face a more challenging situation, having experienced ***years*** of successive tax increases beginning in July 2012 when the TRC announced plans to raise the industry's taxes, doubling revenue-sharing tax rates from 10% to 20%. The sector was already subject to a 16% sales tax and a 12% mobile subscription tax, and all operators pay a 24% income tax rate. The new framework has been in effect since August 2013. Telecoms operators reported in January 2014 that revenues had fallen by 9%, and profits by between 30% and 40% as a result. In May 2015 Deloitte reported that Jordan has some of the highest mobile taxes internationally, with taxes comprising over 35% of the total cost of mobile ownership. In addition, the special tax on prepaid and post-paid mobile subscriptions also increased from 24% to 26%.

In February 2017 local media noted widespread criticism of plans to hike telecoms taxes again, as part of the government's IMF-supported fiscal rationalisation agenda, which required the kingdom to source JD635m ($895.8m) of new revenue in 2017 alone (see Economy chapter). Fiscal reforms saw a host of tax increases rolled out following the conclusion of a $723m three-***year*** extended fund facility with the IMF in August 2016. These included scrapping tax exemptions for fixed- and mobile internet services, effectively doubling the tax rate for these services to 16%, as well as a JD2.60 ($3.67) tax charged on the purchase of every pre- and post-paid SIM card, as of February 15, 2017.

Though full-***year*** figures were not available at the time of press, in July 2017 the Ministry of Finance reported it was still JD400m ($564.3m) short of its annual revenue collection target, which prompted fears of similar tax increases applied to technology companies and IT service providers. "We believe the tax reduction and incentives applied to the ICT sector are a must, because the ICT sector is the core of all other sectors," Bitar told OBG. "Over the past few ***years***, we've had unstable and unpredictable regulations and policies. Companies left because of this instability, as well as what were sometimes inconsistent interpretations of these regulations by those who implement them. Therefore, the priority now must be to incentivise the sector, which should contribute to digitising the economy and boosting entrepreneurship according to the recommendations of REACH2025."

**Outlook**

Although telecoms operators will face challenging conditions in 2018, Jordan's digital economic development continues to progress steadily. The government cannot meet its ICT development goals without private sector investment, and investors are thus expected to make major inroads in ICT development in the coming ***years***, with new investment expected in the e-government and fintech sectors, and digital infrastructure development. Ongoing fiscal rationalisation ***programmes*** present the greatest challenge to future growth, but recent policy announcements and new lending ***programmes*** otherwise leave the sector well positioned to become a critical pillar of future growth.

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**End of Document**



[***EQS-News: Hannover Re anticipates stable prices and conditions for 2019***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5T7B-76P1-JCXB-12YX-00000-00&context=1516831)

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**Body**

following last ***year***'s large loss events

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Hannover Re anticipates stable prices and conditions for 2019 following last

***year***'s large loss events

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Press Release

Hannover Re anticipates stable prices and conditions for 2019 following last

***year***'s large loss events

Monte Carlo, 10 September 2018: The market environment in worldwide property

and casualty reinsurance remains challenging. The enormous natural catastrophe

losses of the past ***year*** led to an increase of reinsurance rates in affected

regions and ***programmes***, which however were lower than expected. At loss-free

***programmes***, rates tend to stabilize.

Competition continues to be intense and is clearly shaping the pricing

situation. At the same time, the capital resources available to most insurers

can be described as good, as is also reflected in retention levels. These are

still high, suppressing demand for reinsurance coverage. The ILS

(insurance-linked securities) market also continues to provide considerable

capacities, adding to the pressure on prices and conditions.

A gradual shift in sentiment can nevertheless be discerned in the industry. The

results posted by some companies deteriorated sharply in 2017. Some reinsurers'

results in 2018 were also impacted by follow-up losses from natural disasters.

Furthermore, diminished run-off profits must be expected. Rising inflation -

fuelled in part by new trade barriers - is pressuring the industry to

increasingly implement rate adjustments in some segments.

Merely moderate rate increases overall have so far emerged out of the price

negotiations within the ***year***. In the case of natural catastrophe business,

which had been hard hit in the previous ***year***, more appreciable mark-ups were

nevertheless recorded for loss-impacted treaties. All in all, the rate quality

in the reinsurance market is slightly improved ***year***-on-***year***, albeit remaining

on a low while still adequate level.

"The further development of the loss amounts from last ***year***'s hurricanes as

well as the minimal large losses incurred in the current ***year*** to date will be

crucial in determining prices in property and casualty reinsurance", CEO Ulrich

Wallin commented during a press conference in Monte Carlo. "The lower the

strains from catastrophe losses turn out to be this ***year***, the more difficult it

will be to push through requisite additional price increases in the coming

***year***. Nevertheless, we are seeing strong demand and hence rather favourable

opportunities for growth in certain segments."

Hannover Re anticipates increasing demand in, among other areas, covers for

cyber risks as well as solutions designed to provide solvency relief under

structured reinsurance.

For the treaty renewals as at 1 January 2019 the Group therefore expects -

despite the overabundance of reinsurance capacity - stable prices and

conditions for the most part. Similarly, an industry-wide softening in

profitability as well as a higher burden of attritional losses point to a need

for improved market conditions.

For the three pillars of its property and casualty reinsurance - namely target

markets, specialty lines and global reinsurance - Hannover Re anticipates the

following developments in the treaty renewals as at 1 January 2019:

I. Target markets:

North America

The economy and the North American primary insurance market continue to develop

favourably. The rate level remains stable overall and further steady growth can

therefore be anticipated. Markets are still fiercely competitive, with both

property and casualty business seeing vigorous competition despite the ongoing

trend of mid-sized losses.

The hurricanes and Californian wildfires of the previous ***year*** caused very

significant losses on both the insurance and reinsurance side. Capacity in the

market nevertheless remains unaffected, as a consequence of which the price

adjustments even under loss-impacted ***programmes*** were moderate. While

appreciable increases were recorded, the similarly anticipated impact on

loss-free ***programmes*** failed to materialise.

The market is currently preoccupied with the issue of sustainable coverage

concepts for flood and terrorism risks.

In the case of proportional reinsurance covers Hannover Re expects to see -

especially in property insurance - a slight reduction in commissions and stable

treaty conditions, which will continue to be driven by losses from forest fires

and windstorm events. Non-proportional reinsurance is in a robust state that

promises risk-appropriate treaty conditions for the upcoming renewals as well,

with further modest price adjustments anticipated in property insurance

overall. Interest in covers offering solvency relief is picking up again, with

the result that here too Hannover Re expects to see stronger demand.

Continental Europe

The markets of Northern, Eastern and Central Europe are grouped together under

Continental Europe. The largest single market is Germany.

Germany: Hannover Re expects to see continued growth on the German property and

casualty primary insurance market. It is open to question, however, whether the

previous ***year***'s level can be matched, in part because of the increasing

competition emerging on the motor insurance market. Homeowners' comprehensive

insurance is still in need of remedial action. As things currently stand, the

strains caused by events such as winter storm Friederike in January of this

***year*** and various heavy rainfall events are likely to have reinsurance

implications only in isolated instances because in many cases they remained

within the retention run by primary insurers.

In motor insurance the earnings situation is clouded by the onset of more

lively competition. For 2019 Hannover Re currently anticipates growth of just

under two percent for the total market in terms of policy numbers, with at most

a break-even result. Average claim amounts in motor third party liability

insurance are continuing to rise. Claims frequency continues to decline, though

less pronounced than in the previous ***years***. Against this backdrop Hannover Re

sees a need for adjustments with respect to some customer accounts depending on

the performance of motor reinsurance cessions. The influence of telematics

tariffs and developments relating to self-driving vehicles on the market as a

whole continues to be assessed as relatively slight.

Growth opportunities can be discerned in the area of cyber insurance. It is

Hannover Re's expectation that insurers will focus more closely on commercial

customers and small and mid-sized enterprises in this segment over the coming

***year***.

Central and Eastern Europe: In primary insurance the market in Europe continues

to be shaped by surplus capacities. Reinsurance markets consequently also

remain fiercely competitive, even though prices are more stable than in the

previous ***year***. Most notably, covers for risks in the fire, industrial and motor

insurance lines are seeing sustained intense competition.

In France the rivalry among primary insurers in motor business remains focused

primarily on the pricing side, while at the same time the claims incidence is

high. Industrial risks are seeing continued price erosion. Many insurers are

therefore concentrating on SMEs, thereby increasing the pressure on prices in

this area too. As a further factor, rising inflation rates are adding to the

cost of settling claims, as is also true of other markets. Thanks to the

improved state of the economy, modest growth can nevertheless be observed in

primary insurance business. The upturn in construction activity noted in the

previous ***year*** has been sustained, which Hannover Re should continue to benefit

from in view of its leading position in builder's risk insurance.

Competition on the reinsurance side remains fierce, just as it is on the

primary market, not least given the absence of extraordinary losses in the

first half of the ***year***. The frequency of more minor natural catastrophe events

was, however, on an unchanged high level.

Growth rates in the countries of Eastern Europe, on the whole, continue to be

higher than the overall European average. This is true of both the primary and

reinsurance market. New rules governing compensation for relatives will lead to

further premium hikes in motor insurance. The brisk demand for top-quality

reinsurance solutions remains undiminished across the entire region. Key

drivers here include tighter requirements placed on insurers' capital resources

by Solvency II as well as more rigorous regulatory oversight and anticipated

changes in accounting principles. Despite intense competition, sizeable growth

opportunities can be expected in Eastern Europe over the medium to long term -

against a backdrop of continuing broadly adequate reinsurance prices and

conditions.

In view of its robust position in the market, it is Hannover Re's assumption

that the company will be able to further expand its customer relationships.

Demand for high-grade reinsurance solutions remains strong.

II. Specialty lines:

Aviation

The stabilising tendencies that could already be discerned on the primary

market for aviation insurance last ***year*** have been sustained. In certain

segments, such as the market for small planes and corporate jets, it was

possible to secure rate increases in some cases. At the same time, the capacity

available on the primary market was lower than in the previous ***year*** due to the

discontinuation of business activities by some players, especially on the

London Market.

On the reinsurance side capacity remains unchanged, although here too a trend

towards stabilisation can be detected thanks to the disciplined underwriting

approach adopted by some market participants. Very much as in the original

market, therefore, Hannover Re anticipates a longer-term and piecemeal

improvement in the market environment.

Particularly when it comes to globally operating airlines, initial indications

can be observed on the primary insurance market of a stabilisation in prices.

Over the short to medium term, however, Hannover Re does not expect to see any

significant change in the overall situation owing to the continued abundant

supply of insurance and reinsurance capacity. The pricing level in the space

segment remains under pressure due to an excess of capacity and the consistent

success of proven space launch systems.

Marine

The losses incurred from natural catastrophe events in the second half of 2017

brought about some stabilisation in marine business. Moderate and in some

instances appreciable price increases were obtained on the particularly

hard-hit London Market in the renewals during the first half of 2018. It

remains to be seen, however, whether this trend will be sustained in 2019.

While overall results for the marine insurance segment continue to be

inadequate on the primary side, the very low loss experience to date in 2018

may further ease the pressure for additional price increases in the short term.

In the offshore energy sector the upswing in the price of oil in 2017 and 2018

prompted a slow resurgence in demand for primary insurance covers.

Nevertheless, the premium volume for this sub-segment of marine insurance is

still well below the highs of 2014. Unlike in 2015 and 2016, large losses were

absent in 2017 and also thus far in the first half of 2018, hence enabling

primary insurers and reinsurers to report at least good results. Hannover Re

only expects to see a sustained improvement in the premium and rate trend in

this segment over the medium term.

Credit and surety

Compared to prior ***years***, the loss ratios in credit and surety insurance as well

as political risks business are slightly higher. The loss experience is

characterised by a stable claims frequency on a good level and modestly rising

loss amounts in individual cases. The elevated claim costs witnessed in

emerging markets in previous ***years*** have now retreated again, although they are

still on the high side viewed from a multi-***year*** perspective. With this in mind,

prices for insurance and reinsurance should remain stable; demand for

reinsurance covers in the area of credit, surety and political risks is either

stable or trending slightly higher.

United Kingdom / Ireland

The climate on the primary insurance market in the United Kingdom and Ireland

continues to be intensely competitive. Thanks also in part to the initiative

launched by Lloyd's to take a critical look at the business results reported by

syndicates, Hannover Re expects at least a stable environment in this market.

In property reinsurance, too, Hannover Re was able to secure double-digit price

increases on business impacted by hurricanes Harvey, Irma and Maria. Stable

rates and conditions were negotiated in all other lines of reinsurance.

Further price increases on liability reinsurance business covering private

customer portfolios - and hence affected by the 2017 cut in the Ogden rate -

are unlikely in 2019. The rate improvements obtained in the various rounds of

renewals since the spring of 2017 were well into the double-digit percentage

range.

III. Global reinsurance:

Catastrophe business

Even after what can certainly be described as the historic hurricane losses of

the past ***year***, there has been no change in the prevailing oversupply of

reinsurance capacity shaping worldwide natural catastrophe business. As a

further factor, the considerable capacities originating from the ILS market

remain undiminished. Overall, this led to a merely modest increase in prices

for property catastrophe business that was driven by loss-impacted ***programmes***,

although here too the rate increases came in below market expectations.

Hannover Re anticipates the following developments on individual markets for

natural catastrophe risks:

North America: The recent mid-***year*** treaty renewals brought modest rate rises.

In Florida increases of around 20 percent were generated under loss-affected

***programmes***, with improvements otherwise in the low single digits. If there are

no appreciable losses in the current ***year***, it will likely be difficult to push

through further rate increases for the coming ***year***. Growing demand for

reinsurance coverage can be observed from state-backed ***programmes*** offering

protection against flood risks. Subject to commensurate prices, Hannover Re

would be prepared to make capacity available for such covers.

Europe: European reinsurance markets have seen less change in the sustained

pressure on prices. The protracted soft market is most striking in United

Kingdom but is also evident for Germany, where there are currently no grounds

to anticipate a shift in market conditions. The losses caused by the forest

fires in Sweden are unlikely to be reflected on the pricing side.

Japan: Modest price reductions for catastrophe covers were observed here in the

current ***year***. The flood losses in Hiroshima prefecture will probably have no

appreciable effect on demand for reinsurance capacity or prices. In the next

round of treaty renewals for Japan on 1 April 2019 the price level is therefore

expected to remain roughly stable.

Australia / New Zealand: The earthquake losses in New Zealand from 2016 have

stabilised rates there; negative run-offs are still being seen, however,

prompting some providers to take a rather cautious approach. In Australia, on

the other hand, prices remain under pressure - although the pain threshold for

further price reductions has now been reached. Reinsurers with a very good

rating, long-standing expertise and excellent business relationships - such as

Hannover Re - have opportunities to secure more attractive prices than the

market as a whole, especially in Australia.

Latin America: The markets of Central and South America continue to post

above-growth rates, albeit with substantial differences from country to

country. Most markets are still seeing elevated demand for high-quality

reinsurance protection, enabling financially robust reinsurers to book business

at adequate prices. Recent acquisitions of sizeable portfolios by primary

insurers in Latin America have generated a greater need for reinsurance

capacity, a development from which Hannover Re is also benefiting.

Caribbean: Caribbean nations were hit hard by the hurricane losses of the past

***year***. The renewals as at 1 July consequently saw price increases of up to 40

percent under loss-affected ***programmes***, while the figure was around 10 percent

for ***programmes*** that had escaped unscathed. Hannover Re is a well-established

market player in this region. Further price increases after the sharp rises

seen in the current ***year*** are, however, rather unlikely if no additional losses

are incurred.

Worldwide treaty business

Developments in worldwide treaty business varied across markets and regions.

Asia-Pacific: In what is a very mixed region from a reinsurance standpoint,

Hannover Re continues to trust in its strategy of diversification - both in

terms of the coverage offered and its regional positioning. Through special

extensions of the book of business written with selected target customers

Hannover Re is able to secure profitability and growth for the medium term.

This is backed by further strengthening of the local network.

Latin America: Larger ceding companies, in particular, prefer to work with only

a limited number of reinsurers, primarily the major providers. One reason here

is the significant natural disasters of 2017, which showed which reinsurers

were in a position to promptly meet their ***payment*** obligations. Consequently,

Hannover Re benefited considerably from an increased demand for natural

catastrophe coverage in Latin America.

***Agricultural*** risks: The growing need for ***agricultural*** commodities and

foodstuffs as well as the increased prevalence of extreme weather events

continue to stimulate demand for insurance and reinsurance solutions,

especially in emerging and developing countries. The "InsuResilience"

initiative launched by the G7 countries has, for example, set itself the goal

of improving access to insurance coverage against climate risks for millions of

particularly poor and vulnerable people in developing countries by 2020.

The increasingly widespread implementation of public-private partnerships is

opening up new opportunities for Hannover Re to write profitable business in

markets that have still to establish themselves. Furthermore, the growing

availability of new technologies, including for example remote sensing by

satellites, is enabling continuing expansion of this segment with innovative

and efficient insurance products such as parametric covers.

In Germany the dry and arid conditions of the summer of 2018 have not as yet

become an issue for the insurance industry because ***agricultural*** covers here are

focused virtually exclusively on hail risks.

Insurance-Linked Securities: Hannover Re accesses the ILS market both to obtain

protection for its own catastrophe risks and to ***transfer*** its clients' life &

health and property & casualty risks to the capital market. The latter

primarily takes the form of collateralised reinsurance, which is still the

largest business segment within Hannover Re's ILS activities, but is also

supplemented by the issuance of catastrophe bonds. In 2018, for example, the

company has so far brought four catastrophe bonds to market for US clients with

a total volume of around USD 1.4 billion. Over the coming ***years*** Hannover Re

expects demand to show moderate growth overall. The company is also itself an

investor in catastrophe bonds, thereby maximising all the opportunities offered

by the ILS market.

Structured reinsurance/Advanced Solutions: This business delivered strong

growth in the current ***year*** across all regions, especially in North and South

America as well as in Europe. Not only did the average premium per contract

increase, but also the number of contracts in absolute terms. Going forward,

Hannover Re expects a further rise in demand for innovative and tailor-made

reinsurance solutions.

Growth opportunities on a continuing high level are anticipated in North

America, Europe and Asia. The purchasing habits of many clients have changed of

late, reflecting a shift towards holistic reinsurance solutions. This trend

shows no sign of abating and will mean that in the future, too, more and more

customers will be calling for increasingly complex reinsurance solutions. It is

still too early to foresee what effect the adoption of IFRS 17 will have on

structured reinsurance business. Nevertheless, implementation should generate

stronger demand for reinsurance solutions, driven by the further increase in

the complexity of capital and risk management faced by customers.

Outlook

Hannover Re expects to see stability in prices and conditions overall for the

treaty renewals as at 1 January 2019. While improvements should be possible

under loss-impacted ***programmes***, covers that were spared any losses have reached

the minimum level from a technical standpoint. Ultimately, though, when it

comes to determining prices it still remains to be seen how the major loss

situation for 2018 ends up, how large losses from the previous ***year*** continue to

develop, how inflation turns out and whether the run-off results from reserves

in the US casualty market deteriorate.

As has been apparent from the renewals over the course of the ***year***, broadly

diversified reinsurers with expertise and a very good rating are able to profit

from the current state of the market. Hannover Re has thus been highly

satisfied with the business renewed to date in 2018. Looking ahead to 2019,

further promising possibilities should open up. Along with the opportunities

arising out of digitalisation, demand for coverage of cyber risks - not just

from large corporations but now also from SMEs - is on the rise. Similarly,

business in the Asian growth markets (China, India) should also present some

openings. Structured reinsurance offers further scope for growth in covers

taken out for capital relief as a consequence of the implementation of

risk-based solvency systems.

In the present climate Hannover Re will stay focused on its core competence:

traditional reinsurance, supplemented by individual coverage concepts such as

product-oriented cooperation arrangements with primary insurance customers. As

in the previous ***year***, the company is concentrating on consistently growing its

existing high-quality book of business, complemented by strategic partnerships.

In addition, Hannover Re will take advantage of opportunities that arise in

niche and specialty segments. As was true of earlier soft market phases, the

guiding principle is to only write business that satisfies margin requirements;

at the same time, though, it remains important to offer customers alternative

solutions at an appropriate price level.

"The positive future prospects for the global reinsurance market are the

cornerstone of our success over the medium and long term. With this in mind, we

are concentrating quite deliberately on the products and services typically

associated with a reinsurer", Mr. Wallin asserted. "We have no doubt that this

is the right course to pursue when it comes to generating sustainable value for

our clients, our shareholders and our employees."

In view of the business development so far in the current financial ***year*** and

the company's very good positioning in the market, Hannover Re considers itself

well on track to achieve its 2018 ***year***-end targets. Based on constant exchange

rates, the company anticipates an increase of more than 10% in its gross

premium volume and net income in excess of EUR 1 billion for its total

business. This is conditional upon major loss expenditure not significantly

exceeding the budgeted level of EUR 825 million and assumes that there are no

unforeseen distortions on capital markets.

Hannover Re, with gross premium of EUR 17.8 billion, is the fourth-largest

reinsurer in the world. It transacts all lines of property & casualty and life

& health reinsurance and is present on all continents with around 3,300 staff.

Established in 1966, the Hannover Re Group today has a network of more than 140

subsidiaries, branches and representative offices worldwide. The Group's German

business is written by the subsidiary E+S Rück. The rating agencies most

relevant to the insurance industry have awarded both Hannover Re and E+S Rück

outstanding financial strength ratings: Standard & Poor's AA- "Very Strong" and

A.M. Best A+ "Superior".

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[***Council of the European Union: COMMISSION STAFF WORKING DOCUMENT IMPACT ASSESSMENT Accompanying the document Proposal for a Council Regulation on establishing the European High Performance Computing Joint Undertaking ST 5282 2018 ADD 4***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RGX-Y7T1-F0YC-N3K0-00000-00&context=1516831)

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**Body**

Brussels: Council of the European Union has issued the following document:

5282/18 ADD 4 MI/lv DG G 3 C EN Council of the European Union Brussels, 12 January 2018 (OR. en) 5282/18 ADD 4 RECH 15 COMPET 22 IND 14 TELECOM 11 IA 11 Interinstitutional File: 2018/0003 (NLE) COVER NOTE From: Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director date of receipt: 11 January 2018 To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union No. Cion doc.: SWD(2018) 6 final - Part 2/4 Subject: COMMISSION STAFF WORKING DOCUMENT IMPACT ASSESSMENT Accompanying the document Proposal for a Council Regulation on establishing the European High Performance Computing Joint Undertaking Delegations will find attached document SWD(2018) 6 final - Part 2/4. Encl.: SWD(2018) 6 final - Part 2/4 EN EN EUROPEAN COMMISSION Brussels, 11.1.2018 SWD(2018) 6 final PART 2/4 COMMISSION STAFF WORKING DOCUMENT IMPACT ASSESSMENT Accompanying the document Proposal for a Council Regulation on establishing the European High Performance Computing Joint Undertaking {COM(2018) 8 final} - {SWD(2018) 5 final} 1 ANNEX 1: PROCEDURAL INFORMATION The initiative is led by DG CONNECT. The agenda planning reference is PLAN/2017/1304. The initiative on establishing EuroHPC was included in the Commission Work ***Programme*** for 2017. The Impact Assessment was prepared by DG CONNECT and was closely coordinated with the Inter-Service Steering Group (ISG). In 2017, three meetings of the ISG were held. The first meeting took place on 28th July 2017, attended by DG CNECT, RTD, GROW, JRC, and the Secretariat General (SG). The second meeting was held on 21st September 2017, attended by representatives from DG CNECT, RTD, GROW, JRC, LS and the Secretariat General (SG). This was the last meeting of the ISG before the submission to the Regulatory Scrutiny Board on 27 September 2017. The third ISG meeting was held on 13th November 2017, focusing on the Draft Regulation for a EuroHPC Joint Undertaking.

It was attended by representatives from DG CNECT, RTD, JRC, LS and the Secretariat General. 1. Recommendations of the Regulatory Scrutiny Board The Regulatory Scrutiny Board (RSB) of the European Commission examined the draft Impact Assessment on 25 October 2017 and issued a positive opinion with reservations. These were addressed as follows: RSB recommendations Modification of the IA report The report is not clear enough with regard to what decisions it is supposed to inform and what timing it covers. The report was redrafted to a large extent to describe what the decision sought is about and what are the problems that the decision will have to address. It focuses only on the decision related to setting up a self-standing joint structure that would operate with funding from this MFF, without depending on possible funding decisions of the next MFF. All the objectives that this joint structure will have to reach have been were re-written accordingly and the sections (e.g sections 5 and 6) affected were revised. The report does not build sufficiently on past experiences and lessons from earlier applied research projects, such as Galileo, JUs, ERICs, or ECSEL. The report summarises existing activities and experiences built in when implementing the Union’s HPC strategy since 2012. Wherever relevant, experiences were included from implementing past instruments such as JUs, ERIC or ECSEL and their applicability on the joint HPC structure and/or in running its operations. The report does not provide enough information about how the joint entity would operate. This makes it hard to judge how likely the public-private partnership This is now explicitly covered in particular in sections 4 and 8 of the revised Impact Assessment. 2 is to deliver well on its different objectives. The report does not adequately present the views of the different groups of stakeholders. The analysis of the targeted consultation was expanded, detailing the responses per group of stakeholder – see Annex 2. The report should be refocused on the decision it is meant to inform, which is the legal form of the joint entity. The report needs to streamline its presentation of context and scope, and set these out vis-a-vis the decision at hand. The report should clarify relevant aspects of funding and the legal base. It should explain the purpose of the decision and why this needs to be taken now. In the introduction of the revised Impact Assessment the scope and context of the decision sought were re-expressed. In the same section a paragraph was added outlining the funding aspects. The need to act now is highlighted in a new section 3.1 Funding issues were clarified in the same section. The report should clearly explain that the current decision only covers the first phase (pre-exascale) and that this is a self-standing project. It should explain how this will not pre-empt the decision (or the financing) of the next step of the exascale HPC. In section 1 of the Impact Assessment a paragraph was introduced summarising that the decision is about setting up a self-standing joint structure that would operate with funding from this MFF, without depending on possible funding decisions of the next MFF. All the objectives that this joint structure will have to reach were re-written accordingly (section 4) and the other affected sections (e.g sections 5 and 6) were revised. The report should better describe how the joint structure would work. This includes how it is to be funded, private and public participation, nature of activity and exit strategies. What is this structure supposed to do over time, and what would be its governance structure? Who should be partners and what are the criteria for the participation of private parties? What is the envisaged (exit) strategy when the HPC machines become obsolete? The report should also clarify the relations with third countries and what is meant by an 'indigenous' European project. The assessment criteria for the different legal options should reflect the functionalities that the envisaged structure would require. The intervention logic should adequately reflect the narrow scope of the decision at hand. A number of ambiguities and unnecessary complexities can Both the objectives and the specific objectives of the joint structure were revised (Section 4) and a new section (4.2) was introduced to describe in detail the functionalities that the joint structure should fulfil. Section 5 (available policy options) was partly rewritten and all options are now compared against the functionalities which should be fulfilled by the joint structure. Section 4.2 and section 8 (describing the preferred option) provide the requested details on the functioning of the joint structure (activities, partners, governance structure, exit strategy, etc.). 3 therefore be removed. Given this narrower approach, there is no need to justify the decision to jointly invest with the Member States on HPC capability, except in terms of background and context. Repeated arguments on this can be placed in an annex or dropped. The background and context sections were rewritten to a large extent. The whole Impact Assessment document was streamlined, removing redundancies. The report should make clear that the project rests on a model that has already been tested and evaluated. In assessing which legal form is the most suitable, the report should review lessons learnt from past experiences about legal forms and pre-commercial procurement. It could usefully draw on experiences with such applied research projects as Galileo, previous JUs and ERICs, and the ECSEL joint undertaking. In section 5 of the Impact Assessment, describing the options, lessons learnt from past experiences with handling joint entities like ERICs or JUs (incl. ECSEL), were inserted. The report should clarify in which ways the joint entity will overcome existing barriers for applied research on coordination and synchronisation of Member States' research and HPC activities, in terms of open calls for research grants, and in terms of pre-commercial procurement and IPR rules. The redrafted sections 4 (Objectives) and 8 (preferred options) of the Impact Assessment clarify and detail how the joint structure will overcome existing barriers. The monitoring section should explain what success would look like. It should define some measurable success criteria, which could be divided into direct operational criteria for the HPC activity undertaken in itself and the wider indirect benefits for broader research and innovation in Europe. The success criteria were redefined to include measurable criteria, addressing both the HPC activities undertaken, as well as the wider benefits for research and innovation. The report should expand on how different groups of stakeholders have responded to the different options, highlighting both support and any concerns. The analysis of the targeted consultation was expanded, detailing the responses per group of stakeholder (Annex 2). This detailed breakdown reveals a large consensus among the different stakeholder groups. Where relevant, citations were included in the Impact Assessment. 4 2. Evidence Base for the Impact Assessment The Commission gathered qualitative and quantitative evidence from various recognised sources of the EU institutions: • The European Cloud Initiative (ECI)1 adopted by the Commission (EC) on 19 April 2016 as part of its Digitising European Industry strategy; • The Communication adopted by the European Commission in April 2016 on the ECI2 and underlying analytical study3; • The European Investment Bank study Access-to-finance for European Cloud and High Performance Computing4; Quantitative figures and arguments that have been used from other relevant officially recognised data sources include: • Partnership for Advanced Computing in Europe (PRACE) official annual reports and data therein5; • The US Department of Energy ***program*** Advanced Scientific Computing Research (ASCR) statistics and data6; • Top 500 initiative's list of world's best supercomputers7; • STATISTA statistics and databases8; In addition, views were sought from the following type of stakeholders considered to represent to the best reasonable extent the European HPC community: • National and EU-funded projects on HPC (Projects), • Scientific user communities of HPC infrastructures (the 29 large ESFRI research infrastructures and the PRACE scientific users, each reaching hundreds of actors, EUDAT, EGI, etc.) (Scientific Users), • Public-private partnerships on HPC and Big Data (PPPs), • Centres of excellence for supercomputing applications, supercomputing centres, service providers, access providers (Intermediaries), • HPC research & industry associations (Associations), • Member State & governmental institutions (MS). The goal was to reach all identified stakeholders and elicit their contributions on time with respect to the further process of the planned development of the EuroHPC Regulation. 1 COM(2016)178 2 SWD accompanying the ECI Communication: COM(2016)178 3 High-Performance Computing in the EU: Progress on the Implementation of the European HPC Strategy, Report of a study carried out for the European Commission, IDC, 2015 4 EIB study 5 Available at [*http://www.prace-ri.eu*](http://www.prace-ri.eu)/ 6 Available at   [*https://science.energy.gov/user-facilities/user-statistics/data-archive/*](https://science.energy.gov/user-facilities/user-statistics/data-archive/) 7 Available at   [*https://www.top500.org*](https://www.top500.org)/ 8 Available at   [*https://www.statista.com*](https://www.statista.com) 5 An on-line targeted consultation was conducted through the DSM website of the European Commission between 3 August and 5 September 20179. This consultation represented only the last step in a wider series of workshops and meetings with a wide range of relevant stakeholders that started in 2016 in which the European HPC strategy was already presented and discussed according to its status at that time, as follows: Stakeholder engagement activity Scientific Users MS Projects PPPs Interme-diaries Associ-ations Workshop on the European micro-processor on 18 January 2017 in Brussels General assembly of ETP4HPC on 21 March 2017 in Munich Digital Day of 23 March 2017 in Rome in the presence of 250 HPC stakeholders Workshop on EuroHPC governance in Rome on 23 March 2017 with 50 participants PRACE days on 15-18 May 2017 in Barcelona, gathering the whole HPC community Six meetings with the Sherpas of the Member States European Open Science Cloud summit on 12 June 2017 in Brussels Multiple meetings with key stakeholders (PRACE, ETP4HPC, visits to supercomputing centres, international conferences…) The quality of the studies can be considered high as they represent the currently best available information on HPC in Europe and globally, originating mostly directly from the HPC practitioners (e.g official PRACE (EU) and ASCR (US) statistical figures). 9   [*https://ec.europa.eu/eusurvey/runner/Eurohpc*](https://ec.europa.eu/eusurvey/runner/Eurohpc) 6 Annex 3 Who is affected by the initiative and how? This annex describes the practical implications of a joint structure at European level. The analysis follows the structure by the group of stakeholders that are likely to be directly or indirectly affected by the initiative. MEMBER STATES Member States are expected to significantly benefit from the initiative. The EuroHPC initiative will enable Member States to coordinate together with the Commission their HPC investments and strategies. The end goal is to establish in the EU a world-class HPC and data infrastructure that Member States on their own cannot afford –in particular those with little or no significant HPC resources in place. No single country in Europe has the capacity to sustainably build and maintain such infrastructure and develop the necessary human and technological ecosystem. Pooling and rationalising efforts at EU level is a must. The initiative will allow the joint procurement of world-class HPC machines, providing all Member States access to supercomputers with a performance comparable to the best machines in the world. These machines, integrated in a pan-European infrastructure, will be available to the scientific and industrial researchers and the public sector independently of their location. The increased availability and accessibility of top HPC resources will motivate the users to keep their activities and data in Europe, helping to keep critical know-how and human potential in Member States. Member States will benefit from a world-class competitive infrastructure to provide improved public services and to support key policy making, e.g strategic decision-making for energy, smart cities, civil protection or climate change. HPC has also become indispensable for maintaining national sovereignty and in the context of national security applications. Supercomputers are in the first line of the increasingly critical areas of cyber-war and cyber-criminality, helping to prevent and fight today's sophisticated cyber-attacks and security breaches, insider threats and electronic fraud. Increased availability of HPC resources will thus have a positive impact on the security of Europe. UNIVERSITIES AND RESEARCH CENTRES Access to world-class HPC capabilities has become fundamental to conduct innovative and leading-edge science. Modern science relies heavily on shareable research data, open data analysis tools and connected supercomputing computing facilities. Europe's researchers have to be able to access HPC resources irrespective of their geographical location or scientific discipline. EuroHPC will provide our universities and research centres with a world-class infrastructure, ensuring a European-wide access to supercomputers and data with a guaranteed high level of resources, thanks to a legal infrastructure that ensures the sustainability and availability of resources in the short, medium and long terms. This factor is critical to ensure that our academic and scientific potential stays in Europe and is not exploited in other regions with more competitive HPC and data facilities. With the implementation of the European HPC strategy scientific cooperation in the EU will become easier, particularly multi-disciplinary cooperation based on big- data. A pan- 7 European leading infrastructure will consolidate the already existing vibrant mix of national, regional and pan-European initiatives in intra-EU collaboration, and will provide EU-based teams with powerful resources to strengthen the European participation in international HPC-supported scientific collaborations extending far beyond Europe – notably the Intergovernmental Panel on Climate Change (IPCC), the International Thermonuclear Experimental Reactor (ITER), and the Square Kilometre Array (SKA) project. INDUSTRY INCLUDING SMES In industry, HPC enables traditional computational-intensive sectors to significantly reduce R&D costs and development cycles, and to produce higher quality products and services, for example in manufacturing and engineering industries (e.g automotive, aerospace), health and pharma (e.g drug discovery), energy (e.g discovery of oil and gas resources, renewable energy generation and distribution). HPC also paves the way for new business and innovative applications in high added-value areas (e.g , in personalized medicine, bio-engineering, smart cities/autonomous transport, etc.), reinforcing the industrial innovation capabilities, in particular of SMEs. The new initiative will revitalise the European HPC ecosystem, where industry and in particular SMEs will benefit as both users and suppliers of HPC technology and applications. • As users; Europe is leader in many HPC-empowered applications. EuroHPC will consolidate this leadership position, providing an enhanced HPC infrastructure with more resources for industrial use accessible at EU level, complemented with specific measures to widen the usage of HPC technologies. This is of critical importance to industry and particularly SMEs without in-house capabilities that will benefit from easy to use HPC resources, applications and analytics tools to create new innovative products and processes. • As suppliers; a European-wide initiative with a focus on the supply of a European source of HPC technology such as EuroHPC will have the necessary critical mass and a catalytic effect on the European suppliers. EuroHPC will provide a clear roadmap for technological implementation of leading-edge technologies in Europe and their integration in European systems, providing a unique opportunity for industry, including SMEs, to participate in the co-design and development of such new technologies and systems, and to develop IPR and solutions to be further used in their business endeavours. The benefits of this IPR will not be limited to HPC, but will span to broader sectors such as e.g the ICT market within a few ***years*** of their introduction in high-end HPC – giving a competitive advantage to those developing them at an early stage. As an example, there is a dynamic European independent software vendors (ISV) supply chain in Europe that is still competitive world-wide. To remain competitive European-based ISVs and European software developers and owners have to participate in the design of next-generation HPC systems, understand the critical software requirements that these new hardware platforms engender, identify and define technical specifications for various elements of an emerging exascale software stack, glean best case situations for collaborative efforts among various ISVs and develop early on a sense of leading EU-based exascale architectural and algorithmic 8 development efforts. This close link between European hardware and software industries will strongly be fostered by EuroHPC. EUROPEAN COMMISSION The EuroHPC initiative would positively impact the workings of the European Commission. Currently, some the activities that EuroHPC will undertake are implemented through four different work-***programmes*** (e-infrastructures, FET, and LEIT in Horizon 2020, and through the Connecting Europe Facility annual Calls). This implementation of the HPC strategy is particularly complex (e.g discussion with four committees, synchronisation of budgets and activities with diverse budgetary and time constraints, etc.). The EuroHPC will provide a single structure to coordinate the different activities in synergy, and more importantly, will provide a single forum for strategic discussions with Member States and leverage EU and national efforts and resources. HPC is becoming critical for an increasing number of applications. EuroHPC will be a privileged interlocutor for institutions, agencies and bodies addressing critical scientific, industrial or social-impact areas. EuroHPC will become a focal point for better supporting the EU policy development and implementation in areas like digitising industry (Digital Single Market), security, and many other related to societal challenges. SUPERCOMPUTING CENTRES Several European supercomputing centres that host the most powerful supercomputing infrastructures in Europe (e.g the PRACE Tier-0 systems) enjoy a world-wide reputation. These centres not only operate HPC infrastructure but possess a very wide set of human capital and expertise –ranging from technological development, to academic excellence and research, and support to industry and SMEs). EuroHPC provides the opportunity to fully exploit this valuable asset in a synergetic way, encompassing the co-design and integration of technology with a coordinated procurement of supercomputers at European level. EuroHPC will provide the appropriate frame to strategically plan for the further development of these centres, for example with a necessary European-wide planning of the different architectures across Europe (avoiding isolated and uncoordinated procurements that may end up in dependencies on single vendors and technological suppliers). In addition, the EuroHPC initiative will support the federation of these top-leading centres with a wider range of national (Tier-1) and regional (Tier-2) centres, providing a real pan-European infrastructure capable of responding to the increasing demands of scientific, industrial, public sector users, and other stakeholders. CITIZENS A true European coordinated effort such as EuroHPC will make sure that world-class HPC resources and data are available for applications that are of direct interest for citizens. Citizens expect sustained improvements in their everyday life while at the same time society is confronted with an increasing number of complex challenges – at the local urban and rural level as well as at the planetary scale. Policy makers need tools to make better decisions HPC has become indispensable to transforming these challenges to innovation and creation of business opportunity, thanks to its ability to process large amounts of data and carry out complex computations. Responding to these challenges will create innovation and therefore the growth and jobs that the EU economy needs. 9 Given the inter-disciplinary nature of HPC and the wide range of scientific and industrial applications, citizens will benefit from an increased level of resources provided by EuroHPC in areas like: • Health, demographic change and wellbeing: the development of new therapies will heavily rely on HPC for understanding the nature of disease, discovering new drugs, and customising therapies to the specific needs of a patient • Secure, clean and efficient energy: HPC is a critical tool in developing fusion energy, in designing high performance photovoltaic materials or optimising turbines for electricity production. • Smart, green and integrated urban planning: the control of large transport infrastructure in smart cities will require the real time analysis of huge amounts of data in order to provide multivariable decision/data analytics support in your mobile or car. • Climate: HPC underpins climate study and prediction (weather forecast, catastrophes prevention and civil protection planning, etc.). • Food security, sustainable ***agriculture***, marine research and the bio-economy: HPC is used to optimise the production of food and analyse sustainability factors (e.g plagues and diseases control, etc.). 3RD COUNTRY ACTORS Successfully building a European HPC ecosystem will have an effect on the non-EU supply industry. The availability and large take-up of European technology in the next generations of European supercomputers would decrease their market share of HPC components and systems in Europe, potentially worldwide if the European machines prove to be more competitive. A knock-on effect on the micro-electronics mass market could also be expected, as the downsizing of the HPC components for applications like the autonomous and connected car or the internet of things, would foster the position of European suppliers in this market segment also. The increased protection of European IPR resulting from the R&I ***programmes*** supported by the EuroHPC, may deprive the non-EU suppliers of European know-how and competences in the design of supercomputers. Currently, non-EU suppliers take advantage of EU ***programmes*** to export the resulting IPR and improve their domestic developments. Provided access conditions on equal terms become a global practice, the European HPC resources could become attractive for scientists from outside the EU, sending their data for processing to Europe. The risk Europe currently faces with losing its data sovereignty may thus be reversed. 10 ANNEX 4 STAFF AND BUDGETARY ESTIMATES FOR THE EURO HPC JU OPTION A. STAFF A first estimation of the staff needed to run the EuroHPC Joint Undertaking is presented below: Temporary Agent Administrator Grade (TA AD) Contract Agent (CA) Seconded National Expert (SNE) 2019 2020 2021 2022 2023 2024 2025 2026 Directors' office Executive Director X 1 1 1 1 1 1 1 1 Executive Assistant X 1 1 1 1 1 1 1 1 Operations Head of ***programmes*** X 1 1 1 1 1 1 1 1 ***Programme*** Officer X 1 3 3 3 3 2 2 0 Assistant X 1 1 1 1 1 1 1 1 Accounting & Finance Head of A&F (accountant) X 1 1 1 1 1 1 1 1 Financial assistant X 1 2 3 3 3 2 1 0 Administration Legal Officer X X 1 2 2 2 1 1 1 1 Administrative assistant X 1 1 1 1 1 1 0 0 HR assistant X 1 1 1 1 1 1 1 1 Secretariat X 1 1 1 1 1 1 1 1 Total 11 15 16 16 15 13 11 8 TA AD 4 4 4 4 4 4 4 3 CA 7 10 11 11 11 9 7 5 SNE 0 1 1 1 0 0 0 0 11 B. BUDGET a) Commitment appropriations (M€) This table presents the EU commitment appropriations. It should be noted that the amounts under title 3 (operational budget) will be complemented by equivalent amounts from the EuroHPC Member States. The total volume of operations is therefore of 2x476M€ = 952M€. 2019 2020 2021 2022 2023 2024 2025 2026 Total Title 1 - Staff Expenditure 1.16 1.448 1.586 1.586 1.566 1.338 1.258 1.12 11.062 11 Salaries & allowances 1.04 1.318 1.456 1.456 1.456 1.248 1.178 1.04 10.192 - of which establishment plan posts 0.69 0.828 0.966 0.966 0.966 0.828 0.828 0.69 6.762 - of which external personnel 0.35 0.49 0.49 0.49 0.49 0.42 0.35 0.35 3.43 12 Expenditure relating to Staff recruitment 0.04 0.04 0.02 0.02 0 0 0 0 0.12 13 Mission expenses 0.06 0.07 0.08 0.08 0.08 0.07 0.06 0.06 0.56 14 Socio-medical infrastructure & training 0.02 0.02 0.03 0.03 0.03 0.02 0.02 0.02 0.19 Title 2 - Infrastructure and operating expenditure 1.185 1.235 1.345 1.355 1.405 1.395 1.345 0.935 10.2 20 Rental of buildings and associated costs 0.3 0.35 0.45 0.45 0.5 0.5 0.45 0.04 3.04 21 Information and communication technology 0.08 0.08 0.09 0.09 0.09 0.08 0.08 0.08 0.67 22 Movable property and associated costs 0.01 0.01 0.01 0.01 0.01 0.01 0.01 0.01 0.08 23 Current administrative expenditure 0.015 0.015 0.015 0.015 0.015 0.015 0.015 0.015 0.12 24 Postage / Telecommunications 0.01 0.01 0.01 0.01 0.01 0.01 0.01 0.01 0.08 26 R&D support (evaluations and reviews) 0.4 0.4 0.4 0.4 0.4 0.4 0.4 0.4 3.2 27 Innovation 0.01 0.01 0.01 0.01 0.01 0.01 0.01 0.01 0.08 28 Communication 0.3 0.3 0.3 0.3 0.3 0.3 0.3 0.3 2.4 29 Audits 0.06 0.06 0.06 0.07 0.07 0.07 0.07 0.07 0.53 12 2019 2020 2021 2022 2023 2024 2025 2026 Total Title 3 - Operational expenditure 196 280 0 0 0 0 0 0 476 R&D H2020 FET 68 100 168 H2020 RI 8 8 H2020 LEIT ICT 120 120 Procurement H2020 RI 80 80 CEF 100 100 TOTAL EXPENDITURE 198.345 282.683 2.931 2.941 2.971 2.733 2.603 2.055 497.262 b) ***Payment*** appropriations 2019 2020 2021 2022 2023 2024 2025 2026 Total Title 1 - Staff Expenditure 1.16 1.448 1.586 1.586 1.566 1.338 1.258 1.12 11.062 Title 2 - Infrastructure and operating expenditure 1.185 1.235 1.345 1.355 1.405 1.395 1.345 0.935 10.2 Title 3 - Operational expenditure 98 198.8 103.6 47.6 28 0 0 0 476 Total 100.345 201.483 106.531 50.541 30.971 2.733 2.603 2.055 497.262 C. REMARKS - The staff needs are based on the structure of existing JUs (ECSEL in particular) and on the necessary roles to ensure the operations of a JU. - The budget for the functioning of the EuroHPC Joint Undertaking is estimated by extrapolating the staff needs presented above and the budget of the existing JU ECSEL. It is however important to highlight that the ECSEL JU benefits from significant economies of scales under title 2 by sharing several infrastructures (building, IT,…) and services (security,…) with other JUs. In the case EuroHPC would be seated at a separate place, the budgets under title2 may need to be increased. For the ***payment*** appropriations, it is estimated that expenses under titles 1 and 2 are paid on the ***year*** of the commitment, whilst expenses under title 3 are paid for 50 on the ***year*** of commitment N, 30% on ***year*** N+1, and 10% on the ***years*** N+2 and N+3. 13 ANNEX 5 HPC AND ITS STRATEGIC VALUE FOR THE DIGITAL ECONOMY 1. STRATEGIC VALUE OF THE HPC High Performance Computing (HPC) is a branch of computing that deals with scientific and engineering problems that are computationally so demanding that computations cannot be performed using general-purpose computers. Today, these computations typically run on very powerful systems with highly parallelized computing units of tens or hundreds of thousands of processors. Those computers are often referred to as supercomputers. Supercomputers were introduced in the 1960s, roughly 15 ***years*** after the first general-purpose computers were built and operated in the UK and the USA. Since those early days, the development of hardware and software technologies supporting modelling for science and engineering, design and product development and decision-making have advanced to a level of sophistication and predictive power that early pioneers could only have dreamt of 50 ***years*** ago. For instance, the computing power of the world's top supercomputer 25 ***years*** ago can be found in an ordinary laptop today. The speed at which computing power increases is so fast that top-notch machines are obsolete after just 5-7 ***years*** on average. HPC is essential to address major scientific and societal challenges such as early detection and treatment of diseases (e.g understanding cancer generation and evolution), new therapies (based on personalised and precision medicine, genome sequencing, etc.), deciphering the human brain, forecasting climate evolution, observing the space, preventing and managing large-scale natural disasters, designing renewable energy parks, accelerating the design of new polymers, etc. Its use has a growing critical impact on industries and businesses by significantly reducing design and production cycles, minimising costs, increasing resource efficiency, as well as shortening and optimising decision processes. For example, HPC has enabled automakers to reduce the time for developing new vehicle platforms from an average of 60 to 24 months improving crashworthiness, environmental friendliness, and passenger comfort. HPC is also essential for national security and defence, for example in developing complex encryption technologies, in tracking and responding to cyberattacks and in deploying efficient forensics, or in nuclear simulations. At

a macroeconomic level, returns on investment in HPC are high. A recent study shows that in Europe every Euro invested in HPC has generated close to EUR 870 in revenues for businesses and EUR 69 in profits10 and that the companies and countries that most invest in HPC spearhead science and economic success. 10 Study conducted by IDC in 2015 (SMART number: 2014/0021) based on information from 143 European HPC projects 14 HPC is at the core of major advances and innovation in the digital age. It dramatically increases our ability to process large amounts of big data and carry out complex computations, which is critical for a large number of scientific, industrial and social domains. HPC is also a critical tool for understanding and responding to the increasing challenges faced by our citizens in modern societies, by transforming them into innovation opportunities. This makes of HPC the engine to power the new global digital economy, where to out-compute is to out-compete, and a key technology for science, industry, and society at large. The benefits in the different domains are illustrated below: In science, many of the recent breakthroughs simply would not be possible without HPC. The simulation of complex models and the HPC analysis of huge amounts of data has made possible that scientists can have today much deeper insights into previously unexplored areas and systems of the highest complexity, driving the innovation and discovery in almost all scientific disciplines: • In life sciences and medical research: HPC is enabling enormous advances in new therapies: scientists heavily rely on HPC for understanding the nature of diseases, for discovering new drugs, and for moving to precision medicine, customising therapies to the specific needs of a patient. In genome science, HPC is used for enabling faster and more effective analysis of genome sequences and genome assembly, and for simulating protein unfolding (critical for understanding major diseases such as cancer or Alzheimer). In biomolecular research, HPC is used for investigating the dynamics of biomolecules and proteins in human cells to understand how they contribute to cellular signalling mechanisms. In brain research such as in the Human Brain Project (HBP) FET Flagship11, HPC is used for multi-scale and high-resolution simulation and modelling of the human brain to understand its organisation and functioning. HPC is increasingly used in population scale data analysis for understanding cancer generation and metastasis evolution and for developing predictive oncology and cancer precision medicine, etc. 11 [*https://www.humanbrainproject.eu*](https://www.humanbrainproject.eu)/ 15 Throughout the application areas of the Human Brain Project (HBP) FET Flagship, HPC is key to conduct collaborative research. There are two major application directions requiring access to advanced HPC capabilities: simulation and big data analytics. Brain molecular simulations, cellular simulations (for example of the hippocampus), simulations of cortical columns and simulations operating at system level require the largest available highly parallel supercomputers in Europe, such as those located in the five Tier-0 supercomputing centres which are all members of HBP: Juelich (DE), BSC-Barcelona (ES), CEA (FR), Cineca (IT) and the Swiss National Supercomputing Centre (CH). Workflows for data analytics require mostly flexible parallel cluster computers where recently, the inclusion of deep learning techniques has contributed to increasing exponentially the request for application time of HBP users. Overall, HBP user groups of HPC require largest memory capacities, massive data storage and fast data access in the Peta-Bytes range including exchange of data on a European scale. HBP’s Joint Platform will meet these demands via new dense memory technologies as well as a federated data infrastructure in the form of a cloudified infrastructure-as-a-service (IaaS), federated across the five Tier-0 supercomputer centres. In 2010, the Centre for Pediatric Genomic Medicine at Children's Mercy Hospital, Kansas City, Missouri, was named one of Time magazine's top 10 medical breakthroughs. The centre uses HPC to help save the lives of critically ill children. Roughly 4,100 genetic diseases affect humans, one of the main causes of infant deaths. One infant suffering from liver failure was saved thanks to 25 hours of supercomputer time to analyse 120 billion nucleotide sequences and narrowed the cause of the illness down to two genetic variants. For 48% of the cases the centre works on, HPC-powered genetic diagnosis points the way toward a more effective treatment. Swiss pharmaceutical giant Novartis & Schrödinger, a global life sciences and materials science software company, greatly accelerated the testing of drug candidates by using HPC. They tested 21 million drug candidate molecules, using a new technical computing (HPC) algorithm Schrödinger developed. The successful run cost only about EUR 10,000. Schrödinger has completed even larger runs since this. • In earth sciences, HPC is used for ever higher resolution simulation in climate change (for example, studying the behaviour of the oceans), weather forecasting, earth resource evolution, but also for improving our knowledge of geophysical processes and of the structure of the interior of the Earth, for understanding earthquakes, etc. More accurate models are needed to predict much in advance the path and the effects of the increasingly devastating hurricanes such as Irma and Harvey. The weather model from the European Centre for Medium-Range Weather Forecasts (UK) proved substantially more accurate than U.S.A models in predicting the path of Hurricane Sandy that devastated America's East Coast in 2012. The MET Office, the UK’s National Weather Service, relies on more than 10 million weather observations from sites around the world, a sophisticated atmospheric model and a £30 million IBM supercomputer to generate 3,000 tailored forecasts every day. 16 ***Agriculture*** is the principal means of livelihood in many regions of the developing world, and the future of our world depends on a sustainable ***agriculture*** at planetary level. HPC is becoming critical in ***agricultural*** activity, plague control, pesticides design and pesticides effects. Climate data are used to understand the impacts on water and ***agriculture*** in Middle East and North Africa, help local authorities in the management of water and ***agricultural*** resources, and assist vulnerable communities in the region through improved drought management and response. • High Energy Physics (HEP) experiments are probably the main consumers of High Performance Computing (HPC) in the area of e-Science, considering numerical methods in real experiments and assisted analysis using complex simulation12. Starting with quarks discovery in the last century to Higgs Boson in 2012, all HEP experiments were modelled using numerical algorithms: numerical integration, interpolation, random number generation, eigenvalues computation, and so forth. Data collection from HEP experiments generates a huge volume, with a high velocity, variety, and variability and passes the common upper bounds to be considered Big Data. The numerical experiments using HPC for HEP represent a new challenge for Big Data Science. • Future Energy technologies: HPC can hold the key in the future of energy for humankind – fusion. Today’s nuclear power plants could soon be replaced by a safer, greener and virtually inexhaustible nuclear power on the horizon. Fusion power could be a global solution to future energy demand. With ITER slated to begin experimental tests around 2025, it is a critical time for the international teams of scientists and engineers who are planning how the reactor will perform at maximum efficiency To develop the best predictive tools for ITER (and, by extension, other experimental fusion reactors), research teams are using HPC to resolve the behaviours of fusion plasma across the many spatial scales that impact reactor efficiency and plasma stability. Right now, it is only through HPC that researchers can simulate plasma kinetics for large experiments like ITER with enough simulated electrons to resolve important physics Using the Mira supercomputer, physicists uncovered a new understanding about electron behaviour in edge plasma, and new insights were gained into the properties of a self-generating electrical current that boosts power in a tokamak fusion reactor. Based on these discoveries, improvements were made that could enhance predictions of and, ultimately, increase fusion power efficiency. • In materials science, HPC is used for example for molecular modelling and molecular dynamic simulation, for designing and studying the properties of new materials that can have an enormous impact in: renewable and clean energies (e.g photovoltaics, new generation batteries); health (simulating the effect of new chemicals at molecular level); for understanding and exploiting superconductivity; for naval and marine engineering with new generation of super-hydrophobic coatings for underwater applications; etc. Developments in the next generation of smartphones, fuel-efficient cars or powerful batteries for electric vehicles, as well as to catalysts for the production of methane or liquid fuels and high-performance solar cells, are practically always based on better, and 12 High Performance Numerical Computing for High Energy Physics: A New Challenge for Big Data Science,   [*https://www.hindawi.com/journals/ahep/2014/507690/*](https://www.hindawi.com/journals/ahep/2014/507690/) 17 often completely new materials. Several hundreds of thousands of different materials are known today, but that is only a fraction of all possible compounds. This can be changed by combining HPC with data mining technologies, enabling the prediction of unknown chemical compounds with desired properties or discover new properties of known substances. As an application case, candidate materials that can be easily exfoliated (like graphene) were reduced from 0.5 million to 1000 most promising through computational methods. • In other scientific domains: HPC modelling and simulation techniques and data analytics approaches are the key for understanding phenomena and finding innovative solutions in many other scientific domains for high-impact science: for example in cosmology and astrophysics, scientists are using HPC for simulating violent events following the Big Bang that may have produced gravitational waves, for detecting supernovae and binary star systems, or for estimating the neutrino mass and understanding dark matter and energy. Other scientific areas with important HPC use include renewable energy, global systems science, urban development, etc. In national security and cybersecurity: Mastering of HPC technologies and access to world-class HPC has become a national strategic priority for the most powerful nations. Supercomputers are in the first line for nuclear simulation and modelling, and for cyber-war, cyber-criminality and cyber-security. HPC is also increasingly used in the fight against terrorism and crime, for example for face recognition or for suspicious behaviour in cluttered public spaces. Encryption of communications is necessary to safeguard business and personal online transactions, but there are some specific circumstances where it is desirable that authorities get access to encrypted communications. HPC can also help increasing the security of encryption, by learning how to build better, more efficient algorithms that require smaller keys. In cybersecurity, HPC in combination with Artificial Intelligence and Machine Learning techniques is used to detect strange systems behaviour, insider threats and electronic fraud; very early cyber-attack patterns (in a matter of few hours, instead of a few days); or potential misuse of systems and take automated and immediate actions in order to act before hostile events occur. A recent report from the USA13 states '… national security requires the best computing available, and loss of leadership in HPC will severely compromise our national security …'. The cyber-breach in June 2015 on USA Office of Personnel Management (affecting the data of four million federal employees) supports claims from senior military and intelligence officials that the U.S.A is under more or less constant cyber assault. Several federal network intrusions and data breaches have been detected at the Inland Revenue Service, the Department of State and the White House. The scale of concern over the attacks suggests that they are 'far more serious…to national security' than 9/11 (Carolyn Maloney (D-NY)). In industry, HPC enables traditional computational-intensive sectors to significantly reduce R&D costs and development cycles, and to produce higher quality products and services, for example in manufacturing and engineering industries (e.g automotive, aerospace), health and pharma (e.g drug discovery), energy (e.g discovery of oil and gas 13 U.S Leadership in HPC: A report from the NSA-DoE technical meeting on HPC, December 2016 18 resources, renewable energy generation and distribution). HPC also paves the way for new business and innovative applications in high added-value areas (e.g , in personalized medicine, bio-engineering, smart cities/autonomous transport, etc.), reinforcing the industrial innovation capabilities, in particular of SMEs. • HPC has enabled automakers to reduce the time for developing new vehicle platforms from an average of 60 to 24 months, saving 40 billion EUR while improving crashworthiness, environmental friendliness, and passenger comfort; • Airbus currently uses HPC to perform complex simulations across the various components and entire passenger and cargo jets. The design of the Airbus A380 has exploited HPC to carry twice as many passengers for the same noise level, using less than 3 litres of fuel per person per 100 km and less than 75g of CO2 per person per km. A single large passenger jet has well over two million individual parts that need to be simulated individually or as part of a larger system. Further, those millions of parts must stand up to varied pressure and strain over the course of the typical jet’s lifetime, which is between thirty to fifty ***years***. This complexity, coupled with the need for operational reliability of over 99%, puts computational demands that reach the exascale level and beyond. • Renault used 42 million core hours on the PRACE Tier-0 CURIE machine for performing the biggest multi-physics car optimization study ever made, consisting on hundreds crash simulations on meshes of 20 million finites elements applied to more than 120 different parameter to study. This first study provided to Renault unprecedented results in mass reduction, CO2 limitation, safety improvement, and will be determinant for fulfilling future EuroNCAP6 safety rules • Intelligent analysis of real-time data produced by airplanes can predict faults before they happen (predictive maintenance). Spirit AeroSystems Inc. – one of the largest manufacturers of aero structures – achieved 25% shorter production flow times, 30% lower assembly inventory levels; and 40% lower overtime expenses as well as $2 million in savings on inventory by using high-performance data analytics • Total recently tripled the power of its supercomputer to develop more complete visualizations of seismic landscapes and run simulations at 10 times the resolution of existing oil and gas reservoir models. This new capability will enable more efficient upstream oil and gas exploration, as well as the discovery of reserves under more challenging geological conditions. • HPC-enabled applications are becoming part of ***agriculture*** using e.g radio-frequency identification tags (RFIDs) which can hold and automatically download a mass of data on the bale’s moisture content, weight and GPS position. In the future, micro-tags of the size of soil particles will be deployed extensively to measure things as moisture, disease burden and even whether the crop is ready to harvest or not. HPC is a key factor for the digitisation of industry and its innovation and competitiveness, contributing decisively to the objectives of the Digital Single Market Strategy. Considerable progress has happened in the last few ***years***. Several MS continued or set up new HPC competence centres that facilitate access of industry and specifically SMEs to HPC services, with supercomputing centres giving support and ***transfer*** expertise to them. Some of these centres are world leaders in collaboration with industry. These models of industrial collaborations in MS include HLRS (Stuttgart), Teratec (Paris), SURFsara (Amsterdam), CINECA (Bologna), LRZ (Munich), Hartree Centre (Daresbury), to name a 19 few. Europe, like the rest of the world, also has many HPC centres that have recently added industrial outreach ***programmes*** to work with industry. Centres with strong industrial experience are well positioned to mentor less-experienced centres, and to assume leadership roles in any future HPC competence centres. At European level, there are several successful examples of ***programmes*** supporting industrial access and collaboration, such as PRACE Industry Access14, PRACE SHAPE15, or Fortissimo.16 • The PRACE Industry Access allows European companies access to world-class HPC resources and services. PRACE opened R&D access to industrial users since January 2012 and has supported more than 50 companies with more than 318 million CPU hours, (309 million on Tier-0 supercomputers), including nearly 1.8 million CPU hours for SMEs in the SHAPE ***programme***. • SHAPE (SME HPC Adoption ***Programme*** in Europe) is a pan-European PRACE-based ***programme*** supporting HPC adoption by SMEs. SHAPE aims to raise awareness and equip European SMEs with the expertise necessary to take advantage of the innovation possibilities opened up by HPC, increasing thus their competitiveness.21 SMEs have participated in the SHAPE pilot for SME access; PRACE reports 10 success stories of SMEs from 6 different countries benefiting from PRACE HPC and know-how in the PRACE centres • Fortissimo enables European manufacturing SMEs to benefit from the increased efficiency and competitive advantage inherent in the use of simulation. SMEs don't have the pool of skills and resources to access advanced simulation (e.g expensive HPC equipment, licensing cost of tools, etc). Fortissimo provides simulation services running on a cloud infrastructure exploiting HPC systems and making appropriate skills and tools available in a distributed, internet-based cloud environment. Around 215 partners (120 SMEs) benefit from 123 Fortissimo experiments. 2. THE IMPACT OF HPC ON THE DATA ECONOMY – SOME EXAMPLES Governments around the world are increasingly concluding that HPC is too strategic to be outsourced to foreign suppliers and that the development of an indigenous HPC supply chain needs to be fostered. For instance, the case of the U.S government blocking Intel from exporting its processors to upgrade some of China's most powerful supercomputers accelerated China's initiatives to develop indigenous processors. Europe is leader in the use of HPC-powered applications: the users of HPC systems and applications in Europe include the most profitable and vibrant industrial sectors, e.g manufacturing, oil & gas, health and pharmaceutical industry, aerospace and defence, chemical industry, etc. HPC is used in the following industry sectors that contribute significantly to jobs and economic output in Europe: 14   [*http://www.prace-ri.eu/industry-access*](http://www.prace-ri.eu/industry-access) 15   [*http://www.prace-ri.eu/hpc-access/shape-****programme****/*](http://www.prace-ri.eu/hpc-access/shape-programme/) 16   [*http://i4ms.eu/projects/projects\_detail.php?post\_id=6*](http://i4ms.eu/projects/projects_detail.php?post_id=6) 20 Industry sector Jobs supported EU GDP Manufacturing 25 million 13% Health & pharma 17 million 10% Automotive 12 million 4% Oil & gas 0.17 million 2.8% Aviation 5 million 2.1% Chemical 1.15 million 1.1% HPC has become already an integral component of business processes.24 The three largest and most dynamically growing HPC sub-sectors are computer-aided engineering, bio-sciences as well as the energy sector24: • Computer-aided engineering has a projected growth rate of HPC expenditure of 7.9% /***year*** between 2013 and 2018. Bio-Sciences, including pharma and healthcare, have a projected growth rate of HPC expenditure of 5.1%. This trend is driven by the vision to provide individual patient treatment; consequently, a high computing demand is created to analyse each patient individually and find tailor-made solutions. • The energy sector has a projected growth rate of HPC expenditure of ~5%: design and construction of intermittent renewable energy generation systems, testing of new and more efficient forms of materials for solar panels, optimisation of distributed generation, load management, etc. Insurance and civil protection is demanding more HPC simulations as demonstrated recently by the Harvey and Irma hurricanes. Severe weather forecasting on national and regional scales depends heavily on HPC, and Europe leads the world in numerical weather forecasting. From 1970 through 2012, severe weather cost 149,959 lives and €270 billion in economic damages in Europe. HPC simulation is an important alternative for animal testing. The social and economic costs of experimental ('live') science and engineering research on animals have skyrocketed in the past decade. The EU REACH Regulation issued in 2006, the 7th Amendment of 2003 of the European Cosmetics Directive and the new European Regulation on cosmetic products issued in 2009 created an unprecedented need for alternatives to animal testing in Europe. On March 2013 a full ban on the marketing of cosmetics products tested on animals entered into force in the EU. This heavily triggered the development of alternative testing methods to reduce to a minimum the need for animal testing and, in the case of cosmetics, to fully substitute them. HPC is increasingly attractive here from both a social and financial viewpoint. The use of HPC is expanding to all industries as it becomes more accessible with today's and future broadband networks. HPC is becoming a mainstream technology that Europe must master. European HPC investments are already producing excellent returns-on-investment (ROI) for science and industry. A 2015 study for the EC assessed the impact of recent HPC investments in scientific and industrial projects carried out within Europe.17 Detailed ROI information was 21 captured on 143 European HPC projects, of which 84 produced innovations and 59 produced quantifiable financial returns. In most cases, the investments consisted mainly of HPC systems and software acquired for the project, but ***payments*** for time on installed HPC systems also contributed to investments in some cases. The results are: • 97% of the industrial companies using HPC consider it indispensable for their ability to innovate, compete and survive. • Industrial sectors that leverage HPC could add up to 2-3% to Europe's GDP in 2020 by improving their products and services; • Each euro invested in HPC on average returned €867 in increased revenue/income. • Industrial projects averaged €75 in bottom-line profits or costs savings per €1 of HPC investment, and academic projects averaged €30 in cost savings per €1 invested. • The total increased revenue for the 59 HPC-enabled, quantifiable projects was €133.1 billion, or about €230 million per project on average. Average increased profits/cost savings for the projects amounted to €69 billion. With almost 50% of the global HPC systems share owned by industry in 2017, the industrial sector has clearly shown over the last 23 ***years*** a growing interest in HPC. In contrast to this global picture, the majority of EU HPC capacity is currently installed at universities or academic research centres whereas the remaining minority is installed on a commercial basis in the context of commercial offerings or with HPC end users.24 Europe represents a favourable ground for a joint cooperation between academia and industry where the initiative would be of mutual benefit: on the one hand such cooperation would capitalize on the already existing infrastructures under a single European HPC structure, and on the other hand it would foster academic-industrial collaborations through knowledge and technology ***transfer*** to society. Among all HPC actors, intermediaries17 fulfil an important role as technology facilitators bringing together HPC centres (infrastructure owners), independent software vendors (ISV) and HPC customers for joint projects. This role is particularly important to help first-time users, primarily SMEs, to become acquainted with the potential of HPC for their business. With over 30000 potential beneficiaries SME type industrial companies provide a significant potential for the uptake of HPC in Europe. Large corporations which apply HPC to reduce research and development costs by simulating prototypes instead of physically building and testing them will also benefit from an EU-wide collaborative effort. Regarding the supply of HPC technology, there is a potential for the European Union to build on its base of existing and planned European-wide HPC development ***programmes*** and to assemble exascale HPC capability that could, in some critical application sectors achieve world-class, if not global leadership. 17 HPC intermediaries provide the link between HPC centres as infrastructure providers and HPC customers. They mobilise and support SMEs to use the existing infrastructure or software development offering within their geographic vicinity, in their related sector or with those who share the same target group. Hence, their business model is to act as a facilitator for HPC customers seeking a service. Some are merely match-makers while others manage the co-development process with the customers, HPC centres and ISVs. Some intermediaries are grouped in independent Centres of Excellence, some are directly attached to an HPC centre. 22 In addition, there is a huge potential economic effect in the mass computing market from the investments in HPC technologies: the development of exascale technologies is not for the sake of having the fastest supercomputer in the world. The goal is to build 'first of a kind' systems rather than 'one of a kind'. The transition to exascale computing is an opportunity for the European supply industry to leverage on technologies in the computing continuum from smart phones, to embedded systems (for example in the future driverless cars), and to servers, feeding the broader ICT market within a few ***years*** of their introduction in high-end HPC – giving a competitive advantage to those developing them at an early stage. The size of these target markets is of the order of EUR 1 trillion. 3. PUBLIC INVESTMENTS IN HPC IN EUROPE AND WORLDWIDE Worldwide, the USA, China and Japan (and to a lesser degree the Russian Federation and India) have declared HPC to be a strategic priority for their country.. They fund ***programmes*** to develop national HPC ecosystems and work on the deployment of exascale supercomputers. The current growth of European investment in HPC will not be enough to attain and maintain leadership, meaning at minimum parity with best-in-class HPC resources in the USA, Japan, or China, and fulfil the ambitious political goals of two pre-exascale systems around 2019-2020 and two exascale systems around 2022.18 • U.S.A government spending on HPC exceeded EUR 1.5 billion in fiscal ***year*** 2015 and more than EUR 1.7 billion in fiscal ***year*** 2016. (These figures do not count HPC spending by the U.S.A intelligence community). • Japan has set aside a EUR 1.2 billion undertaking for one near-exascale computer in 2022. • China has fielded the two most powerful supercomputers and has extensive plans for the pre-exascale and the exascale systems (budget figures not available). • In 201519, the estimations of public and private investments for Europe to achieve leadership by 2020 were of additional EUR 3.2 billion in 5 ***years*** (2016 to 2020) or EUR 5.3 billion in 7 ***years*** (2016 to 2022) in order to match the developments of Europe's main competitors for HPC leadership in competitive time frames. These amounts entail a funding gap with respect to current investments in the order of additional EUR 700 million per ***year***. Regarding HPC infrastructures, Europe achieved a healthy HPC funding growth up until the period 2010-2012. The result was an increase of Europe's overall HPC capabilities by means of the purchase by MS of (then) most powerful supercomputers. 20 The predominant 18 European Commission, Staff Working Document on the Implementation of the Action Plan for the European High-Performance Computing Strategy, SWD(2016) 106 final, 19 April 2016 19 Study SMART 2014/0021 for the EC 'High-Performance Computing in the EU: Progress on the Implementation of the European HPC Strategy'; IDC 2015. 20 Study SMART 2014/0021 for the EC 'High-Performance Computing in the EU: Progress on the Implementation of the European HPC Strategy'; IDC 2015. 23 funding model in the MS is one in which the central government finances 50% or more of the national supercomputing centre's entire budget, including the acquisition and upgrading of Tier-121 national supercomputing resources as well as operating costs. Given the important role supercomputing plays, central governments typically view this funding as a necessary investment in the economic future of their country (see Annex 6)22 for a brief review of the organization type, funding sources and budgets of some of the most prominent national supercomputing centres in Europe, as well as national centres in some smaller countries. Additionally, several MS are collaborating at European level through the PRACE agreement established in 2010.23 PRACE establishes a pan-European computing and data management resource and services through a peer review process for large-scale scientific and engineering applications at the highest performance level, accessible to all researchers in Europe independently of their location. The PRACE top computer systems (Tier-0) were provided by four PRACE hosting members (BSC representing Spain, CINECA Italy, GCS Germany, GENCI France) who committed a total funding of EUR 400 million of computing time for the initial PRACE systems and operations until 2015. This agreement has been renewed recently until 2020 with the incorporation of a fifth hosting member (CSCS Switzerland). The PRACE ***programme*** is supported by the EU. PRACE also has specific ***programmes*** to strengthen the European users of HPC in industry through various initiatives (i.e SHAPE for European SMEs). Finally, Europe (both MS and the EC) are also investing in GÉANT24, the pan-European data network for the research and education community linking national research and education networks as well as supercomputing centres across Europe. Regarding the R&I actions to support the implementation of the HPC strategy, the EC has signed a cooperation agreement with two contractual private partnerships (cPPP): ETP4HPC and BDVA. The ETP4HPC contractual Public Private Partnership25 (HPC cPPP)26 is based on the Contractual Arrangement signed on 17 December 2013 between the EC and the ETP4HPC Association.27 The HPC cPPP formally started on 01 January 2014. The HPC cPPP focuses on the development of exascale technologies and the development of the applications. The HPC cPPP is complementary to PRACE, the former covering the R&I and the latter the pan-European HPC infrastructure. The two together reach all aspects of the HPC value chain. ETP4HPC is an industry-led think tank and advisory group made up of companies and research centres involved in HPC technology research in Europe. It was formed in 2011 with the aim to build a world-class HPC technology supply chain in Europe, increase the global share of European HPC and HPC technology vendors as well as maximising the benefits that 21 Tier-1 systems are top supercomputers in which the access is managed by national authorities 22 Extracted from the IDC study 23 PRACE (   [*http://www.prace-ri.eu/*](http://www.prace-ri.eu/)) offers a pan-European supercomputing infrastructure, providing access to computing and data management resources and services for large-scale scientific and engineering applications at the highest performance level. It is an association of 24 member countries. 24   [*https://www.geant.org*](https://www.geant.org) 25 Contractual partnerships with industry in research and innovation,   [*http://europa.eu/rapid/press-release\_MEMO-13-1159\_en.htm*](http://europa.eu/rapid/press-release_MEMO-13-1159_en.htm) 26 High Performance Computing cPPP: Mastering the next generation of computing technologies for innovative products and scientific discovery,   [*http://ec.europa.eu/research/press/2013/pdf/ppp/hpc\_factsheet.pdf*](http://ec.europa.eu/research/press/2013/pdf/ppp/hpc_factsheet.pdf) 27   [*http://www.etp4hpc.eu*](http://www.etp4hpc.eu)/ 24 HPC technology brings to the European HPC user community. Today, ETP4HPC has more than 80 members from industry and research; 35% of the total number of members is SMEs. The Big Data Value Association (BDVA)28 is an industry-led contractual counterpart to the EC for the implementation of the Big Data Value PPP cPPP. As of December 2015, the BDVA has over 120 members including large and SME industry together with research institutions and academia. The Big Data Value PPP is a partnership between the EC and the BDVA which aims to strengthen the data value chain, cooperate in data research and innovation, enhance community building around data and set the grounds for a thriving data-driven economy in Europe. The BDV cPPP is driven by the conviction that research and innovation, focusing on a combination of business and usage needs, is the best long-term strategy to deliver value from Big Data and create jobs and prosperity. Activities funded by the EU ***programmes***: currently, the main instrument at EU level to implement the HPC strategy is Horizon 2020 (H2020). The activities covered span from fundamental research to development, integration and prototyping, addressing components to full scale systems, acquisition and deployment of equipment and infrastructure, as well as support services to the user community. As the activities mentioned above are different in scope they are funded by different H2020 ***Programmes***: FET, LEIT and e-Infrastructure. The H2020 work-***programmes*** (WP) 2018-2020 support the implementation of the HPC strategy along 3 main axes: 1. Developing the next generation of key HPC technologies and systems towards exascale: The LEIT-ICT WP supports a Framework Partnership Agreement (FPA) action for the development of European low-power microprocessors and related technologies, and Extreme Scale Demonstrators to integrate with a co-design approach the technology building blocks developed in the FET and LEIT ICT R&I actions for operational environments. The FET WP complements the microprocessor FPA to address the whole technology spectrum from software, algorithms, ***programming*** models and tools, to novel system architectures. 2. Acquiring and providing access to world-class supercomputing facilities and services for academia and industry: The e-Infrastructure WP supports PRACE (ensuring access to the best European HPC infrastructures for European researchers), GÉANT for high speed and highly resilient pan-European communication and the acquisition of innovative HPC solutions through a Public Procurement for Innovation action. 3. Achieving excellence in HPC applications, and preparing and widening HPC use: The e-infrastructure WP supports HPC Centres of Excellence (CoEs), developing, preparing and optimising the HPC codes and applications for future exascale systems, complemented with actions for increasing the innovation potential of SMEs using advanced HPC services and focusing on the areas addressed by CoEs. The LEIT-ICT WP supports the development of large-scale HPC-enabled industrial pilot test-beds for big data applications and services, providing secure access and provisioning of highly demanding data use cases for companies and especially SMEs. This is complemented by actions supported through CEF, addressing the use of supercomputers to process open data for public services. 28   [*http://www.bdva.eu*](http://www.bdva.eu)/ 25 Currently, around 110 M€ are allocated in CEF and another 770 M€ is foreseen in the H2020 WP 2018-2020 for technology and infrastructure support, as follows: • ~460 M€ for technology and application development through H2020 calls (LEIT ICT and FET) and ~230 M€ from H2020 e-Infrastructures for supporting European HPC Centres of Excellence, PRACE, GÉANT, and actions for supporting the innovation potential of engineering SMEs as users of advanced HPC services. • Another financial envelope of ~80 M€ is to be allocated to the acquisition through joint procurement with the Member States of two pre-exascale computing machines and their data infrastructures. The main source of funds is H2020 (e-Infrastructure part) and CEF. The following is a simplified comparative summary of investments in HPC29. Note that HPC investments in public ***programmes*** in different countries are not implemented in the same way, i.e the EU is through multi-annual ***programmes*** whereas the US ***programmes***' budgets are discussed and approved annually, therefore comparison is difficult. Annual investments in HPC ***programmes*** U.S.A30 China Japan EU31 R&D (public and private) 1-2 b$/***year*** (2016) Over 1 b€ per ***year*** (2016) 0.24 b€ (1.2 b€ in 5 ***years***)32 (EC ~0.3 b€ + MS 0.21 b€) per ***year*** (2014-2020) Acquisition for pre-exascale and exascale systems 525 m$ for 2017-2018 (CORAL) and ~0.5-1 b$ for 202133 1-1.5 b$ for 2017-2019 and 0.5-1 b$ for 202034 29 Source: Hyperion 'Major Trends in the Worldwide HPC Market', April 2017 30 These figures do not include the HPC spending of the USA intelligence agencies (NSA, FBI, CIA). 31 Total R&D investments in EU ***programmes*** for the period 2014-2020 are in the order of 1 b€, with matching funds from private stakeholders. The Member States figures are an estimation in the high range for HPC in general; no specific budgets have been committed to pre-exascale or exascale systems yet 32 Japan gives a single figure of ~1.2 b€ for R&D and the procurement of 1 exascale system plus a few smaller systems until 2021 33 This only includes the Department of Energy (DoE) procurement CORAL. Budget for exascale machines has not been released 34 Includes the estimations of pre-exascale and exascale systems as planned 26 In Annex 6, a detailed account is provided of the different major HPC initiatives in the USA, China and Japan as well as in the main European countries. The Figure below provides an illustration of comparison of some of the biggest public ***programmes*** worldwide in HPC35. For the US, the NSCI is just one of the multiple federal ***programmes***, and provides only a low estimation of public investments in HPC (see box in the beginning of section 3 above). Note also that public HPC ***programmes*** in different countries are not implemented in the same way, i.e the EU is through multi-annual ***programmes*** whereas the NSCI US ***programme***'s budget is discussed and approved annually. To illustrate the underinvestment of European ***programmes*** with respect to the U.S.A , the NSCI (one of the several federal initiatives supporting HPC) invests ~285 m€ per ***year***, whereas the Horizon 2020 ***programme*** would average only ~130 m€ per ***year*** (893 m€ across 7 ***years***). Figure: Comparison of the several worldwide national ***programmes*** in HPC 35 EIB study 2017 27 ANNEX 6 BRIEF REVIEW OF THE FUNDING SOURCES AND BUDGETS OF HPC INITIATIVES WORLDWIDE AND IN EUROPE USA The USA is the world leader in HPC systems and technologies (both use and supply). It has established a National Strategic Computing Initiative (NSCI) and the Exascale Computing Project (ECP)36, a multi-agency strategic vision and Federal investment strategy to maximize the benefits of HPC for economic competitiveness and scientific discovery, and the delivery of the first exascale systems for the US. Several exascale systems will be installed from 2023 onwards by different Federal agencies, mainly in DoE research labs (but also for homeland security agencies like NSA, defence, etc. but no corresponding information has been disclosed). The investments in R&D for HPC towards exascale amount to $1 to $2 billion per ***year*** (mostly public but this figure includes supplier's investments).37 For pre-exascale systems, the DoE is deploying several pre-exascale systems with CORAL, a single $525 million procurement process to acquire three next-generation supercomputers operational in 2017, each capable of performing 0.1 to 0.25 Exaflops. The US government has long-standing models for R&D collaborations with indigenous HPC vendors, many of which include supercomputer procurements with strong R&D requirements, typically for the national laboratories of the US Department of Energy (DoE). The Exascale Computing Project is a collaborative effort of two DoE organizations – the Office of Science and the National Nuclear Security Administration. It is a 7-***years*** project that follows the co-design approach and runs through 2023 involving all major US HPC vendors: Intel, Cray, HPE, IBM, NVIDIA, and AMD. US HPC system vendors have the lion share of today's EU market. Four out of the seven PRACE Tier-038 systems installed in Europe are from US vendors. CHINA China is ramping up HPC spending faster than any other nation or region and already hosts the two most powerful machines that together account for 87% of the top 500 aggregate performance in the EU. However, utilization of Chinese supercomputers is typically much lower than in Europe, the USA or Japan. The first Chinese prototype with peak exaflop performance (although not in normal operation) is expected already by the end of 2020. Several exascale systems will be installed from 2023 onwards. The investments in R&D for HPC towards exascale will be over $1 billion per ***year*** (mostly public).39 Three pre-exascale computers (already in development) are planned for deployment by the end of 2017 and during 2018, in a competition exercise to select the best architecture for the future machines. China has developed indigenous technology that will come in the next few ***years*** into the mass ICT market and also has a strong HPC vendor base: Lenovo, Inspur, Huawei, and Sugon. 36   [*https://exascaleproject.org*](https://exascaleproject.org)/ 37 Source: Hyperion 'Major Trends in the Worldwide HPC Market', April 2017 38 Tier-0 systems are world-class supercomputers accessible at EU level through the PRACE pan-European HPC infrastructure 39 Source: Hyperion 'Major Trends in the Worldwide HPC Market', April 2017 28 Lenovo is taking assertive steps in the European market; after its 2014 acquisition of the IBM x86 server business it became one of the world's top 4 HPC server system vendors. For instance, Lenovo built two of the PRACE Tier-0 systems and is establishing a global HPC innovation centre in Stuttgart. China plans to deploy the first exascale level supercomputer in 2020. JAPAN Japan had twice in the past the world's most powerful supercomputer, most recently in 2011. The Ministry of Education, Culture, Sports, Science and Technology supports two exascale projects: • First, the FLAGSHIP 2020 Project initiated in 2014. RIKEN, the largest comprehensive research institution in Japan, is the main organization for leading the development of next generation flagship supercomputers. A wide range of applications will address both science and industry. The deployment of the first exascale machine will be in 2022 with a cost of EUR 1.2 billion (this includes the R&D and the acquisition of the machine).40 • Second, the emerging supercomputer vendor ExaScaler Inc. and Keio University will develop another supercomputing design with exascale aspirations. Fujitsu and NEC had considerable success in the past selling into EU markets, but they largely retreated when x86-based HPC systems began displacing their technology. Japan has three major HPC vendors, Fujitsu, NEC and Softbank's ARM, which was a leading European vendor until mid-2016. GERMANY • National Supercomputing Centre: Germany's Gauss Centre for Supercomputing (GCS) is an alliance of the country's three national HPC centres: HLRS (Stuttgart), LRZ (Munich) and FZJ (Jülich). • Funding Sources and Management: GCS is jointly funded and managed by the German Ministry of Education and Science (Bundesministerium für Bildung und Forschung, BMBF) and the corresponding ministries of the three national states of Bavaria, Baden- Wuerttemberg and North Rhine-Westphalia. The states provide half of the funding for their respective centres and the German federal government provides the other half. Furthermore the federal government has started a Special ***Programme*** on Exascale Computing (SPPEXA   [*www.sppexa.de*](http://www.sppexa.de)) for the development of software. This complements a special ***program*** by the Federal Ministry of Science which has since 2010 started three calls for projects on scalable software with a special focus on industrial applications (details at   [*https://www.gauss-allianz.de/en/projects*](https://www.gauss-allianz.de/en/projects)). • Budget: For the period 2007-2017, the federal government and the three state governments together have provided €400 million in funding for GCS. GCS also represents Germany in the PRACE alliance and has benefited from EC financing for PRACE. • Other: The BMBF is separately investing €100 million over the next five ***years*** for the D- Grid infrastructure to support scientific collaboration. Germany was one of four European nations that committed to contribute €100 million in resources to the PRACE 1.0 budget. GCS represents Germany in the PRACE alliance and provides three of the current seven Tier-0 systems of PRACE. 40 Source: Hyperion 'Major Trends in the Worldwide HPC Market', April 2017 29 FRANCE • National Supercomputing Centre: France has two sites that function as national supercomputing centres: CEA, a secure site that addresses national nuclear security needs, and CINES, The National Computer Centre of Higher Education. Another important actor is Agence Nationale de la Recherche (ANR). In the end, however, GENCI (Grand Equipement National de Calcul Intensif) has the central role in HPC in France. Plan Investissement d’avenir is investing €50 million for HPC and is managed by CEA. Also noteworthy is Teratec, an association which unites over eighty technological and industrial companies, laboratories and research centres, universities and engineering schools who want to combine their resources in simulation and high performance computing. • Funding Sources and Management: GENCI is a civil company (société civile) and is 49% owned by the State, represented by the Ministère en charge de l’Enseignement supérieur et de la recherche, 20% by the CEA, 20% by CNRS, 10% by participating universities, and 1% by INRIA. GENCI is invested with a central coordinating function by these organizations. • Budget: ANR provides €25 million in HPC financing per ***year***. • Other: France was one of four European nations that committed to contribute €100 million in resources to the PRACE 1.0 budget. The Curie supercomputer, owned by GENCI and operated by CEA, is the first French Tier-0 system open to scientists through the French participation in the PRACE research infrastructure. Launched in October 2011 for a three ***year*** period, with a budget of €14.5 million euros, the purpose of the Mont-Blanc project, coordinated by BSC (Spain) and including GENCI together with the CEA, is to evaluate the potential of low energy components, such as the technologies used in our mobile phones, for the next generation of supercomputers. UNITED KINGDOM • National Supercomputing Centre: The UK has no permanent national supercomputing centre. Instead, major centres compete periodically for the contract for provide the HPC national academic service across the UK. At present, the Edinburgh Parallel Computing Centre has that role. Also of note, the Science and Technology Facilities Council's Daresbury campus manages the Hartree Centre, which has a major role in supporting the HPC needs of industry (as well as academia) in the UK. • Funding Sources and Management: The UK Research Councils coordinate HPC academic research activities. • Budget: The Engineering and Physical Science Research Council manages the budget for national capability, described as 'support for excellent, long-term disciplinary and multidisciplinary research in engineering and the physical sciences.' The allocation for this HPC- related budget item has been substantial and covers not just investments in supercomputers but also grants for research performed using supercomputers. The largest HPC-specific initiative within this budget is ARCHER, the UK's national academic supercomputing service. The UK government allocated £113 million (€157 million) for this ***program*** in 2014. The Hartree Centre was founded in 2012 with €52 million in funding from the UK's Science and Technology Facilities Council (STFC) to 'develop, deploy and demonstrate HPC solutions,' typically in partnership with industry. • Other: The UK is a PRACE member but has not been a contributing/hosting member within the PRACE 1.0 period. 30 NETHERLANDS • National Supercomputing Centre: SURFsara is the national supercomputing and e-science support centre in the Netherlands. SURFsara’s customers include all Dutch universities, a number of large research, educational and government institutions, and the business community. SURFsara has been a partner in large European e-Infrastructure projects including PRACE 1IP, PRACE 2IP, PRACE 3IP, EESI2, EGI.InSPIRE and EUDAT, and partner in HPC- EUROPA2. The 1.6PF Cartesius supercomputer managed by SURFsara is the country's most powerful. • Funding Sources and Management: Cartesius was funded by SURF, with contributions from the Dutch Organization for Scientific Research (NWO), the Ministry of Education, Culture and Science and the Ministry of Economic Affairs. SURF is the organization in the Netherlands which supports higher education and research in the area of e-infrastructures. • Budget: About €7 million (€3-4 million operating funds plus an average €3 million/***year*** for acquiring supercomputing resources). SPAIN • National Supercomputing Centre: BSC-CNS (Barcelona Supercomputing Centre - Centro Nacional de Supercomputación) is the national supercomputing facility in Spain and hosts the MareNostrum supercomputer. The mission of BSC-CNS is to investigate, develop and manage information technology in order to facilitate scientific progress. • Funding Sources and Management: In 2004, the Ministry of Education and Science, Generalitat de Catalunya (Catalan Government) and Technical University of Catalonia founded the National Supercomputing Center in Barcelona. In 2004, the Ministry of Education and Science, Generalitat de Catalunya (Catalan Government) and Technical University of Catalonia founded the National Supercomputing Centre in Barcelona. • Budget: BCS had an initial operational budget of €5.5 million/***year*** to cover the period 20052011. The income of the BSC-CNS in 2009 was €20.1 million of which €6.6 M corresponded to the ordinary budget coming from the patrons of the BSC-CNS, the Spanish and Catalan Governments; and €8.1 million from competitive projects. Of particular note, €3.9 million of funding was derived from projects with private companies. In 2009, the BSC-CNS participated in 23 competitively funded EU projects, 37 collaborative projects with industry and 14 national projects. • Other: In 2012, BCS upgraded MareNostrum at a cost of €22.7 million. The Spanish Supercomputing Network links MareNostrum to more than a dozen smaller HPC sites in Spain. BCS is a PRACE tier-0 host member. ITALY • National Supercomputing Centre: CINECA is Italy's national supercomputing centre and the country's PRACE host site. CINECA's Fermi supercomputer is one of the world's most powerful. • Funding Sources and Management: CINECA is a non-profit consortium made up of 70 Italian universities, four Italian Research Institutions and the Italian Ministry of Education. 70% of CINECA's budget is funded by the Italian Ministry of Education 31 University and Research, for services to science and industry. The remaining 30% of the budget comes for providing other services. A framework agreement governs how CINECA and other Italian HPC centres collaborate with industry (PPPs). CINECA is led by a Board of Directors composed of the rectors of the member universities or their delegates, by a representative of CNR (National Research Council) and one of the Ministry of Education, University and Research (MIUR).The Board of Directors is represented by the Chairman, while the General Manager is responsible for the development, organisation and management of the Consortium's activities. • Budget: As a PRACE hosting member, Italy made a commitment to spend €100 million during the course of PRACE 1.0 IDC estimates that Italy's annual monetary budget for HPC is about €20 million. • Other: CINECA also acted as the procuring entity for the PRACE 3IP PCP (pre-commercial procurement) submission of March 9, 2015, representing partners CSC (Finland), GENCI (France), FZJ (Germany) and the University of Edinburgh. The goal of this PCP is 'Whole System Design for Energy Efficient HPC.' The budget is total €9.0 million over 26-months duration. CINECA is led by a Board of Directors composed of the rectors of the member universities or their delegates, by a representative of CNR (National Research Council) and one of the Ministry of Education, University and Research (MIUR).The Board of Directors is represented by the Chairman, while the General Manager is responsible for the development, organisation and management of the Consortium's activities. FINLAND • National Supercomputing Centre: CSC, the Finnish IT Centre for Science, is Finland's national supercomputing centre and supports both science and industry. CSC supports a European-wide customer base of thousands of researchers in disciplines such as biosciences, linguistics, chemistry and mathematical modelling. • Funding Sources and Management: CSC is a non-profit limited company whose shares are fully owned by the Finnish state. CSC is directly governed by the Finnish Ministry of Education. The Finnish Funding Agency for Technology and Innovation (Tekes) provides about half of the HPC funding for Finnish universities, research institutes, and industry. Finland's innovative MASI (modelling and simulation) ***program***, 2005-2010, was aimed at boosting the global competitiveness of Finnish firms through the use of HPC. Financing for MASI totalled €100 million over five ***years***, with Tekes providing €53 million of that amount. • Annual Budget: €31 million DENMARK • National Supercomputing Centre: Danish Centre for Scientific Computing (DCSC). • Funding Sources and Management: DCSC is under the Danish Ministry of Education with government funding allocated for data processing capacity within the area of scientific computing for research assignments. • Annual Budget: €3 million (estimated) NORWAY • National Supercomputing Centre: Norway has no single national supercomputing centre. NOTUR, the Norwegian Metacentre for Computational Science, oversees time allocation 32 for Norway's four supercomputer centres. They are located at the Norwegian University of Science and Technology (NTNU) in Trondheim, the University of Bergen, the University of Tromsoe, and the University of Oslo. • Funding Sources and Management. The Research Council of Norway (Norges forskningsråd), like its Finnish counterpart, provides about half the funding for Norwegian HPC initiatives of national interest. A major thrust is the eVITA ***program*** aimed at developing innovative tools to support HPC use in science and industry. • Annual Budget: The eVITA annual budget is about €17 million. The Norwegian Intelligence Service's (NIS) annual budget was quadrupled in 2014 to more than €90 million, from which NIS plans to use a substantial but unspecified amount to acquire a powerful new supercomputer ('STEEL WINTER') for crypto-analysis. SWEDEN • National Supercomputing Centre: Like Norway, Sweden has no single national supercomputing centre. • Funding Sources and Management: The Swedish National Infrastructure for Computing (SNIC) is a distributed infrastructure that is funded in part by the Swedish Research Council (Vetenskapsrådet) and in part by the participating universities: Chalmers University of Technology, KTH Royal Institute of Technology, Linköping University, Lund University, Umeå University and Uppsala University. SNIC is part of the Swedish Science Council, whose task is to coordinate and develop high-end computing capacity for Swedish research. Prominent among the universities aligned with SNIC is the KTH Royal Institute of Technology in Stockholm. • Budget: In October 2014, KTH installed a 2PF supercomputer, the largest to that date in the Nordic countries. The budget for acquiring the computer and four ***years*** of operations (with spending over four ***years***) is about €18 million and comes primarily from SNIC. • Annual Budget: The SNIC annual budget is €4.8 million (45 MSEK). GREECE • National Supercomputing Centre: Greece has no designated national supercomputing centre, but in 2014 the state-owned company Greek Research and Technology Network (GRNET S.A ) teamed with Cosmos Business Systems to acquire a national supercomputer. IDC estimates the market value of the 180TF, Xeon-based supercomputer at about €6 million. • Funding Sources and Management: The GRNET S.A state-owned company operates under the auspices of the Greek Ministry of Education - General Secretariat for Research and Technology. Its mission is to provide high-quality infrastructure and services to the academic, research and educational community of Greece, and to disseminate ICT to the general public, including HPC. In 2014, GRNET signed a contract for Greece's first national supercomputer. The national supercomputer was developed under the “PRACE-GR - Developing National Supercomputing Infrastructure and Related Services for the Greek Research and Academic Community” project, which is co-funded by the Operational ***Programme*** “Attica” and the European Regional Development Fund (ERDF). • Annual Budget: IDC estimates GR-NET's budget at €2-3 million per ***year***. 33 SWITZERLAND • National Supercomputing Centre: The Swiss National Supercomputing Centre (Italian: Centro Svizzero di Calcolo Scientifico; CSCS) acts in this capacity. • Funding Sources and Management: CSCS is an autonomous unit of the Swiss Federal Institute of Technology in Zurich (ETH Zurich) and closely collaborates with the local University of Lugano (USI). In addition to the computers of the National User Lab, CSCS operates dedicated compute resources for strategic research projects and tasks of national interest. Since 2000, the calculations for the numerical weather prediction of the Swiss meteorological survey MeteoSwiss take place at the Swiss National Supercomputing Centre. Annual Budget: €23.2 million

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**Body**

Hannover Re anticipates stable prices and conditions for 2019 following last ***year***'s large loss events ^ DGAP-News: Hannover R\xFCck SE / Key word(s): Miscellaneous Hannover Re anticipates stable prices and conditions for 2019 following last ***year***'s large loss events 10.09.2018 / 09:00 The issuer is solely responsible for the content of this announcement. --------------------------------------------------------------------------- Press Release Hannover Re anticipates stable prices and conditions for 2019 following last ***year***'s large loss events Monte Carlo, 10 September 2018: The market environment in worldwide property and casualty reinsurance remains challenging. The enormous natural catastrophe losses of the past ***year*** led to an increase of reinsurance rates in affected regions and ***programmes***, which however were lower than expected. At loss-free ***programmes***, rates tend to stabilize. Competition continues to be intense and is clearly shaping the pricing situation.

At the same time, the capital resources available to most insurers can be described as good, as is also reflected in retention levels. These are still high, suppressing demand for reinsurance coverage. The ILS (insurance-linked securities) market also continues to provide considerable capacities, adding to the pressure on prices and conditions. A gradual shift in sentiment can nevertheless be discerned in the industry. The results posted by some companies deteriorated sharply in 2017. Some reinsurers' results in 2018 were also impacted by follow-up losses from natural disasters. Furthermore, diminished run-off profits must be expected. Rising inflation - fuelled in part by new trade barriers - is pressuring the industry to increasingly implement rate adjustments in some segments. Merely moderate rate increases overall have so far emerged out of the price negotiations within the ***year***. In the case of natural catastrophe business, which had been hard hit in the previous ***year***, more appreciable mark-ups were nevertheless recorded for loss-impacted treaties. All in all, the rate quality in the reinsurance market is slightly improved ***year***-on-***year***, albeit remaining on a low while still adequate level. 'The further development of the loss amounts from last ***year***'s hurricanes as well as the minimal large losses incurred in the current ***year*** to date will be crucial in determining prices in property and casualty reinsurance', CEO Ulrich Wallin commented during a press conference in Monte Carlo. 'The lower the strains from catastrophe losses turn out to be this ***year***, the more difficult it will be to push through requisite additional price increases in the coming ***year***. Nevertheless, we are seeing strong demand and hence rather favourable opportunities for growth in certain segments.' Hannover Re anticipates increasing demand in, among other areas, covers for cyber risks as well as solutions designed to provide solvency relief under structured reinsurance. For the treaty renewals as at 1 January 2019 the Group therefore expects - despite the overabundance of reinsurance capacity - stable prices and conditions for the most part. Similarly, an industry-wide softening in profitability as well as a higher burden of attritional losses point to a need for improved market conditions. For the three pillars of its property and casualty reinsurance - namely target markets, specialty lines and global reinsurance - Hannover Re anticipates the following developments in the treaty renewals as at 1 January 2019: I. Target markets: North America The economy and the North American primary insurance market continue to develop favourably. The rate level remains stable overall and further steady growth can therefore be anticipated. Markets are still fiercely competitive, with both property and casualty business seeing vigorous competition despite the ongoing trend of mid-sized losses. The hurricanes and Californian wildfires of the previous ***year*** caused very significant losses on both the insurance and reinsurance side. Capacity in the market nevertheless remains unaffected, as a consequence of which the price adjustments even under loss-impacted ***programmes*** were moderate. While appreciable increases were recorded, the similarly anticipated impact on loss-free ***programmes*** failed to materialise. The market is currently preoccupied with the issue of sustainable coverage concepts for flood and terrorism risks. In the case of proportional reinsurance covers Hannover Re expects to see - especially in property insurance - a slight reduction in commissions and stable treaty conditions, which will continue to be driven by losses from forest fires and windstorm events. Non-proportional reinsurance is in a robust state that promises risk-appropriate treaty conditions for the upcoming renewals as well, with further modest price adjustments anticipated in property insurance overall. Interest in covers offering solvency relief is picking up again, with the result that here too Hannover Re expects to see stronger demand. Continental Europe The markets of Northern, Eastern and Central Europe are grouped together under Continental Europe. The largest single market is Germany. Germany: Hannover Re expects to see continued growth on the German property and casualty primary insurance market. It is open to question, however, whether the previous ***year***'s level can be matched, in part because of the increasing competition emerging on the motor insurance market. Homeowners' comprehensive insurance is still in need of remedial action. As things currently stand, the strains caused by events such as winter storm Friederike in January of this ***year*** and various heavy rainfall events are likely to have reinsurance implications only in isolated instances because in many cases they remained within the retention run by primary insurers. In motor insurance the earnings situation is clouded by the onset of more lively competition. For 2019 Hannover Re currently anticipates growth of just under two percent for the total market in terms of policy numbers, with at most a break-even result. Average claim amounts in motor third party liability insurance are continuing to rise. Claims frequency continues to decline, though less pronounced than in the previous ***years***. Against this backdrop Hannover Re sees a need for adjustments with respect to some customer accounts depending on the performance of motor reinsurance cessions. The influence of telematics tariffs and developments relating to self-driving vehicles on the market as a whole continues to be assessed as relatively slight. Growth opportunities can be discerned in the area of cyber insurance. It is Hannover Re's expectation that insurers will focus more closely on commercial customers and small and mid-sized enterprises in this segment over the coming ***year***. Central and Eastern Europe: In primary insurance the market in Europe continues to be shaped by surplus capacities. Reinsurance markets consequently also remain fiercely competitive, even though prices are more stable than in the previous ***year***. Most notably, covers for risks in the fire, industrial and motor insurance lines are seeing sustained intense competition. In France the rivalry among primary insurers in motor business remains focused primarily on the pricing side, while at the same time the claims incidence is high. Industrial risks are seeing continued price erosion. Many insurers are therefore concentrating on SMEs, thereby increasing the pressure on prices in this area too. As a further factor, rising inflation rates are adding to the cost of settling claims, as is also true of other markets. Thanks to the improved state of the economy, modest growth can nevertheless be observed in primary insurance business. The upturn in construction activity noted in the previous ***year*** has been sustained, which Hannover Re should continue to benefit from in view of its leading position in builder's risk insurance. Competition on the reinsurance side remains fierce, just as it is on the primary market, not least given the absence of extraordinary losses in the first half of the ***year***. The frequency of more minor natural catastrophe events was, however, on an unchanged high level. Growth rates in the countries of Eastern Europe, on the whole, continue to be higher than the overall European average. This is true of both the primary and reinsurance market. New rules governing compensation for relatives will lead to further premium hikes in motor insurance. The brisk demand for top-quality reinsurance solutions remains undiminished across the entire region. Key drivers here include tighter requirements placed on insurers' capital resources by Solvency II as well as more rigorous regulatory oversight and anticipated changes in accounting principles. Despite intense competition, sizeable growth opportunities can be expected in Eastern Europe over the medium to long term - against a backdrop of continuing broadly adequate reinsurance prices and conditions. In view of its robust position in the market, it is Hannover Re's assumption that the company will be able to further expand its customer relationships. Demand for high-grade reinsurance solutions remains strong. II. Specialty lines: Aviation The stabilising tendencies that could already be discerned on the primary market for aviation insurance last ***year*** have been sustained. In certain segments, such as the market for small planes and corporate jets, it was possible to secure rate increases in some cases. At the same time, the capacity available on the primary market was lower than in the previous ***year*** due to the discontinuation of business activities by some players, especially on the London Market. On the reinsurance side capacity remains unchanged, although here too a trend towards stabilisation can be detected thanks to the disciplined underwriting approach adopted by some market participants. Very much as in the original market, therefore, Hannover Re anticipates a longer-term and piecemeal improvement in the market environment. Particularly when it comes to globally operating airlines, initial indications can be observed on the primary insurance market of a stabilisation in prices. Over the short to medium term, however, Hannover Re does not expect to see any significant change in the overall situation owing to the continued abundant supply of insurance and reinsurance capacity. The pricing level in the space segment remains under pressure due to an excess of capacity and the consistent success of proven space launch systems. Marine The losses incurred from natural catastrophe events in the second half of 2017 brought about some stabilisation in marine business. Moderate and in some instances appreciable price increases were obtained on the particularly hard-hit London Market in the renewals during the first half of 2018. It remains to be seen, however, whether this trend will be sustained in 2019. While overall results for the marine insurance segment continue to be inadequate on the primary side, the very low loss experience to date in 2018 may further ease the pressure for additional price increases in the short term. In the offshore energy sector the upswing in the price of oil in 2017 and 2018 prompted a slow resurgence in demand for primary insurance covers. Nevertheless, the premium volume for this sub-segment of marine insurance is still well below the highs of 2014. Unlike in 2015 and 2016, large losses were absent in 2017 and also thus far in the first half of 2018, hence enabling primary insurers and reinsurers to report at least good results. Hannover Re only expects to see a sustained improvement in the premium and rate trend in this segment over the medium term. Credit and surety Compared to prior ***years***, the loss ratios in credit and surety insurance as well as political risks business are slightly higher. The loss experience is characterised by a stable claims frequency on a good level and modestly rising loss amounts in individual cases. The elevated claim costs witnessed in emerging markets in previous ***years*** have now retreated again, although they are still on the high side viewed from a multi-***year*** perspective. With this in mind, prices for insurance and reinsurance should remain stable; demand for reinsurance covers in the area of credit, surety and political risks is either stable or trending slightly higher. United Kingdom / Ireland The climate on the primary insurance market in the United Kingdom and Ireland continues to be intensely competitive. Thanks also in part to the initiative launched by Lloyd's to take a critical look at the business results reported by syndicates, Hannover Re expects at least a stable environment in this market. In property reinsurance, too, Hannover Re was able to secure double-digit price increases on business impacted by hurricanes Harvey, Irma and Maria. Stable rates and conditions were negotiated in all other lines of reinsurance. Further price increases on liability reinsurance business covering private customer portfolios - and hence affected by the 2017 cut in the Ogden rate - are unlikely in 2019. The rate improvements obtained in the various rounds of renewals since the spring of 2017 were well into the double-digit percentage range. III. Global reinsurance: Catastrophe business Even after what can certainly be described as the historic hurricane losses of the past ***year***, there has been no change in the prevailing oversupply of reinsurance capacity shaping worldwide natural catastrophe business. As a further factor, the considerable capacities originating from the ILS market remain undiminished. Overall, this led to a merely modest increase in prices for property catastrophe business that was driven by loss-impacted ***programmes***, although here too the rate increases came in below market expectations. Hannover Re anticipates the following developments on individual markets for natural catastrophe risks: North America: The recent mid-***year*** treaty renewals brought modest rate rises. In Florida increases of around 20 percent were generated under loss-affected ***programmes***, with improvements otherwise in the low single digits. If there are no appreciable losses in the current ***year***, it will likely be difficult to push through further rate increases for the coming ***year***. Growing demand for reinsurance coverage can be observed from state-backed ***programmes*** offering protection against flood risks. Subject to commensurate prices, Hannover Re would be prepared to make capacity available for such covers. Europe: European reinsurance markets have seen less change in the sustained pressure on prices. The protracted soft market is most striking in United Kingdom but is also evident for Germany, where there are currently no grounds to anticipate a shift in market conditions. The losses caused by the forest fires in Sweden are unlikely to be reflected on the pricing side. Japan: Modest price reductions for catastrophe covers were observed here in the current ***year***. The flood losses in Hiroshima prefecture will probably have no appreciable effect on demand for reinsurance capacity or prices. In the next round of treaty renewals for Japan on 1 April 2019 the price level is therefore expected to remain roughly stable. Australia / New Zealand: The earthquake losses in New Zealand from 2016 have stabilised rates there; negative run-offs are still being seen, however, prompting some providers to take a rather cautious approach. In Australia, on the other hand, prices remain under pressure - although the pain threshold for further price reductions has now been reached. Reinsurers with a very good rating, long-standing expertise and excellent business relationships - such as Hannover Re - have opportunities to secure more attractive prices than the market as a whole, especially in Australia. Latin America: The markets of Central and South America continue to post above-growth rates, albeit with substantial differences from country to country. Most markets are still seeing elevated demand for high-quality reinsurance protection, enabling financially robust reinsurers to book business at adequate prices. Recent acquisitions of sizeable portfolios by primary insurers in Latin America have generated a greater need for reinsurance capacity, a development from which Hannover Re is also benefiting. Caribbean: Caribbean nations were hit hard by the hurricane losses of the past ***year***. The renewals as at 1 July consequently saw price increases of up to 40 percent under loss-affected ***programmes***, while the figure was around 10 percent for ***programmes*** that had escaped unscathed. Hannover Re is a well-established market player in this region. Further price increases after the sharp rises seen in the current ***year*** are, however, rather unlikely if no additional losses are incurred. Worldwide treaty business Developments in worldwide treaty business varied across markets and regions. Asia-Pacific: In what is a very mixed region from a reinsurance standpoint, Hannover Re continues to trust in its strategy of diversification - both in terms of the coverage offered and its regional positioning. Through special extensions of the book of business written with selected target customers Hannover Re is able to secure profitability and growth for the medium term. This is backed by further strengthening of the local network. Latin America: Larger ceding companies, in particular, prefer to work with only a limited number of reinsurers, primarily the major providers. One reason here is the significant natural disasters of 2017, which showed which reinsurers were in a position to promptly meet their ***payment*** obligations. Consequently, Hannover Re benefited considerably from an increased demand for natural catastrophe coverage in Latin America. ***Agricultural*** risks: The growing need for ***agricultural*** commodities and foodstuffs as well as the increased prevalence of extreme weather events continue to stimulate demand for insurance and reinsurance solutions, especially in emerging and developing countries. The 'InsuResilience' initiative launched by the G7 countries has, for example, set itself the goal of improving access to insurance coverage against climate risks for millions of particularly poor and vulnerable people in developing countries by 2020. The increasingly widespread implementation of public-private partnerships is opening up new opportunities for Hannover Re to write profitable business in markets that have still to establish themselves. Furthermore, the growing availability of new technologies, including for example remote sensing by satellites, is enabling continuing expansion of this segment with innovative and efficient insurance products such as parametric covers. In Germany the dry and arid conditions of the summer of 2018 have not as yet become an issue for the insurance industry because ***agricultural*** covers here are focused virtually exclusively on hail risks. Insurance-Linked Securities: Hannover Re accesses the ILS market both to obtain protection for its own catastrophe risks and to ***transfer*** its clients' life & health and property & casualty risks to the capital market. The latter primarily takes the form of collateralised reinsurance, which is still the largest business segment within Hannover Re's ILS activities, but is also supplemented by the issuance of catastrophe bonds. In 2018, for example, the company has so far brought four catastrophe bonds to market for US clients with a total volume of around USD 1.4 billion. Over the coming ***years*** Hannover Re expects demand to show moderate growth overall. The company is also itself an investor in catastrophe bonds, thereby maximising all the opportunities offered by the ILS market. Structured reinsurance/Advanced Solutions: This business delivered strong growth in the current ***year*** across all regions, especially in North and South America as well as in Europe. Not only did the average premium per contract increase, but also the number of contracts in absolute terms. Going forward, Hannover Re expects a further rise in demand for innovative and tailor-made reinsurance solutions. Growth opportunities on a continuing high level are anticipated in North America, Europe and Asia. The purchasing habits of many clients have changed of late, reflecting a shift towards holistic reinsurance solutions. This trend shows no sign of abating and will mean that in the future, too, more and more customers will be calling for increasingly complex reinsurance solutions. It is still too early to foresee what effect the adoption of IFRS 17 will have on structured reinsurance business. Nevertheless, implementation should generate stronger demand for reinsurance solutions, driven by the further increase in the complexity of capital and risk management faced by customers. Outlook Hannover Re expects to see stability in prices and conditions overall for the treaty renewals as at 1 January 2019. While improvements should be possible under loss-impacted ***programmes***, covers that were spared any losses have reached the minimum level from a technical standpoint. Ultimately, though, when it comes to determining prices it still remains to be seen how the major loss situation for 2018 ends up, how large losses from the previous ***year*** continue to develop, how inflation turns out and whether the run-off results from reserves in the US casualty market deteriorate. As has been apparent from the renewals over the course of the ***year***, broadly diversified reinsurers with expertise and a very good rating are able to profit from the current state of the market. Hannover Re has thus been highly satisfied with the business renewed to date in 2018. Looking ahead to 2019, further promising possibilities should open up. Along with the opportunities arising out of digitalisation, demand for coverage of cyber risks - not just from large corporations but now also from SMEs - is on the rise. Similarly, business in the Asian growth markets (China, India) should also present some openings. Structured reinsurance offers further scope for growth in covers taken out for capital relief as a consequence of the implementation of risk-based solvency systems. In the present climate Hannover Re will stay focused on its core competence: traditional reinsurance, supplemented by individual coverage concepts such as product-oriented cooperation arrangements with primary insurance customers. As in the previous ***year***, the company is concentrating on consistently growing its existing high-quality book of business, complemented by strategic partnerships. In addition, Hannover Re will take advantage of opportunities that arise in niche and specialty segments. As was true of earlier soft market phases, the guiding principle is to only write business that satisfies margin requirements; at the same time, though, it remains important to offer customers alternative solutions at an appropriate price level. 'The positive future prospects for the global reinsurance market are the cornerstone of our success over the medium and long term. With this in mind, we are concentrating quite deliberately on the products and services typically associated with a reinsurer', Mr. Wallin asserted. 'We have no doubt that this is the right course to pursue when it comes to generating sustainable value for our clients, our shareholders and our employees.' In view of the business development so far in the current financial ***year*** and the company's very good positioning in the market, Hannover Re considers itself well on track to achieve its 2018 ***year***-end targets. Based on constant exchange rates, the company anticipates an increase of more than 10% in its gross premium volume and net income in excess of EUR 1 billion for its total business. This is conditional upon major loss expenditure not significantly exceeding the budgeted level of EUR 825 million and assumes that there are no unforeseen distortions on capital markets. Hannover Re, with gross premium of EUR 17.8 billion, is the fourth-largest reinsurer in the world. It transacts all lines of property & casualty and life & health reinsurance and is present on all continents with around 3,300 staff. Established in 1966, the Hannover Re Group today has a network of more than 140 subsidiaries, branches and representative offices worldwide. The Group's German business is written by the subsidiary E+S R\xFCck. The rating agencies most relevant to the insurance industry have awarded both Hannover Re and E+S R\xFCck outstanding financial strength ratings: Standard & Poor's AA- 'Very Strong' and A.M. Best A+ 'Superior'. Please note the disclaimer: [*https://www.hannover-re.com/535917*](https://www.hannover-re.com/535917) Contact Corporate Communications: Karl Steinle tel. +49 511 5604-1500 [*karl.steinle@hannover-re.com*](mailto:karl.steinle@hannover-re.com) Media Relations: Oliver Suess tel. +49 511 5604-1502 [*oliver.suess@hannover-re.com*](mailto:oliver.suess@hannover-re.com) Saskia Ahrens tel. +49 511 5604-6322 [*saskia.ahrens@hannover-re.com*](mailto:saskia.ahrens@hannover-re.com) Investor Relations: Julia Hartmann tel. +49 511 5604-1529 [*julia.hartmann@hannover-re.com*](mailto:julia.hartmann@hannover-re.com)   [*www.hannover-re.com*](http://www.hannover-re.com) --------------------------------------------------------------------------- 10.09.2018 Dissemination of a Corporate News, transmitted by DGAP - a service of EQS Group AG. The issuer is solely responsible for the content of this announcement. The DGAP Distribution Services include Regulatory Announcements, Financial/Corporate News and Press Releases. Archive at   [*www.dgap.de*](http://www.dgap.de) --------------------------------------------------------------------------- Language: English Company: Hannover R\xFCck SE Karl-Wiechert-Allee 50 30625 Hannover Germany Phone: +49-(0)511-5604-1500 Fax: +49-(0)511-5604-1648 Internet:   [*www.hannover-re.com*](http://www.hannover-re.com) ISIN: DE0008402215 WKN: 840 221 Indices: MDAX Listed: Regulated Market in Frankfurt (Prime Standard), Hanover; Regulated Unofficial Market in Berlin, Dusseldorf, Hamburg, Munich, Stuttgart, Tradegate Exchange; Luxembourg Stock Exchange End of News DGAP News Service --------------------------------------------------------------------------- 721359 10.09.2018 \xB0

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[***Government policies aim to ensure that the Philippines' economic growth is sustainable and inclusive***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5WS6-C4Y1-DXYV-703G-00000-00&context=1516831)

Oxford Business Group: Articles

June 2018

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**Length:** 3808 words

**Body**

With GDP growth averaging 6.4% between 2010 and 2017, the Philippines is one of the top-performing economies in South-east Asia. Underpinned by its robust services sector, it is seeing rising investment in manufacturing, strong remittance inflows from overseas workers and an infrastructure spending surge under the Build, Build, Build (BBB) development ***programme***.

Foreign direct investment (FDI) reached an all-time high in 2017 as investors flocked to capitalise on rising domestic demand and optimistic growth projections. FDI is expected to increase once again in 2018, supported by both a young and skilled workforce, and rising government spending, with the long-awaited Tax Reform for Acceleration and Inclusion (TRAIN) initiative expected to augment public coffers.

Sound fiscal and monetary policy-making should help prevent the economy from overheating, even as socio-economic challenges, income inequality and inflation pose obstacles to inclusive growth. Public debt is low and fiscal buffers remain strong, although a shift away from public-private partnerships (PPPs) as the preferred model for new infrastructure projects will see government borrowing spike in 2018. Nonetheless, solid macroeconomic fundamentals, a diversified export base and growing domestic consumption should keep a steady upward trajectory into 2019 and beyond.

**Market Breakdown**

Located on the Ring of Fire in the western Pacific Ocean, the archipelago of the Philippines comprises over 7000 islands, 2000 of which are inhabited. Home to Metropolitan Manila, where most economic activities are concentrated, Luzon is the most important island, followed by the central islands of the Visayas, a key tourism and biodiversity centre. To the south, Mindanao remains largely rural.

As shown by figures from the Philippines Statistics Authority (PSA), the Philippines is a services-dominated economy, with this sector accounting for 47.9% of GDP, industry's share standing at 28.4%, followed by ***agriculture*** at 7.1% in 2017. According to a February 2018 report by the World Trade Organisation (WTO), services also accounted for 56% of employment in 2016, with motor vehicle trade and repair accounting for 22% of GDP and 20% of employment in the same ***year***.

Although real estate employed 0.5% of the labour force, it accounted for 16% of GDP in 2016, while manufacturing comprised 24% . The Philippines is a significant regional manufacturer of electronics, with merchandise exports amounting to 84% of GDP, according to the WTO. As the country has abundant mineral resources, mining and quarrying hold considerable growth potential, though they accounted for just 1% of GDP in 2016.

**Demographics**

The Philippines benefits from a young workforce: demographic data from 2017 shows that the population - estimated by the UN to be 106.5m in early 2018 - has a median age of 23.5 ***years***. This means the country has entered its so-called demographic window: 70% of its population is working age, and the labour participation rate is 64%, according to the WTO. Labour exports form an important part of the economy, with overseas workers accounting for 3.2% of households. Although poverty indicators have improved in recent ***years***, around one-fifth of the population lives under the poverty line (see analysis).

Unemployment has also risen in recent ***years***, with the National Economic and Development Authority (NEDA), the primary socio-economic planning body, reporting that unemployment edged up to 5.7% of the labour force in 2017. This was an increase from 5.5% in 2016 and fell below the target of 5.1-5.4%. Youth unemployment rose to 14.4% in 2017, against a targeted 11%, and NEDA reported that job creation remains a challenge, with 663,243 net employment losses recorded in 2017.

Meanwhile, wages have risen: the Regional Tripartite Wages and Productivity Board - National Capital Region raised the daily minimum wage in Metro Manila by P21 ($0.41) per day in October 2017 to P475 ($9.38). The National Wages and Productivity Commission reported that the monthly minimum wage was between $171 and $299 in January 2018, against $158-346 in China, $288-296 in Thailand and $236-257 in Malaysia. This is still higher than wages in Vietnam ($147-165 per month), Cambodia ($140) and Myanmar ($82).

However, labour productivity in the Philippines has grown at the fastest rate in ASEAN, with the average total factor productivity - a measure of both output not explained by production inputs and efficiency in the production process - standing at 2.96 between 2010 and 2015, against Thailand's 2.46, Cambodia's 1.69, Malaysia's 1.46, Indonesia's 1.02 and Vietnam's 0.97. According to the Hong Kong Trade and Development Council, this has attracted high-value-added manufacturing (see Trade & Investment chapter).

**Golden Age**

Macroeconomic growth has accelerated in recent decades, increasing from an average of 4.5% between 2000 and 2009 to 6.4% between 2010 and 2017, according to IMF data. After hitting 6.9% in 2016, growth moderated slightly to 6.7% in 2017 as consumption indicators relaxed, with NEDA reporting that growth in household consumption eased to 5.8% in 2017, against 7% the previous ***year***, while capital formation growth fell from 23.7% to 9%. This differs from PSA data, which shows that household final consumption expenditure rose by 8.3% in both 2016 and 2017, reaching P11.6trn ($229bn) at the end of 2017. Growth slowed across the industrial and services sectors in 2017, hitting 7.2% and 6.7%, respectively, down from 8.4% and 7.4% in 2016. While some sectors experienced slightly less robust expansion, ***agriculture***, fishery and forestry gained momentum, rebounding from a 1.3% contraction in 2016 to post 3.9% growth in 2017.

In its "Asian Development Outlook 2017", the Asian Development Bank (ADB) stated that the Philippines is in a golden age of high, sustained economic growth, backed by a sound macroeconomic environment with moderate inflation and a strong fiscal position. The medium-term outlook is very optimistic, and in an April 2018 speech, Ernesto Pernia, secretary of socio-economic planning and director-general of NEDA, projected that the economy will be 50% larger in 2022 than it was in 2016, with per capita income expected to rise from $3550 in 2015 to at least $5000 in 2022.

**Macro Fundamentals**

Robust growth is supported by solid macroeconomic fundamentals, with prudent fiscal and monetary policy-making helping sustain high GDP growth. "On the macro side, the economy is doing quite well. The Philippines has one of the highest growth rates in Asia, and there is the expectation that it will remain strong in the coming ***years***," Yongzheng Yang, resident representative of the IMF, told OBG. "While the country is not quite there yet, necessary structural reforms and increasing infrastructure and social spending in line with successful tax reforms could make it possible for growth to hit between 7% and 8%."

Government debt as a share of GDP declined to 42% in 2017, its lowest level in 20 ***years***, according to the ADB, and down significantly from 75% in 2004. Meanwhile, the robust labour market growth, and particularly strong services, manufacturing and construction sectors, have further brightened the growth outlook.

Higher international fuel prices and sharp currency depreciation - the peso fell to an 11-***year*** low against the US dollar in 2017, depreciating by 5.8% from its 2016 value by the end of the ***year*** - pushed headline inflation to 3.2% in 2017, against 1.8% in 2016. This led to substantially higher prices for fuel and imports. While this was still well within the target of 2-4% set by the central bank, Bangko Sentral ng Pilipinas (BSP), rising inflation and double-digit lending growth is expected to result in at least one interest rate hike before the end of 2018 (see Banking chapter). Furthermore, tax reforms have helped pushed inflation up to 4.3% in March 2018, exceeding the 4% ceiling (see analysis).

**Trade & Investment**

Trade and investment surged in 2017, though the trade deficit also swelled. According to PSA figures, imports rose by 10.2% to $92.7bn, while exports grew by 9.5% to $62.9bn, for a record deficit of $29.8bn. However, manufacturing benefitted from currency depreciation: Capital Economic, a London-based consultancy firm, reported that low interest rates, coupled with increasing global demand and external price competitiveness boosted Philippine manufacturing output by 8.6% in 2017.

Increased manufacturing investment drove FDI inflows to an all-time high in 2017: this figure increased by 21.4% to hit $10.1bn, supported by rising investment in manufacturing, real estate, construction, retail, and gas, steam and air conditioning supply (see Trade & Investment chapter).Services exports were bolstered by strong remittances from overseas workers: in February 2018 the BSP reported that full-***year*** personal remittances rose by 5.3% in 2017 to hit $31.3bn, exceeding its 4% target, with remittances accounting for 10% of GDP and 8.3% of GNI that ***year***.

While tourism revenue rose by 36.28% ***year***-onyear (y-o-y) between January and October 2017 to hit P243bn ($4.8bn), the value of business process outsourcing and IT services exports declined slightly between January and October, falling to $8.02bn from $8.1bn during the same period in 2016. As a result, the current account deficit stood at $2.5bn - equivalent to 0.8% of GDP - in 2017, up from 0.4% in 2016. The balance of ***payments*** deficit also rose to hit 0.3% of GDP in 2017, up from 0.1% in 2016, owing to higher portfolio capital outflows. Gross international reserves stood at $81.6bn at the end of 2017, enough to provide an eight-month reserve cover, according to the ADB.

**Development Strategy**

Three main policies are guiding economic development. The first, the 10-point socio-economic agenda, was released by President Rodrigo Duterte's administration in June 2016. Also called DuterteNomics, the plan outlines 10 policy goals, such as cracking down on crime and corruption; continuing fiscal, monetary and trade policies; enacting progressive tax reforms and optimising collection; and bolstering competitiveness and the ease of doing business.

The plan also aims to accelerate infrastructure spending to comprise at least 5% of GDP through increased deployment of PPPs, promote rural value chain development, secure land tenure, develop human capital, and promote science, technology and the creative arts to boost innovation. Other priorities emphasise improved social protection ***programmes***, including reforms to reproductive health laws and the popular conditional cash ***transfer*** ***programme*** (see analysis).

**2040 Goals**

Long-term economic policy priorities are enshrined in AmBisyon Natin 2040, a three-pillar development agenda emphasising socio-economic stability, security and good governance. The plan aspires to eradicate poverty and transform the Philippines into a prosperous middle-class society. It highlights inclusive, sustainable economic growth and aims to achieve a three-fold increase in per capita income, foster a competitive business environment and increase government investment in market linkages. These efforts will be supported by the development of human capital, science, technology and innovation. The long-term vision identifies priority sectors to reach its targets, including housing and urban development, manufacturing, transport, education, tourism, ***agriculture***, health and wellness, and financial services.

**Mid-Term Policy**

In February 2017 NEDA officially approved the Philippine Development Plan (PDP) 2017-22 - the first medium-term plan to be anchored to both AmBisyon Natin 2040 and the 10-point socio-economic agenda. The PDP's three pillars seek to restore public trust in government institutions and crack down on corruption, reduce income inequality and accelerate economic growth. The final pillar will include ensuring macroeconomic and fiscal stability through fiscal prudence, tax reforms and strategic trade policy-making.

There are seven priorities under the PDP, including social stability, reduced income inequality, increased growth potential, and creation of an enabling and supportive economic environment. It targets GDP growth of 7-8% per ***year*** until 2022 and aims to reduce the poverty rate from 21.6% in 2017 to 14% by 2022. In rural regions, where poverty is more common, poverty rates are expected to drop from 30% to 20% over the same period. Other targets include reducing unemployment from 5.5% to 3-5% by 2022 and attaining upper-middle-income status, defined by the World Bank as a GNI per capita of between $4036 and $12,745. Domestic GNI per capita rose from $1650 in 2006 to $3580 in 2016, putting the country within reach of this target.

**BBB**

One of the most important initiatives to launch under President Duterte is BBB, a sweeping infrastructure development agenda first unveiled in October 2017. The government has identified dozens of infrastructure projects to be undertaken, including 15 priority projects for 2018. BBB has sparked a recent surge in infrastructure spending that is expected to continue into 2019, with the ***programme*** increasing the 10-point socio-economic agenda's infrastructure spending target to 7.2% of GDP by 2022, against 4.5% in 2016, with $158bn of capital outlays planned until 2022.

In February 2018 the Department of Budget and Management (DBM) announced that state spending rose by 11% in 2017 to hit P2.82trn ($55.7bn). Under the auspices of BBB, infrastructure spending rose by 15% over 2016 to P569bn ($11.2bn), with the ADB reporting that public spending on infrastructure hit 5.4% of GDP in 2017, while personnel services spending grew by 12% over the previous ***year*** to P808bn ($16bn), largely due to new hiring at state universities and colleges, the Department of Education (DepEd), the Department of Health and the Philippine National Police (PNP).

Other major expenses included subsidies - mainly for housing - as well as irrigation projects and health insurance, which had expenditures increase by 27% to P131bn ($2.6bn). Allocations to local government units were also on the rise, with growth of 15% over 2016 levels to hit P530bn ($10.5bn), as they recorded progressive improvements to internal revenue collections.

While various causes are calling for greater amounts of public expenditure, it appears that the authorities are becoming more accurate at estimating their needs. Underspending - a deviation between actual and planned disbursements - fell to 2% in 2017, or 3% including interest ***payments***, against 13.3% and 12.8% in 2014 and 2015, respectively, according to the DBM.

**2018 Budget**

Both the 2018 budget and the first phase of the TRAIN ***programme*** were signed into law in December 2017, and they will see infrastructure spending rise once again. The P3.77trn ($74.5bn) budget represents a 12% increase in public spending over 2017 levels, with the majority allocated to infrastructure development, free education in state universities, universal health care and free irrigation. Major outlays will go to the Department of Public Works and Highways (DPWH), which will receive P638bn ($12.6bn), an P11bn ($217m) increase on 2017. "We've always had the ingenuity to deliver new infrastructure projects; now we have the resources as well," Maria Catalina E Cabral, undersecretary for planning and PPPs at the DPWH, told OBG. "Our leadership is decisive, and we have the BBB blueprint now, so we're ready to roll it out."

The DepEd will receive P554bn ($10.9bn) for facility maintenance and repair, staff recruitment, and the development and provision of new learning materials, while the Department of the Interior and Local Government will receive P171bn ($3.4bn). Funds will be used to improve police operations, including P334m ($6.6m) to supply the PNP with body cameras and P850m ($16.8m) to operate and maintain police stations.

**Building Up**

In January 2018 the Department of Finance announced it anticipated a major pickup in infrastructure activity from BBB, reporting that 15 big-ticket projects were at the pre-construction stage, adding to 44 projects already under way. The combined value of the 60 ventures is P1.8trn ($35.6bn). Major projects in pre-construction include the P356bn ($7bn) Mega-Manila Subway project, the P285bn ($5.6bn) North-South Commuter Railway, the P211bn ($4.2bn) Malolos-Clark Railway and the P134bn ($2.6bn) Philippine National Railway south commuter line.

Spending is set to rise again in 2019, with the government announcing plans for a P4.2trn ($83bn) budget, another record high level of public spending and an 11.5% increase over the 2018 budget. In January 2018 the DBM announced that the next budget will continue to reflect priorities of the 10-point socio-economic agenda, the PDP and its related public investment ***programme***, and the 2019-21 three-***year*** rolling infrastructure ***programme*** (see Construction chapter).

Total expenditure increased by 37% y-o-y to P240bn ($4.7bn) in the first two months of 2018, according to the Bureau of the Treasury, while tax and non-tax revenue increased by 18% to P1.79trn ($35.4bn), and the budget deficit grew by 160% from P23.7bn ($468m) one ***year*** earlier. The government has planned for annual deficits of up to 3% of GDP in the lead-up to the ***year*** 2022, with this figure projected to increase to P524bn ($10.4bn) by the end of 2018.

"Our deficit target for 2018 remains at 3% of GDP, and interest ***payments*** will account for about 10.5% of expenditure," Sharon P Almanza, deputy treasurer of the Bureau of the Treasury, told OBG.

**Shifting Strategy**

Managing the rollout of BBB is likely to be a major challenge for the government, though a shift towards development assistance and new financing models should see implementation accelerate in 2018. The government is increasingly seeking access to infrastructure financing through new domestic and international channels. Although PPPs will remain an important tool for project development, they have been criticised for experiencing significant delays. A new strategy is set to emphasise so-called hybrid PPPs - which aim to fast-track infrastructure projects - and unsolicited proposals for smaller PPP projects, while boosting overseas development assistance (ODA) and international debt markets for big-ticket projects.

In a July 2017 report examining infrastructure financing, the UN Economic and Social Commission for Asia and the Pacific (UNESCAP) reported that PPP development has not reached its full potential: out of six approved projects at various stages of tender in mid-2016, four have since been restructured into ODA projects, and tender processes for the remaining two have been suspended indefinitely.

**ODA**

Out of 75 planned flagship BBB projects, only two are slated for PPP implementation, indicating a shift towards ODA financing for infrastructure as the government seeks to rationalise expenditure and benefit from favourable, low-interest, long-term ODA arrangements. Out of the 15 key projects set for launch in 2018, eight will be funded by ODA, three by multilateral lenders, three by the government and one under a PPP.

"For the remaining four ***years*** of BBB, there are between 10 and 12 projects that are super-priority, including the Mega-Manila Subway system, estimated to cost $8bn-10bn over 10 ***years***," Hans B Sicat, managing director of ING in the Philippines, told OBG. "This project will be financed using ODA from the Japanese government under a 40-***year*** concessional loan with a 0.5% spread, so with inflation expected to easily outpace this rate, this becomes a very good deal for the Philippines,"

PPPs will nonetheless continue to play a role in project financing, with UNESCAP reporting that the government's move to roll out hybrid PPPs, under which facility construction costs are met through ODA, while private contractors cover operation and maintenance.

**PPP Evolution**

Another proposed model would see the government use ODA funding to finance its liabilities - including subsidies and availability ***payments*** - while private players would undertake design, construction, operation and maintenance. The government's moves to welcome unsolicited proposals for PPPs could help spur development and implementation: according to UNESCAP, the submission of unsolicited proposals rose in the months following the mid-2016 announcement.

This prompted the PPP Centre - a public agency created to facilitate PPP implementation - to supplement the PPP framework with new guidelines to institutionalise the process for conducting the competitive Swiss challenge tendering process. Under this system, a government agency that receives an unsolicited proposal for a project publishes the bid details and invites competing companies to match or beat it.

With PPPs playing a smaller role in infrastructure development, the government is ramping up borrowing to support BBB and associated spending. Plans to tap global debt markets are set to accelerate in 2018 following the successful issuance of a Panda ( renminbi-denominated) bond in March 2018 (see analysis).

**Outlook**

Although geopolitical volatility - including a potential Sino-American trade war, US Federal Reserve rate hikes and rising inflation - could pose a challenge to GDP growth in 2018, the economy is projected to continue to see robust expansion (see Trade & Investment and Banking chapters).

In April 2018 Moody's reported that although the Philippines is one of the fastest-growing economies in the Asia Pacific and the second-fastest among "Baa"- rated sovereigns globally, the economy is not at significant risk of overheating. Although headline inflation climbed to 3.9% y-o-y in February 2018 - its highest level since October 2014 - and the peso reached a 12-***year*** low against the US dollar, the agency does not see a significant and prolonged rise in inflation beyond the BSP's estimates of 4.3% for 2018 and 3.5% for 2019. Furthermore, inflation trends do not indicate overheating; rather, they are a result of near-term, transitory impacts from the TRAIN ***programme***, which increased value-added tax on various consumer products while boosting take-home pay for workers (see analysis).

These sentiments are reflected in economic expansion projections for 2018 from various bodies: the government forecast growth to range between 7% and 8% for the ***year***, while the IMF and World Bank have projected 6.7% and 7% expansion, respectively. Meanwhile, the ADB has projected that GDP growth will accelerate to 6.8% in 2018 and further, to 6.9% in 2019, supported by accommodative fiscal policies, large public infrastructure projects, low unemployment and steady remittance growth. Government targets are the most optimistic and appear to be the most accurate for the early ***year***: in April 2018 the University of Asia and the Pacific reported that GDP growth was estimated to have been greater than 7% in the first quarter of 2018.

**Load-Date:** March 12, 2020

**End of Document**



[***Federal Register: Proposed Collection; Comment Request for Forms 1065, 1065-B, 1066, 1120, 1120-C, 1120-F, 1120-H, 1120-ND, 1120-S, 1120-SF, 1120-FSC, 1120-L, 1120-PC, 1120-REIT, 1120-RIC, 1120-POL, and Related Attachments Pages 50750 - 50756 [FR DOC # 2018-21846]***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TFR-GTD1-JDG9-Y36P-00000-00&context=1516831)

Impact News Service

October 9, 2018 Tuesday

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**Length:** 6396 words

**Body**

Washington: Office of the Federal Register has issued the following notice:

DEPARTMENT OF THE TREASURY Internal Revenue Service Proposed Collection; Comment Request for Forms 1065, 1065-B, 1066, 1120, 1120-C, 1120-F, 1120-H, 1120-ND, 1120-S, 1120-SF, 1120-FSC, 1120-L, 1120-PC, 1120-REIT, 1120-RIC, 1120-POL, and Related Attachments AGENCY: Internal Revenue Service (IRS), Treasury. ACTION: Notice and request for comments. ----------------------------------------------------------------------- SUMMARY: The Internal Revenue Service, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to take this opportunity to comment on proposed and/or continuing information collections, as required by the Paperwork Reduction Act of 1995 (PRA). The IRS is soliciting comments on forms used by business entity taxpayers: Forms 1065, 1065-B, 1066, 1120, 1120-C, 1120-F, 1120-H, 1120-ND, 1120-S, 1120-SF, 1120-FSC, 1120- L, 1120-PC, 1120-REIT, 1120-RIC, 1120-POL; and related attachments to these forms (see the Appendix to this notice). DATES: Written comments should be received on or before December 10, 2018 to be assured of consideration.

ADDRESSES: Direct all written comments to Laurie Brimmer, Internal Revenue Service, Room 6526, 1111 Constitution Avenue NW, Washington, DC 20224. FOR FURTHER INFORMATION CONTACT: Requests for additional information or copies of the form and instructions should be directed to Sara Covington, at (202) 317-6038, Internal Revenue Service, Room 6526, 1111 Constitution Avenue NW, Washington, DC 20224, or through the internet, at [*Sara.L.Covington@irs.gov*](mailto:Sara.L.Covington@irs.gov) SUPPLEMENTARY INFORMATION: Today, over 90 percent of all business entity tax returns are prepared using software or with preparer assistance. In this environment, in which many taxpayers' activities are no longer as directly associated with particular forms, estimating burden on a form-by-form basis is not an appropriate measurement of taxpayer burden. There are 274 forms used by business taxpayers. These include Forms 1065, 1065-B, 1066, 1120, 1120-C, 1120-F, 1120-H, 1120-ND, 1120-S, 1120-SF, 1120-FSC, 1120-L, 1120-PC, 1120-REIT, 1120-RIC, 1120-POL, and related schedules, that business entity taxpayers attach to their tax returns (see the Appendix to this notice). For most of these forms, IRS has in the past obtained separate OMB approvals under unique OMB Control Numbers and separate burden estimates. Tax Compliance Burden Tax compliance burden is defined as the time and money taxpayers spend to comply with their tax filing responsibilities. Time-related activities include recordkeeping, tax planning, gathering tax materials, learning about the law and what you need to do, and completing and submitting the return. Out-of-pocket costs include expenses such as purchasing tax software, paying a third-party preparer, and printing and postage. Tax compliance burden does not include a taxpayer's tax liability, economic inefficiencies caused by sub-optimal choices related to tax deductions or credits, or psychological costs. The TCBM estimates the aggregate burden imposed on business taxpayers, based upon their tax-related characteristics and activities. IRS therefore will seek OMB approval of all 274 business-related tax forms as a single ``collection of information.'' The aggregate burden of these tax forms will be accounted for under OMB Control Number 1545- 0123, which is currently assigned to Form 1120 and its related schedules. OMB Control Number 1545-0123 will be displayed on all business tax forms and other information collections. As a result, burden estimates for business taxpayers will be displayed differently in PRA Notices on tax forms and other information collections, and in Federal Register notices. This way of displaying burden is presented below under the heading ``Proposed PRA Submission to OMB.'' Because some of the forms used by business taxpayers are also used by tax- exempt organizations, trusts and estates and other kinds of taxpayers, there will be a transition period during which IRS will report different burden estimates for individual taxpayers (OMB Control Number 1545-0074), tax-exempt organization taxpayers (OMB Control Number 1545- 0047), business taxpayers (OMB Control Number 1545-0123), and another OMB Control Number for other taxpayers using the same forms. For those forms covered under OMB Control Numbers 1545-0074, 1545-0047 and/or 1545-0123 used by other taxpayers, IRS will display the OMB Control Number related to the other filers on the form and provide the burden estimate for those taxpayers in the form instructions. The form instructions will refer readers to the burden estimates for individual, tax-exempt organization and/or business taxpayers, as applicable. The burden estimates for business taxpayers will be reported and accounted for as described in this notice. The burden estimates for individual taxpayers will continue to be reported and accounted for under OMB Control Number 1545-0074 using a method similar to the method described in this notice. The burden estimates for other users of these forms will be determined under prior methodology based on form length and complexity. Proposed PRA Submission to OMB Title: U.S Business Income Tax Return. OMB Number: 1545-0123. Form Numbers: Forms 1065, 1065-B, 1066, 1120, 1120-C, 1120-F, 1120- H, 1120-ND, 1120-S, 1120-SF, 1120-FSC, 1120-L, 1120-PC, 1120-REIT, 1120-RIC, 1120-POL and all attachments to these forms (see the Appendix to this notice). Abstract: These forms are used by businesses to report their income tax liability. The data is used to verify that the items reported on the forms are correct, and also for general statistics use. Current Actions: The change in estimated aggregate compliance burden can be explained by three major sources--technical adjustments, statutory changes, and discretionary agency (IRS) actions. Technical Adjustments--The technical changes account for much of the change between FY18 and FY19. The changes are from an adjustment to the baseline FY18 population forecasts and the growth in filings between FY18 and FY19. Taken together, these adjustments lead to a 42,000,000 hour increase in aggregate time and a $794,000,000 increase in out-of-pocket costs. Statutory Changes--The primary statutory changes are associated with the elimination of certain tax provisions and the introduction of several international provisions that were included in the 2017 Tax Cuts and Jobs Act (TCJA), which first came into effect in 2018. TCJA eliminated the corporate alternative minimum tax, the domestic production activities deduction, and a number of general business credits. The elimination of these provisions is estimated to reduce aggregate time by 100,000 hours and reduce aggregate out-of-pocket costs by $4,000,000. TCJA also introduced a number of international provisions, such as the inclusion of Global Intangible Low-Taxed Income (GILTI) as taxable income, the Foreign-Derived Intangible Income deduction (FDII), and the Base Erosion and Anti- [[Page 50751]] Abuse Tax (BEAT). Information on the administration of these provisions is limited as of the date this estimate was calculated, so an extensive evaluation of their direct costs cannot be provided at this time. However, current model based estimates using the level of foreign activity reported on prior tax returns implies an increase in aggregate time burden of 900,000 hours and an increase in out-of-pocket costs of $49,000,000. Note: To avoid double-counting, burden estimates for TCJA provisions that are reported under separate OMB control numbers as Regulation Impact Analyses are not included in this collection. IRS Discretionary Changes--All IRS discretionary changes had an insignificant impact on taxpayer burden. Total--Taken together, the changes discussed above result in a net increase in total time burden of 43,000,000 hours and a net increase in total money burden of $839,000,000. The increase in total monetized burden is $2,560,000,000. Type of Review: Revision of currently approved collections. Affected Public: Corporation and Pass-Through Entities. Estimated Number of Respondents: 11,300,000. Total Estimated Time: 3.157 billion hours (3,157,000,000 hours). Estimated Time per Respondent: 279.38 hours. Total Estimated Out-of-Pocket Costs: $58.148 billion ($58,148,000,000). Estimated Out-of-Pocket Cost per FY2018. Respondent: $5,146. Note: Amounts below are for FY2018 and FY2019. Reported time and cost burdens are national averages and do not necessarily reflect a ``typical'' case. Most taxpayers experience lower than average burden, with taxpayer burden varying considerably by taxpayer type. Detail may not add due to rounding. Fiscal ***Year*** 2018 ICB Estimates for Form 1120 and 1065 Series With Changes to Fiscal ***Year*** 2019 -------------------------------------------------------------------------------------------------------------------------------------------------------- 2018 and 2019 ---------------------------------------------------------------------------------------------- ***Program*** change FY19 ***Program*** change due to new ***Program*** change FY18 due to adjustment legislation due to agency -------------------------------------------------------------------------------------------------------------------------------------------------------- Number of Taxpayers...................................... 11,300,000 200,000 ................. ................. 11,100,000 Burden in Hours.......................................... 3,157,000,000 42,000,000 800,000 ................. 3,114,000,000 Burden in Dollars........................................ 58,148,000,000 794,000,000 45,000,000 ................. 57,309,000,000 Monetized Total Burden................................... 180,493,000,000 2,432,000,000 128,000,000 ................. 177,933,000,000 -------------------------------------------------------------------------------------------------------------------------------------------------------- For Reference: Fiscal ***Year*** 2017 (Previously Approved by OMB) to 2018 Changes The change in estimated aggregate compliance burden between fiscal ***year*** 2017 and 2018 can be explained by technical adjustments since no significant statutory or discretionary agency (IRS) changes occurred. The technical changes are from an adjustment to the baseline FY17 population forecasts and the growth in certain filings between FY18 and FY19. These adjustments lead to a 74,000,000 hour increase in aggregate time and a $3,669,000,000 increase in out-of-pocket costs. Fiscal ***Year*** 2017 ICB Estimates for Form 1120 and 1065 Series With Changes to Fiscal ***Year*** 2018 -------------------------------------------------------------------------------------------------------------------------------------------------------- 2017 and 2018 ---------------------------------------------------------------------------------------------- ***Program*** change FY18 ***Program*** change due to new ***Program*** change Previously due to adjustment legislation due to agency approved FY17 -------------------------------------------------------------------------------------------------------------------------------------------------------- Number of Taxpayers...................................... 11,100,000 100,000 ................. ................. 11,000,000 Burden in Hours.......................................... 3,114,000,000 74,000,000 ................. ................. 3,040,000,000 Burden in Dollars........................................ 57,309,000,000 3,669,000,000 ................. ................. 53,640,000,000 Monetized Total Burden................................... 177,933,000,000 10,283,000,000 ................. ................. 167,650,000,000 -------------------------------------------------------------------------------------------------------------------------------------------------------- Detail may not add due to rounding. Source RAAS:KDA:TBL 10/1/18. Approved: October 3, 2018. Laurie Brimmer, Senior Tax Analyst. Appendix ------------------------------------------------------------------------ Product Title ------------------------------------------------------------------------ Form 1000......................... Ownership Certificate. Form 1042......................... Annual Withholding Tax Return for U.S Source Income of Foreign Persons. Form 1065......................... U.S Return of Partnership Income. Form 1065-B....................... U.S Return of Income for Electing Large Partnerships. Form 1065 B SCH K-1............... Partner's Share of Income (Loss) From an Electing Large Partnership. Form 1065 (SCH B-1)............... Information for Partners Owning 50% or More of the Partnership. Form 1065 (SCH B-2)............... Election Out of the Centralized Partnership Audit Regime. Form 1065 (SCH C)................. Additional Information for Schedule M-3 Filers. Form 1065 (SCH D)................. Capital Gains and Losses. Form 1065 (SCH D-1)............... Continuation Sheet for Schedule D (Forms 1065, 1065-B, and 8865). [[Page 50752]] Form 1065 (SCH K-1)............... Partner's Share of Income, Deductions, Credits, etc. Form 1065 (SCH M-3)............... Net Income (Loss) Reconciliation for Certain Partnerships. Form 1065X........................ Amended Return or Administrative Adjustment Request (AAR). Form 1066......................... U.S Real Estate Mortgage Investment Conduit (REMIC) Income Tax Return. Form 1066 (SCH A)................. Additional REMIC (Real Estate Mortgage Investment Conduits) Taxes. Form 1066 (SCH Q)................. Quarterly Notice to Residual Interest Holder of REMIC Taxable Income or Net Loss Allocation. Form 1099 LS...................... Reportable Life Insurance Sale. Form 1118......................... Foreign Tax Credit-Corporations. Form 1118 (SCH I)................. Reduction of Foreign Oil and Gas Taxes. Form 1118 (SCH J)................. Adjustments to Separate Limitation Income (Loss) Categories for Determining Numerators of Limitation Fractions, ***Year***-End Recharacterization Balances, and Overall Foreign and Domestic Loss Account Balances. Form 1118 (SCH K)................. Foreign Tax Carryover Reconciliation Schedule. Form 1120......................... U.S Corporation Income Tax Return. Form 1120 (SCH B)................. Additional Information for Schedule M-3 Filers. Form 1120 (SCH D)................. Capital Gains and Losses. Form 1120 (SCH G)................. Information on Certain Persons Owning the Corporation's Voting Stock. Form 1120 (SCH H)................. Section 280H Limitations for a Personal Service Corporation (PSC). Form 1120 (SCH M-3)............... Net Income (Loss) Reconciliation for Corporations With Total Assets of $10 Million of More. Form 1120 (SCH N)................. Foreign Operations of U.S Corporations. Form 1120 (SCH O)................. Consent Plan and Apportionment Schedule for a Controlled Group. Form 1120 (SCH PH)................ U.S Personal Holding Company (PHC) Tax. Form 1120 (SCH UTP)............... Uncertain Tax Position Statement. Form 1120-C....................... U.S Income Tax Return for Cooperative Associations. Form 1120F........................ U.S Income Tax Return of a Foreign Corporation. Form 1120-F (SCH H)............... Deductions Allocated to Effectively Connected Income Under Regulations Section 1.861-8. Form 1120-F (SCH I)............... Interest Expense Allocation Under Regulations Section 1.882-5. Form 1120-F (SCH M1 & M2)......... Reconciliation of Income (Loss) and Analysis of Unappropriated Retained Earnings per Books. Form 1120-F (SCH M-3)............. Net Income (Loss) Reconciliation for Foreign Corporations With Reportable Assets of $10 Million or More. Form 1120-F (SCH P)............... List of Foreign Partner Interests in Partnerships. Form 1120-F(SCH S)................ Exclusion of Income From the International Operation of Ships or Aircraft Under Section 883. Form 1120-F (SCH V)............... List of Vessels or Aircraft, Operators, and Owners. Form 1120-FSC..................... U.S Income Tax Return of a Foreign Sales Corporation. Form 1120FSC (SCH P).............. ***Transfer*** Price or Commission. Form 1120H........................ U.S Income Tax Return for Homeowners Associations. Form 1120-IC-DISC................. Interest Charge Domestic International Sales Corporation Return. Form 1120-IC-DISC (SCH K)......... Shareholder's Statement of IC-DISC Distributions. Form 1120-IC-DISC (SCH P)......... Intercompany ***Transfer*** Price or Commission. Form 1120-IC-DISC (SCH Q)......... Borrower's Certificate of Compliance With the Rules for Producer's Loans. Form 1120-L....................... U.S Life Insurance Company Income Tax Return. Form 1120-L (SCH M-3)............. Net Income (Loss) Reconciliation for U.S Life Insurance Companies With Total Assets of $10 Million or More. Form 1120-ND...................... Return for Nuclear Decommissioning Funds and Certain Related Persons. Form 1120-PC...................... U.S Property and Casualty Insurance Company Income Tax Return. Form 1120-PC (SCH M-3)............ Net Income (Loss) Reconciliation for U.S Property and Casualty Insurance Companies With Total Assets of $10 Million or More. Form 1120-POL..................... U.S Income Tax Return for Certain Political Organizations. Form 1120-REIT.................... U.S Income Tax Return for Real Estate Investment Trusts. Form 1120-RIC..................... U.S Income Tax Return for Regulated Investment Companies. Form 1120 S....................... U.S Income Tax Return for an S Corporation. Form 1120S (SCH B-1).............. Information on Certain Shareholders of an S Corporation. Form 1120S (SCH D)................ Capital Gains and Losses and Built- In Gains. Form 1120S (SCH K-1).............. Shareholder's Share of Income, Deductions, Credits, etc. Form 1120S (SCH M-3).............. Net Income (Loss) Reconciliation for S Corporations With Total Assets of $10 Million or More. Form 1120-SF...................... U.S Income Tax Return for Settlement Funds (Under Section 468B). Form 1120-W....................... Estimated Tax for Corporations. Form 1120-X....................... Amended U.S Corporation Income Tax Return. Form 1122......................... Authorization and Consent of Subsidiary Corporation to be Included in a Consolidated Income Tax Return. Form 1125-A....................... Cost of Goods Sold. Form 1125-E....................... Compensation of Officers. Form 1127......................... Application for Extension of Time for ***Payment*** of Tax. Form 1128......................... Application to Adopt, Change, or Retain a Tax ***Year***. Form 1138......................... Extension of Time For ***Payment*** of Taxes By a Corporation Expecting a Net Operating Loss Carryback. Form 1139......................... Corporation Application for Tentative Refund. Form 2220......................... Underpayment of Estimated Tax By Corporations. Form 2438......................... Undistributed Capital Gains Tax Return. Form 2439......................... Notice to Shareholder of Undistributed Long-Term Capital Gains. Form 2553......................... Election by a Small Business Corporation. Form 2848......................... Power of Attorney and Declaration of Representative. Form 3115......................... Application for Change in Accounting Method. Form 3468......................... Investment Credit. Form 3520......................... Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts. [[Page 50753]] Form 3520 A....................... Annual Return of Foreign Trust With a U.S Owner. Form 3800......................... General Business Credit. Form 4136......................... Credit for Federal Tax Paid on Fuels. Form 4255......................... Recapture of Investment Credit. Form 4466......................... Corporation Application for Quick Refund of Overpayment of Estimated Tax. Form 4562......................... Depreciation and Amortization (Including Information on Listed Property). Form 461.......................... Limitations on Business Losses. Form 4626......................... Alternative Minimum Tax-- Corporations. Form 4684......................... Casualties and Thefts. Form 4797......................... Sales of Business Property. Form 4810......................... Request for Prompt Assessment Under Internal Revenue Code Section 6501(d). Form 4876A........................ Election to Be Treated as an Interest Charge DISC. Form 5452......................... Corporate Report of Nondividend Distributions. Form 5471......................... Information Return of U.S Persons With Respect To Certain Foreign Corporations. Form 5471 (SCH E)................. Income, War Profits, and Excess Profits Taxes Paid or Accrued. Form 5471 (SCH H)................. Current Earnings and Profits. Form 5471 (SCH I-1)............... Information for Global Intangible Low-Taxed Income. Form 5471 (SCH J)................. Accumulated Earnings and Profits (E&P) of Controlled Foreign Corporation. Form 5471 (SCH M)................. Transactions Between Controlled Foreign Corporation and Shareholders or Other Related Persons. Form 5471 (SCH O)................. Organization or Reorganization of Foreign Corporation, and Acquisitions and Dispositions of its Stock. Form 5471 (SCH P)................. ***Transfer*** of Property to a Foreign Corporation. Form 5472......................... Information Return of a 25% Foreign- Owned U.S Corporation or a Foreign Corporation Engaged in a U.S Trade or Business. Form 56........................... Notice Concerning Fiduciary Relationship. Form 56F.......................... Notice Concerning Fiduciary Relationship of Financial Institution. Form 5712......................... Election To Be Treated as a Possessions Corporation Under Section 936. Form 5712 A....................... Election and Verification of the Cost Sharing or Profit Split Method Under Section 936(h)(5). Form 5713......................... International Boycott Report. Form 5713 (SCH A)................. International Boycott Factor (Section 999(c)(1)). Form 5713 (SCH B)................. Specifically Attributable Taxes and Income (Section 999(c)(2)). Form 5713 (SCH C)................. Tax Effect of the International Boycott Provisions. Form 5735......................... American Samoa Economic Development Credit. Form 5735 (SCH P)................. Allocation of Income and Expenses Under Section 936(h)(5). Form 5884......................... Work Opportunity Credit. Form 5884-B....................... New Hire Retention Credit. Form 6198......................... At-Risk Limitations. Form 6478......................... Alcohol and Cellulosic Biofuel Fuels Credit. Form 6627......................... Environmental Taxes. Form 6765......................... Credit for Increasing Research Activities. Form 6781......................... Gains and Losses From Section 1256 Contracts and Straddles. Form 7004......................... Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns. Form 8023......................... Elections Under Section 338 for Corporations Making Qualified Stock Purchases. Form 8050......................... Direct Deposit Corporate Tax Refund. Form 8082......................... Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR). Form 8275......................... Disclosure Statement. Form 8275R........................ Regulation Disclosure Statement. Form 8279......................... Election to be treated as a FSC or as a small FSC. Form 8281......................... Information Return for Publicly Offered Original Issue Discount Instruments. Form 8283......................... Noncash Charitable Contributions. Form 8288......................... U.S Withholding Tax Return for Dispositions by Foreign Persons of U.S Real Property Interests. Form 8288 A....................... Statement of Withholding on Dispositions by Foreign Persons of U.S Real Property Interests. Form 8288 B....................... Application for Withholding Certificate for Dispositions by Foreign Persons of U.S Real Property Interests. Form 8300......................... Report of Cash ***Payments*** Over $10,000 Received In a Trade or Business. Form 8300 (SP).................... Informe de Pagos en Efectivo en Exceso de $10,000 Recibidos en una Ocupacion o Negocio. Form 8302......................... Electronic Deposit of Tax Refund of $1 Million or More. Form 8308......................... Report of a Sale or Exchange of Certain Partnership Interests. Form 8329......................... Lender's Information Return for Mortgage Credit Certificates (MCCs). Form 8404......................... Interest Charge on DISC-Related Deferred Tax Liability. Form 8453-B....................... U.S Electing Large Partnership Declaration for an IRS e-file Return. Form 8453-C....................... U.S Corporation Income Tax Declaration for an IRS e-file Return. Form 8453-I....................... Foreign Corporation Income Tax Declaration for an IRS e-file Return. Form 8453-P....................... U.S Partnership Declaration and Signature for Electronic Filing. Form 8453-PE...................... U.S Partnership Declaration for an IRS e-file Return. Form 8453-S....................... U.S S Corporation Income Tax Declaration for an IRS e-file Return. Form 8453-X....................... Political Organization Declaration for Electronic Filing of Notice of Section 527 Status. Form 851.......................... Affiliations Schedule. Form 8586......................... Low-Income Housing Credit. Form 8594......................... Asset Acquisition Statement Under Section 1060. Form 8609......................... Low-Income Housing Credit Allocation and Certification. Form 8609-A....................... Annual Statement for Low-Income Housing Credit. Form 8610......................... Annual Low-Income Housing Credit Agencies Report. [[Page 50754]] Form 8610 (SCH A)................. Carryover Allocation of Low-Income Housing Credit. Form 8611......................... Recapture of Low-Income Housing Credit. Form 8621......................... Return By Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. Form 8621-A....................... Return by a Shareholder Making Certain Late Elections to End Treatment as a Passive Foreign Investment Company. Form 8655......................... Reporting Agent Authorization. Form 8693......................... Low-Income Housing Credit Disposition Bond. Form 8697......................... Interest Computation Under the Look- Back Method for Completed Long-Term Contracts. Form 8703......................... Annual Certification of a Residential Rental Project. Form 8716......................... Election To Have a Tax ***Year*** Other Than a Required Tax ***Year***. Form 8752......................... Required ***Payment*** or Refund Under Section 7519. Form 8804......................... Annual Return for Partnership Withholding Tax (Section 1446). Form 8804 (SCH A)................. Penalty for Underpayment of Estimated Section 1446 Tax for Partnerships. Form 8804-W....................... Installment ***Payments*** of Section 1446 Tax for Partnerships. Form 8805......................... Foreign Partner's Information Statement of Section 1446 Withholding tax. Form 8806......................... Information Return for Acquisition of Control or Substantial Change in Capital Structure. Form 8810......................... Corporate Passive Activity Loss and Credit Limitations. Form 8813......................... Partnership Withholding Tax ***Payment*** Voucher (Section 1446). Form 8816......................... Special Loss Discount Account and Special Estimated Tax ***Payments*** for Insurance Companies. Form 8819......................... Dollar Election Under Section 985. Form 8820......................... Orphan Drug Credit. Form 8822B........................ Change of Address--Business. Form 8824......................... Like-Kind Exchanges. Form 8825......................... Rental Real Estate Income and Expenses of a Partnership or an S Corporation. Form 8826......................... Disabled Access Credit. Form 8827......................... Credit for Prior ***Year*** Minimum Tax- Corporations. Form 8832......................... Entity Classification Election. Form 8833......................... Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b). Form 8835......................... Renewable Electricity, Refined Coal, and Indian Coal Production Credit. Form 8838......................... Consent to Extend the Time To Assess Tax Under Section 367-Gain Recognition Agreement. Form 8838-P....................... Consent To Extend the Time To Assess Tax Pursuant to the Gain Deferral Method (Section 721(c)). Form 8842......................... Election to Use Different Annualization Periods for Corporate Estimated Tax. Form 8844......................... Empowerment Zone and Renewal Community Employment Credit. Form 8845......................... Indian Employment Credit. Form 8846......................... Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips. Form 8850......................... Pre-Screening Notice and Certification Request for the Work Opportunity Credit. Form 8858......................... Information Return of U.S Persons With Respect to Foreign Disregarded Entities (FDEs) and Foreign Branches (FBs). Form 8858 (SCH M)................. Transactions Between Foreign Disregarded Entity of a Foreign Tax Owner and the Filer or Other Related Entities. Form 8864......................... Biodiesel and Renewable Diesel Fuels Credit. Form 8865......................... Return of U.S Persons With Respect to Certain Foreign Partnerships. Form 8865 (SCH H)................. Acceleration to Gain Deferral Method Under Section 721(c). Form 8865 (SCH G)................. Statement of Application for the Gain Deferral Method Under Section. Form 8865 (SCH K-1)............... Partner's Share of Income, Credits, Deductions, etc. Form 8865 (SCH O)................. ***Transfer*** of Property to a Foreign Partnership. Form 8865 (SCH P)................. Acquisitions, Dispositions, and Changes of Interests in a Foreign Partnership. Form 8866......................... Interest Computation Under the Look- Back Method for Property Depreciated Under the Income Forecast Method. Form 8869......................... Qualified Subchapter S Subsidiary Election. Form 8871......................... Political Organization Notice of Section 527 Status. Form 8872......................... Political Organization Report of Contributions and Expenditures. Form 8873......................... Extraterritorial Income Exclusion. Form 8874......................... New Markets Credit. Form 8875......................... Taxable REIT Subsidiary Election. Form 8878-A....................... IRS e-file Electronic Funds Withdrawal Authorization for Form 7004. Form 8879-B....................... IRS e-file Signature Authorization for Form 1065-B. Form 8879-C....................... IRS e-file Signature Authorization for Form 1120. Form 8879-I....................... IRS e-file Signature Authorization for Form 1120-F. Form 8879-PE...................... IRS e-file Signature Authorization for Form 1065. Form 8879-S....................... IRS e-file Signature Authorization for Form 1120S. Form 8881......................... Credit for Small Employer Pension Plan Startup Costs. Form 8882......................... Credit for Employer-Provided Childcare Facilities and Services. Form 8883......................... Asset Allocation Statement Under Section 338. Form 8884......................... New York Liberty Zone Business Employee Credit. Form 8886......................... Reportable Transaction Disclosure Statement. Form 8886-T....................... Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction. Form 8893......................... Election of Partnership Level Tax Treatment. Form 8894......................... Request to Revoke Partnership Level Tax Treatment Election. Form 8896......................... Low Sulfur Diesel Fuel Production Credit. Form 8900......................... Qualified Railroad Track Maintenance Credit. Form 8902......................... Alternative Tax on Qualified Shipping Activities. [[Page 50755]] Form 8903......................... Domestic Production Activities Deduction. Form 8906......................... Distilled Spirits Credit. Form 8907......................... Nonconventional Source Fuel Credit. Form 8908......................... Energy Efficient Home Credit. Form 8909......................... Energy Efficient Appliance Credit. Form 8910......................... Alternative Motor Vehicle Credit. Form 8911......................... Alternative Fuel Vehicle Refueling Property Credit. Form 8912......................... Credit to Holders of Tax Credit Bonds. Form 8916......................... Reconciliation of Schedule M-3 Taxable Income with Tax Return Taxable Income for Mixed Groups. Form 8916-A....................... Supplemental Attachment to Schedule M-3. Form 8918......................... Material Advisor Disclosure Statement. Form 8923......................... Mining Rescue Team Training Credit. Form 8925......................... Report of Employer-Owned Life Insurance Contracts. Form 8926......................... Disqualified Corporate Interest Expense Disallowed Under Section 163(j) and Related Information. Form 8927......................... Determination Under Section 860(e)(4) by a Qualified Investment Entity. Form 8930......................... Qualified Disaster Recovery Assistance Retirement Plan Distributions and Repayments. Form 8931......................... ***Agricultural*** Chemicals Security Credit. Form 8932......................... Credit for Employer Differential Wage ***Payments***. Form 8933......................... Carbon Dioxide Sequestration Credit. Form 8936......................... Qualified Plug-In Electric Drive Motor Vehicle Credit. Form 8937......................... Report of Organizational Actions Affecting Basis. Form 8938......................... Statement of Foreign Financial Assets. Form 8941......................... Credit for Small Employer Health Insurance Premiums. Form 8942......................... Application for Certification of Qualified Investments Eligible for Credits and Grants Under the Qualifying Therapeutic Discovery Project. Form 8947......................... Report of Branded Prescription Drug Information. Form 8949......................... Sales and Other Dispositions of Capital Assets. Form 8966......................... FATCA Report. Form 8966-C....................... Cover Sheet for Form 8966 Paper Submissions. Form 8990......................... Limitation on Business Interest Expense IRC 163(j). Form 8991......................... Tax on Base Erosion ***Payments*** of Taxpayers with Substantial Gross Receipts. Form 8992......................... U.S Shareholder Calculation of Global Intangible Low-Taxed Income (GILTI). Form 8993......................... Section 250 Deduction for Foreign- Derived Intangible Income (FDII) and Global Intangible Low-Taxed Income (GILTI). Form 8994......................... Employer Credit for Paid Family and Medical Leave. Form 8996......................... Qualified Opportunity Fund. Form 926.......................... Return by a U.S Transferor of Property to a Foreign Corporation. Form 965.......................... Corporate and Real Estate Investment Trust (REIT) Report of Net 965 Tax Liability and REIT Report of Net 965 Inclusion. Form 965 B........................ Corporate and Real Estate Investment Trust (REIT) Report of Net 965 Tax Liability and REIT Report of Net 965 Inclusion. Form 965 (SCH-A).................. U.S Shareholder's Section 965(a) Inclusion Amount. Form 965 (SCH-B).................. Deferred Foreign Income Corporation's Earnings and Profits. Form 965 (SCH-C).................. U.S Shareholder's Aggregate Foreign Earnings and Profits Deficit. Form 965 (SCH-D).................. U.S Shareholder's Aggregate Foreign Cash Position. Form 965 (SCH-E).................. U.S Shareholder's Aggregate Foreign Cash Position Detail. Form 965 (SCH-F).................. Foreign Taxes Deemed Paid by Domestic Corporation. Form 965 (SCH-G).................. Foreign Taxes Deemed Paid by Domestic Corporation (U.S shareholder's tax ***year*** ending in 2017). Form 965 (SCH-H).................. Disallowance of Foreign Tax Credit and Amounts Reported on Forms 1116 and 1118. Form 966.......................... Corporate Dissolution or Liquidation. Form 970.......................... Application to Use LIFO Inventory Method. Form 972.......................... Consent of Shareholder to Include Specific Amount in Gross Income. Form 973.......................... Corporation Claim for Deduction for Consent Dividends. Form 976.......................... Claim for Deficiency Dividends Deductions by a Personal Holding Company, Regulated Investment Company, or Real Estate Investment Trust. Form 982.......................... Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment). Form SS-4......................... Application for Employer Identification Number. Form SS-4PR....................... Solicitud de N[uacute]mero de Identificaci[oacute]n Patronal (EIN). Form T (TIMBER)................... Forest Activities Schedule. Form W-8BEN....................... Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding. Form W-8BEN(E).................... Certificate of Entities Status of Beneficial Owner for United States Tax Withholding (Entities). Form W-8ECI....................... Certificate of Foreign Person's Claim That Income is Effectively Connected With the Conduct of a Trade or Business in the United States. Form W-8IMY....................... Certificate of Foreign Intermediary, Foreign Flow-Through Entity, or Certain U.S Branches for United States Tax Withholding. ------------------------------------------------------------------------ [[Page 50756]] [FR Doc. 2018-21846 Filed 10-5-18; 8:45 am] BILLING CODE 4830-01-P

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[***Kazakhstan: Staff Concluding Statement of an IMF Staff Visit***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TVM-9351-F0YC-N27Y-00000-00&context=1516831)

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**Body**

Washington, D.C : The International Monetary Fund has issued the following press release:

An IMF staff team visited Kazakhstan during November 6-14, 2018 to review developments, prospects, and policies. Discussions focused on the outlook and risks, monetary policy and operations, the financial sector, budget execution, the 2019 budget, the fiscal framework, and structural reforms. The team thanks the authorities and other counterparts for excellent cooperation and productive discussions.

**Developments and outlook**

1. Growth was strong in the first half of 2018 at 4.2 percent, led by manufacturing, oil, and a recovery of credit growth. With base effects from high growth in late 2017, the team forecasts growth of 3.7 percent in 2018, and as oil production gains moderate, 3.1 percent in 2019. Inflation has come down to 5.3 percent in October. Stronger exports, especially oil, have supported improvement of the current account. For the medium term, the team projects a pickup of non-oil growth to 4 percent, reflecting structural reforms and financial sector repair. Risks are from lower commodity prices, geopolitical and trade tensions affecting major trading partners, and possible gaps in implementation of reforms.

**Monetary and exchange rate (ER) policy**

2. Monetary policy has continued to focus on price stability. With favorable inflation dynamics, the NBK cut interest rates until October, when the policy rate was raised, due to an escalation of inflation risks, including from ER developments. The tenge has been under pressure recently, mainly reflecting spillovers from Russia. The NBK stayed out of the FX market until September, when it sold FX due to severe short-term pressures. This was appropriate, given that the pressures appeared to be transitory. Also, in the team’s view, the latest policy rate decision was justified, given risks, both domestic (wage increases and other fiscal initiatives) and external, and expected ER pass-through to prices. The decision sent an important signal that monetary policy remains focused on price stability. The team also welcomes publication of new data and other information by the NBK.

3. A key challenge is to improve monetary transmission. The NBK has successfully managed a structural liquidity surplus through its notes, which have proven to be an effective instrument. Staff sees merit in their continued use, especially as they are tradeable and can be pledged in repo transactions. To promote enhanced liquidity management by banks, the NBK could move from daily note auctions to lower frequency issuance of 7-day notes.

4. The pass-through of NBK policy rate reductions to lending and deposit rates has been limited, and credit growth has been under pressure of structural changes in the banking sector. This has intensified calls for state intervention to provide cheaper, longer-term loans to businesses and households. Examples include the “7-20-25” mortgage ***program***, a KZT 200 billion bank bond ***program***, and a new initiative to provide KZT 600 billion for sectoral projects. While the team understands the case for actions to overcome obstacles and lower borrowing costs, support should be targeted and temporary and come from the budget, not the NBK or the pension fund (UAPF). Scale and timing are important too: credit is picking up and a further boost could fuel inflation. Credit subsidies introduce distortions and run counter to the strategic goal of reducing the footprint of the state in the economy. Also, the case for new state measures is diminished by abundant bank liquidity. Work should continue to enhance banking sector stability. Increased confidence in banks would lower uncertainty and reduce deposit volatility, supporting channeling of longer-term liquidity to the real economy.

**Financial sector**

5. Assisted by the NBK’s Bank Recovery ***Program*** (BRP), banking system stability has been preserved. Capitalization, asset quality, liquidity, and profitability have all been improving. Accounting for the significant write-off of nonperforming loans, there has been an increase in credit, particularly retail loans. In the past few months, the NBK rightly revoked the licenses of several small banks for systematic non-compliance with prudential requirements. However, the recent additional financial support for Tsesna Bank raises concerns. Difficulties at Tsesna Bank led to purchase of KZT 450 billion of bad assets by the Problem Loan Fund (PLF) at face value. Tsesna’s shareholders remain in place, having agreed to provide new share capital. We understand that the bank is now undergoing much needed, comprehensive restructuring, including improved credit risk management.

6. A decisive strengthening of banks will require continuous efforts. Following recent legal changes, the NBK must use effectively its new supervisory powers, shifting to risk-based supervision. The NBK’s aim to complement the roll-out of risk-based supervision with an external asset quality review (AQR) of banks is commendable. An AQR is a key tool to assess capital adequacy of banks and establish follow-up actions. Also, as the team has noted in the past, state support to banks is justified only for systemic, viable banks, and should be linked to strict conditions on loss recognition before state capital is added (so that shareholders are not bailed out), a robust restructuring plan and corporate governance, enhanced supervision, and transparency.

**Capital markets**

7. The launch of the Astana International Financial Center (AIFC) provides an opportunity to deepen capital markets. AIFC is expected to handle initial public offerings (IPOs) of a several major state-owned enterprises in 2018-20 and to take the lead role in the government securities market. The operation of two exchanges with potentially overlapping traded instruments risks confusion and distortions. The team urges all stakeholders (government, NBK, AIFC, KASE) to lay out a clear vision for market operations and development. The vision should extend to pensions, where discussions on reintroducing private pension management have been underway. A clear statement by government and the NBK on objectives, principles, and plans in the pension area would be helpful.

**Fiscal policy**

8. With economic recovery, fiscal policy is rightly focused on adjustment and rebuilding of buffers, following implementation of large-scale economic support measures in 2014-17 (Nurly Zhol, Nurly Zher) and support for banks. Revenues are expected to increase in 2018, reflecting the improved economic environment, higher oil production and prices, and measures to strengthen administration and collections. Spending is set to remain broadly constant in nominal terms, allowing for a lower non-oil deficit and an increase of balances in the National Fund (NFRK).

9. The 2019 budget continues consolidation, while making room for new initiatives announced in September by the President. The budget envisages higher VAT and corporate income tax revenues. Increases of personal income tax rates for higher-income earners were reviewed and postponed, due to concerns with evasion and collections. On spending, wage increases will take place, along with higher social spending and support for SMEs and the agro-industrial and manufacturing sectors. The budget is in line with the deficit-reduction and buffer-rebuilding path in the 2016 NFRK concept.

10. The team broadly supports the policies in the draft budget, although it notes that a relaxation in 2019-21 relative to the previous baseline—reflecting higher wages and sectoral support—comes at a time of higher oil prices. While the medium-term consolidation is set to continue, the relaxation raises concern with procyclical policies and vulnerability to oil price changes. The team welcomes the authorities’ ambitious tax administration reforms and continues to see merit in greater tax progressivity. The team is concerned with the relatively low level of capital spending going forward. This could adversely affect medium-term growth. The move into PPPs in health, education and other areas could bring benefits (innovation, services, lower costs), if PPPs are carefully designed and managed to limit risks. Further efforts should be made in aligning the fiscal framework to best practices, especially in budget formulation and reporting. Risk management and transparency should be strengthened.

**Structural reforms**

11. The authorities rightly aim to reduce the state’s footprint and diversify the economy by improving the business environment, making public administration more service-oriented and efficient, investing in enabling infrastructure (transport, IT), and undertaking PPPs. These efforts represent a transition from substantial state support in recent ***years***. Decisive implementation is needed. Privatization is advancing, with over 400 firms sold since 2016, and hundreds more undergoing liquidation. High-quality IPOs of “blue-chip” state companies in natural resources, electricity, transportation, and communications will be key to show commitment and build confidence. Special attention should be paid to ***agriculture***, where poor risk management, ineffective operations, and high indebtedness have placed pressure on banks, notably Tsesna. The sector should be transformed to become an engine of investment, exports, and growth. More generally, structural reforms should aim to increase Kazakhstan’s attractiveness to foreign investors.

**Article IV consultation**

12. The team proposes that the 2019 Article IV consultation mission be held in April or May, with possible focus areas being further strengthening of the monetary policy operations and the inflation-targeting framework, continuing financial sector repair and deepening, the fiscal framework, and wage policy and competitiveness. The IMF has launched a new initiative for all member countries on strengthening governance and addressing corruption risks, and the team will also focus on this area.

**Concluding remarks**

13. The authorities are rightly making the transition from strong state support to the economy in response to the difficult economic environment in 2014-17. The pickup of oil prices has provided more breathing room, but also raised risks of complacency and pro-cyclical policies. Challenges include: (i) continuing development of the inflation-targeting framework; (ii) moving decisively past longstanding weaknesses among Kazakhstan’s banks; (iii) scaling back fiscal support to the economy, while increasing non-oil revenues and improving the quality of spending; (iv) addressing fiscal risks (including from external shocks, guarantees, state-owned enterprises, PPPs, PLF); (v) and diversifying the economy and fostering the emergence of new sources of private-sector growth, especially in ***agriculture*** and services. The authorities appreciate these challenges and have devised appropriate policies. Implementation will be key. Cooperation with the IMF has been excellent, and the Fund stands ready to provide further policy advice and TA in areas such as monetary operations, modeling and communications, banking supervision and regulation, asset management, tax policy and revenue administration, public finance management and the fiscal framework, fiscal risks and transparency, and PPPs.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Table 1. Kazakhstan: Selected Economic Indicators, 2016?2022 |  |  |  |  |  |  |  |
|  | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|  |  |  | Projections |  |  |  |  |
|  | (Annual percent change, unless otherwise indicated) |  |  |  |  |  |  |
| National accounts and prices |  |  |  |  |  |  |  |
| Real GDP | 1.1 | 4.0 | 3.7 | 3.2 | 3.2 | 3.3 | 3.3 |
| Real oil | -1.2 | 10.7 | 3.1 | 1.2 | 1.1 | 1.1 | 1.1 |
| Real non-oil | 1.8 | 1.9 | 3.9 | 3.9 | 3.9 | 4.0 | 4.0 |
| Real consumption | 1.6 | 1.7 | 2.9 | 3.2 | 3.1 | 3.5 | 3.0 |
| Real investment | 2.7 | 2.5 | 2.8 | 3.4 | 3.8 | 3.2 | 4.0 |
| Real exports | -4.4 | 2.3 | 4.3 | 3.0 | 3.0 | 3.1 | 3.2 |
| Real imports | -1.9 | -4.4 | 1.3 | 3.0 | 3.4 | 3.3 | 3.2 |
| Output gap (in percent of potential GDP) | -1.8 | -1.2 | -0.7 | -0.5 | -0.3 | 0.1 | 0.5 |
| Consumer price index (eop) | 8.5 | 7.1 | 6.2 | 5.5 | 4.4 | 4.3 | 4.0 |
| GDP deflator | 13.7 | 6.4 | 10.9 | 5.2 | 3.7 | 3.9 | 4.4 |
| Official exchange rate (Tenge per U.S dollar; eop) | -1.8 | -0.3 | ? | ? | ? | ? | ? |
|  | (In percent of GDP, unless otherwise indicated) |  |  |  |  |  |  |
| General government fiscal accounts |  |  |  |  |  |  |  |
| Revenues and grants | 16.1 | 18.8 | 20.2 | 21.0 | 21.4 | 21.1 | 21.0 |
| Oil revenues | 4.1 | 6.2 | 7.5 | 7.5 | 7.6 | 7.0 | 6.4 |
| Non-oil revenues | 12.0 | 12.6 | 12.8 | 13.5 | 13.9 | 14.2 | 14.6 |
| Of which : Income Tax | 5.5 | 5.9 | 6.4 | 6.4 | 6.4 | 6.4 | 6.4 |
| VAT | 3.2 | 3.2 | 3.1 | 3.4 | 3.6 | 3.7 | 3.8 |
| Expenditures and net lending | 21.5 | 25.2 | 19.6 | 18.9 | 19.1 | 19.0 | 19.0 |
| Current expenditure 1/ | 18.0 | 21.3 | 16.7 | 16.1 | 16.2 | 16.1 | 16.0 |
| Of which : Wages | 2.9 | 2.7 | 2.6 | 2.8 | 2.9 | 2.8 | 2.9 |
| Goods and services | 6.1 | 6.2 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| Financial support to SOEs, banks and the Problem Loan Fund | 0.0 | 4.0 | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net ***transfers*** to other levels of government | 0.0 | 0.0 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 |
| Capital expenditure | 2.8 | 3.3 | 2.5 | 2.3 | 2.4 | 2.4 | 2.5 |
| Overall fiscal balance | -5.4 | -6.5 | 0.6 | 2.1 | 2.3 | 2.2 | 2.0 |
| Excluding the financial support to SOEs and banks | -5.4 | -2.5 | 1.4 | 2.1 | 2.3 | 2.2 | 2.0 |
| Statistical discrepancy | -0.1 | -2.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financing 2/ | 5.3 | 4.5 | -0.6 | -2.1 | -2.3 | -2.2 | -2.0 |
| Domestic financing | 2.1 | 2.3 | -0.1 | -0.5 | -0.5 | -0.5 | -0.5 |
| Foreign financing | 1.6 | 0.4 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 |
| NFRK (net) | 1.7 | 1.8 | -0.7 | -1.7 | -1.9 | -1.8 | -1.6 |
| Gross public debt (percent of GDP) | 19.7 | 20.8 | 18.1 | 16.3 | 14.8 | 13.4 | 12.0 |
| Non-oil fiscal balance (percent of GDP) | -9.5 | -12.7 | -6.9 | -5.4 | -5.2 | -4.8 | -4.4 |
| Non-oil fiscal balance (percent of non-oil GDP) | -11.8 | -15.8 | -9.1 | -7.0 | -6.6 | -5.9 | -5.3 |
| Structural non-oil fiscal balance (percent of non-oil GDP) | -12.0 | -10.7 | -9.0 | -7.1 | -6.8 | -6.2 | -5.9 |
|  | (Annual percent change, eop, unless otherwise indicated) |  |  |  |  |  |  |
| Monetary accounts 3/ |  |  |  |  |  |  |  |
| Reserve money | 8.7 | 7.3 | 7.0 | 8.1 | 7.0 | 7.7 | 7.9 |
| Broad money | 15.6 | -1.7 | 2.4 | 10.1 | 8.1 | 8.5 | 9.2 |
| Credit to the private sector | 0.1 | 0.9 | 0.4 | 10.3 | 10.3 | 10.7 | 11.2 |
| Credit to the private sector (percent of GDP) | 29.6 | 27.0 | 23.6 | 23.9 | 24.7 | 25.5 | 26.2 |
| NBK policy rate (eop; percent) 4/ | 12.0 | 10.3 | 9.3 | ? | ? | ? | ? |
|  | (In billions of U.S dollars, unless otherwise indicated) |  |  |  |  |  |  |
| External accounts |  |  |  |  |  |  |  |
| Current account balance (percent of GDP) | -6.5 | -3.4 | -0.7 | -0.3 | -0.4 | -0.4 | -0.4 |
| Exports of goods and services | 43.6 | 55.9 | 69.4 | 70.9 | 71.4 | 72.1 | 73.3 |
| Oil and gas condensate | 19.3 | 26.6 | 37.1 | 37.4 | 36.2 | 35.1 | 34.5 |
| Non-oil exports and services | 24.3 | 29.3 | 32.3 | 33.5 | 35.2 | 37.0 | 38.9 |
| Imports of goods and services | 39.1 | 43.0 | 45.9 | 47.0 | 48.5 | 50.1 | 51.5 |
| NBK gross reserves (eop) | 29.7 | 30.7 | 30.2 | 31.1 | 32.1 | 33.1 | 34.1 |
| NFRK assets (eop) | 61.2 | 58.3 | 59.5 | 62.9 | 67.0 | 70.9 | 74.9 |
| Total external debt (percent of GDP) 5/ | 119.0 | 104.9 | 96.8 | 94.6 | 93.2 | 91.0 | 88.1 |
| Excluding intracompany debt (percent of GDP) | 42.9 | 39.6 | 36.1 | 35.9 | 36.8 | 37.0 | 36.6 |
| Memorandum items: |  |  |  |  |  |  |  |
| Nominal GDP (in billions of tenge) | 46,971 | 51,967 | 59,790 | 64,912 | 69,489 | 74,579 | 80,417 |
| Nominal GDP (percentage change) | 14.9 | 10.6 | 15.1 | 8.6 | 7.1 | 7.3 | 7.8 |
| Nominal GDP (in billions of U.S dollars) | 137.3 | 159.4 | 183.8 | 195.3 | 209.1 | 224.4 | 242.0 |
| Total Gross ***Transfers*** from the NFRK (in billions of U.S dollars) | 8.3 | 10.2 | 8.0 | 6.9 | 6.0 | 6.0 | 6.0 |
| Exchange rate (tenge per U.S dollar; eop) 6/ | 333.3 | 332.3 | 372.7 | ? | ? | ? | ? |
| Saving-Investment balance (percent of GDP) | -6.5 | -3.4 | -0.7 | -0.3 | -0.4 | -0.4 | -0.4 |
| Crude oil, gas cnds. production (millions of barrels/day) 7/ | 1.62 | 1.79 | 1.85 | 1.87 | 1.89 | 1.92 | 1.94 |
| Oil price (in U.S dollars per barrel) | 42.8 | 52.8 | 69.4 | 68.8 | 65.7 | 63.1 | 61.3 |
| Sources: Kazakhstani authorities and Fund staff estimates and projections. 1/ For 2015 it includes a ***transfer*** of USD 4.5 billion (2.4 percent of GDP) to KazMunaiGaz to make external debt ***payments***. For 2017 it includes the support of the banking sector of about $6.4 (4 percent GDP) billion. For 2018 it includes a ***transfer*** of Tenge 450 billion (0.8 percent of GDP) to the Problem Loan Fund. 2/ Does not include revenues from IPOs 3/ The presentation of monetary accounts has been revised based on Standardized Report Form (SRF). Transactions carried out by the NBK on behalf of the government; in particular, custodian transactions related to the NFRK management are excluded. Credit to the private sector comprises credit to non-financial private enterprises and other resident sectors (mainly households). 4/ Refinancing rate through 2014 and base interest rate of the NBK from 2015. For 2018, latest available observation. 5/ Gross debt, including arrears and other short-term debt. 6/ Latest available observation. 7/ Based on a conversion factor of 7.6 barrels of oil per ton. |  |  |  |  |  |  |  |

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**Highlight:** At least 300 producers have some degree of presence in Uzbekistan's pharmaceutical market and there are around 125 licensed producers. The Tashkent International Healthcare Exhibition in April 2017 attracted more than 200 companies from 18 countries, including both pharmaceutical and medical device manufacturers, providing some additional rough indication of interest in the sector. Most exhibitors (59%) were from foreign countries, including Austria, Belarus, Belgium, the UK, Germany, India, China and Italy.

**Body**

At least 300 producers have some degree of presence in Uzbekistan's pharmaceutical market and there are around 125 licensed producers. The Tashkent International Healthcare Exhibition in April 2017 attracted more than 200 companies from 18 countries, including both pharmaceutical and medical device manufacturers, providing some additional rough indication of interest in the sector. Most exhibitors (59%) were from foreign countries, including Austria, Belarus, Belgium, the UK, Germany, India, China and Italy.A presidential decree issued in April 2010 limits the validity of licences for pharmaceutical manufacturing to five ***years***, whereas in the past they were indefinite. Despite the general opacity of the market, we believe there are a large number of dormant or marginal producers and that this re-licensing provision may push some out of the market.In fact, as of July 2015, Uzbekistan's pharmaceutical industry includes 146 local producers (132 manufacturers of medicines, seven manufacturers of diagnostic tools and seven manufacturers of medical supplies) - as reported by Uzbekistan's authorities at the bilateral Swiss-Uzbek business forum held on July 1 2015 in Zurich, Switzerland. Despite the challenging business environment, foreign firms are present in Uzbekistan's pharmaceutical market.

The government has tried to push through localisation; however, domestically manufactured medicines cater to only 32% of total drug demand by volumes. According to data reported in July 2015 by Uzbekistan authorities, out of the 7,214 registered drugs in the country, only 1,446 are produced domestically.Despite this, by the end of 2010, over 30 companies from 14 countries had made investments into Uzbekistan's pharmaceutical industry, with a total worth of USD10.6mn. In 9M13, investments in the pharmaceutical industry reached around USD200mn, including USD50mn of foreign direct investment (FDI). Official sources suggest that investments in the sector stood at around USD300mn in November 2014. Turkish and Indian firms have been leading foreign investors. Investments in the pharmaceutical industry are estimated to rise to around USD317mn in 2015, according to the UN Development ***Programme*** and Uzpharmasanoat. The government's ***Programme*** on Priorities of Industrial Development of Uzbekistan in 2011-2015 aims to implement 28 new projects worth USD284.2mn, and launch a number of new drugs by the Uzpharmsanoat companies as part of its ***Programme*** for Development of Pharmaceutical Sector. Investments between 2007 and 2012 under the Uzpharmasanoat holding stood at USD127mn (87.8% based on local bank loans and the companies own resources, with foreign direct investment accounting for the remainder). Foreign capital has a 69% share in the structure of pharmaceutical companies in the country, with local investors accounting for the remainder. In 2012, major FDI operations in the pharmaceutical industry in Uzbekistan were dominated by the UK (60%), Turkey (26%), India (12.5%) and Germany (1.5%).Research-Based IndustryLimited expertise, outdated infrastructure and a weak regulatory environment have mitigated the development of research-based pharmaceutical capacity in the country. The government focus on boosting generics production to meet basic pharmaceutical needs and to increase drug export has driven several manufacturing developments in Uzbekistan in recent ***year***, including through joint ventures (JVs) with foreign players. Innovative or patented drugs, which account for around 30% of the pharmaceutical market in value terms, are to a large extent supported through imports.In fact, relatively high rates of economic growth, rising wages and government investment in healthcare modernisation, are starting to be reflected in increasing per-capita drug expenditure, with the most affluent segments of the population driving demand for high-end pharmaceutical products.As pharmaceutical manufacturing capacity continues to be promoted through several state incentives, including improvements in the regulatory environment and policies aimed at attracting foreign investment and expertise ***transfer***, the process of scaling up through the value chain in drug manufacturing and production standards will continue over the long term.Generic DrugmakersUzbekistan inherited limited and often run-down production facilities from the Soviet era, and foreign companies have dominated the pharmaceutical market since independence. The government has attempted an import-substitution regime aimed at increasing the domestic share of pharmaceutical supply. This ***programme*** aims to increase self-sufficiency in essential medicines, as well as diversify the domestic economy by boosting currently minimal levels of pharmaceutical exports.Indeed, in January 2014 the Times of Central Asia reported that over 140 Uzbek enterprises are unprofitable, which includes a number of companies involved in the pharmaceutical industry. A technical audit revealed that over 30% of equipment is out of date, posing an obstacle to the domestic production and manufacture of medicines.Current import substitution policy seeks to increase the volume of the market covered by domestic producers from around 20% to 50%, mirroring plans in neighbouring Kazakhstan. The ***programme*** is focused on self-sufficiency in the production of essential drugs, vaccines and blood transfusion and infusion systems. Plans include launching the local production of 100 new medicines.Uzbekistan registered an almost two-fold increase in exports of pharmaceutical products in 2013. Pharmaceutical companies in the country produced more than 1,320 types of medicines in 90 pharmacotherapeutic groups and 30 dosage forms, reports Turkistan press. Uzbekistan's pharmaceutical companies attracted a total investment of USD300mn, of which USD100mn was foreign investment from the early 1990s. CIS Pharma reports that those drugs that are currently exported are produced in more than 15 forms distributed by 70 pharmacotherapeutical groups.Pharmaceutical products manufactured in Uzbekistan are mainly exported to Commonwealth of Independent States (CIS) and Baltic countries, including Armenia, Azerbaijan, Afghanistan, Georgia, Kazakhstan, India, Mongolia, Turkmenistan, China and Russia, among others. However, the domestic industry continues to suffer from an influx of higher-quality, more costly medicines from Western European and Central European manufacturers. This is in addition to cheaper drugs from India and China, and growing competition from CIS peers, mainly Russia, Ukraine and Kazakhstan. Traditionally, another problem for local producers has been a lack of domestic capacity to produce active pharmaceutical ingredients (APIs), which are imported primarily from China. For example, Jurabek Laboratories cites import costs of intravenous fluids as particularly expensive citing the added value of production, and the fact that the cost of travel far exceeds that of drugs themselves. Domestic production is therefore providing new opportunities for both producers and consumers.We assert, however, that poor governance and corruption will continue to plague the sector and keep out larger players. At the same time, enormous pent-up demand will feed ongoing - if patchy - modernisation. The major difficulties in the market are a lack of transparency, an absence of independent media and market research sources, and the suppression of debate regarding the best routes for the development of the sector due to widespread political repression.With fixed capital investment growing by 7.2% y-o-y, we expect the sector to benefit from steady government expenditure on fixed investment and infrastructure projects. The government's commitment to modernising the economy and shifting its dependence away from hydrocarbons will play an important role in driving growth. Uzbekistan's pharmaceutical industry was to implement 39 new investment projects to produce 30 new generic drugs for the prevention and treatment of socially significant and socially dangerous diseases. There is a high demand for such products, which come into the country primarily through import contracts.A number of companies have invested in upgrading their facilities, although an unknown number have closed due to the prohibitive costs of modernisation. Other holders of licences may be dormant and the number of companies will fall further following the introduction of rules limiting the validity of pharmaceutical activity licences to five ***years***. The bulk of production facilities and related research institutes fall under the control of Uzpharmsanoat. **Leading Domestic Players** The most dominant company in the production sector is Uzpharmsanoat, which has 85 manufacturing, research and other sites and exports to 12 countries, with earnings totalling USD1.18mn. Uzpharmsanoat has received substantial sums in terms of foreign investment since the mid-1990s, as well as one-off tranches from the state.Domestic producers outside the Uzpharmsanoat holding include Core Pharmsanoat (focusing on oral and intravenous formulations), Turkish-owned Nobelpharmsanoat (parent company Nobel also owns a generic drugs plant in Kazakhstan) and privately held Jurabek Laboratories. UzGerMed Pharm uses German investment for a new plant to produce a variety of generic products in the Tashkent region. In addition, RekomedFarm is producing succinasol, a blood substitute. Nihol Pharmaceuticals manufactures immunobiological compounds. Radix is reportedly producing influenza treatments.

**List Of Companies In Uzpharmsanoat SJSC (As Of October 7 2013)**

| **Research, development and innovation institutes** |  |
| --- | --- |
|  |  |
| Tashkent Research Institute of Vaccines and Serums | Oriental Medicine Research Institute |
| Uzbek Research Institute of Chemistry and Pharmaceutics named after A. Sultanov | Spa Vaccine |
| Manufacturers (medical drugs) |  |
| A.B. Biokom | NovDdeg Pharm |
| Albi-Pharma | Novopharma Plus |
| Amaliy Med Farm | Orom-Biopreparat |
| Codepharm | Plast Pharm Medical |
| Dentafill Plus | Pspe Radiks |
| Galenika | Reka Med Pharm |
| Gufic Avicenna | Remedy |
| Hansang Pharm | Remedy Group |
| Immunomed | Samo |
| Invest Med Pharm Plus | Samsun-Toshkent Pharm Ltd |
| Innekmed Farm | Salubris Vita |
| Jurabek Laboratories | Tashfarma.I. |
| Lafz | Uzgermedpharm |
| Lekinterkaps | Ultra Health Care |
| Merrymed Farm | Ziyo Nur Farm |
| Nika Pharm | OZkimyofarm |
| Nobelpharmsanoat | Laxisam Pharmaceuticals |
| Manufacturers (vaccines, serums and diagnostics) |  |
| Armenia | OjscUzbiopharm |
| Bibinor | Iparbiointer |
| Olam |  |
| Manufacturers (dressing materials) |  |
| Elastikum | Xabibullo Global |
| Manufacturers (supplementary materials) |  |
| Agro Plast Polimer | Tb Farm Plast |
| Flex Pharm | Tubex |
| Galen Med Pharm | Med Standard Glass |
| Makrofarm-Optima | Mohir Bek |
| Nasa | Campalia |
| Rahim Farm Group |  |
| Manufacturers (other product types) |  |
| Agro Bio Kimyo | Ortopediya-Industriya |
| Oil Neft | ***Agricultural*** Company Xorazm Fito Farm |
| Bio Chemical | Vitotex Plus |
| Asia Trade | Xamidobod Imkon |
| Magnum Medikal Servis | Uzgersov |
| Ekoplast Systems | Chori Plast |
| Cultivation, gathering packaging and/or production of medicinal plants |  |
| Dorivor OSimliklar | Biomir |
| Glycyrrhiza Glabra | Pharm Product |
| ***Agricultural*** Company Shovot Bo'yoni | Narkar Servis |
| Zamona Rano | Mediofarm |
| Wholesale trade of pharmaceutical products |  |
| De Alias Pharma | Sharq Darmon |
| Trade House Alias-Sibir | Sofdil-Fayz |
| Astellas Pharma | Tatmedfarm |
| Bravo Pharm | Sid |
| Fazo-Luxe |  |

Source: The 2013 Investment Guide to Pharmaceutical Industry (Uzbekistan), UN Development ***Programme***, Uzpharmsanoat. **Foreign Pharmaceutical Industry** The 2012 de facto ban on medicine imports, as well as the state's control of pharmaceutical production and procurement, suggests there is little room for drugmakers to enter the market. Given the level of state involvement in the economy, we do not see the government relinquishing control in the short term.Uzbekistan uses an outdated medicine coding system different from the WHO-standardised Anatomical Therapeutic Chemical (ATC) system, under which drugs that are not Uzbek-registered or coded are automatically banned or excluded from hospital and pharmacy purchases. As a result, imports are primarily driven by Uzbek consumers buying drugs in small quantities from neighbouring countries.Investments in the pharmaceutical industry reached around USD200mn, including USD50mn of foreign investment, from 1993 to 2013. Foreign capital has a 69% share in the structure of pharmaceutical companies in the country, with domestic investors accounting for the remainder. In 2011, investment projects conducted in partnership with Uzpharmsanoat included manufacturing of cephalosporins (USD37mn), anti-virals (USD15mn), plasma and blood solutions (USD30mn) and the production of vaccines from biotechnological materials (USD3.2mn).Several foreign companies have a presence in Uzbekistan, with Turkey's Nobel and Singapore's Beacons having developed a substantial manufacturing presence. According to reports in July 2010 Korean Trust Investment Trading has invested in a USD4mn tablet and herbal remedy packaging facility in the Navoi region as part of a JV with Uzpharmsanoat.In September 2011 Nova Pharm, an Indian-Uzbek JV, opened a small, USD2mn production line at a new plant in Termez in the far south of the country. A second line was planned. Initial reports did not specify the types of products to be made by the generic drugs plant. The facility was intended for both the local and export markets - ideally situated for exporting to Afghanistan, as well as Tajikistan; both countries with substantial demand, often funded by international aid organisations.Other CIS companies with branches in Uzbekistan include Russia's Valenta (formerly Otechestvennye Lekarstva), and Ukraine's second largest drugmaker, Arterium. Deva Holding, a local subsidiary of Turkey's EastPharma, opened a representative office in Uzbekistan in January 2008. The office started registering select products from Deva's range of 217 medicines, as well as the products of Saba, the Turkish pharmaceutical producer acquired by EastPharma in May 2007. Deva also has representative offices in other CIS states, namely Russia, Georgia and Azerbaijan.According to media reports in June 2011, Krueger GmbH from Germany was building a USD25mn vitamin plant with a capacity to produce 2mn packages of vitamins a ***year*** in the Uzbek part of the populous Ferghana Valley. The project was a JV, with Uzbekistani institutions providing USD10mn in funds through loans, and Krueger contributing USD15mn.Similarly, according to local media, Indian generic drugmaker Sharon Bio-Medicine announced plans to build a USD37mn antibiotics plant in the Navoi Free Industrial and Economic Zone, in partnership with Uzpharmsanoat. Uzbekistani banks were to provide loans of USD10mn for the project costs. Local media reported in Q412 that another Indian player, Medicamen Biotech, had signed a memorandum of cooperation for the country's first plant specialised in making oncology drugs. The new plant was due to be built in Tashkent with a budget of USD12mn.Other projects include a JV company, UzGerMed Pharm, which involves German investment in a new plant to produce a variety of generic products in the Tashkent region. German company Diecon was building an insulin plant near Tashkent, according to reports in 2011. A small player, RekomedFarm, is producing a blood substitute, succinasol. Radix is reportedly producing influenza treatments.Pharmaceutical DistributionDrug distribution and supply was well developed under Soviet rule. In 1994 the monopoly drug distributor Farmatsiya was part-privatised, becoming Dori-Darmon, a joint stock pharmaceutical wholesaler. Currently, there are around 200 enterprises engaged in drug storage and wholesale.Dori-Darmon, which is part-owned by pharmacists and partly by the state, posted 2010 sales of UZS285.5bn (USD181mn). It operates through eight joint-stock companies and 10 subsidiaries, also controlling over 210 pharmacies and 540 pharmacy branches throughout the country. Some 180 of its pharmacies produce medicines in various forms on the basis of doctors' prescriptions.Dori-Darmon also acts as the main testing centre for mandatory batch testing of imported medicines. It launched an insurance business, DD General Insurance, in Q211, to build on its strong position. Dori used to be the leading supplier of drugs to hospitals. In recent ***years***, however, it has been losing market share to private distributors, and now accounts for around 50% of all hospital purchases, according to WHO data. Privately held Asklepiy Pharmaceutical Company is increasingly challenging Dori-Darmon's position as the leading distributor of medicines.Apart from Asklepiy, main distributors include Lahisam, which was established in 1994, and Ajanta Pharma (a subsidiary of Surkhan Ajanta Pharma) and Reddy Pharmamed (a subsidiary of Indian generic drugs specialist Dr Reddy's, which also has local production facilities). Nika Pharm Service is another large distributor and is working as the local partner for Singapore's Beacons.The other key supplier of the public sector is privately owned Uzmedtechnika, which previously accounted for only 10% of pharmaceutical supplies to public-sector healthcare institutions. Responsible for the public-sector purchasing of foreign drugs, the firm should benefit from investments in healthcare system modernisation. As its name suggests, it is also responsible for purchasing medical equipment for state-owned healthcare institutions, a major focus for current healthcare spending. The Sanitary-Epidemiological Services are responsible for direct distribution of vaccines to hospitals and clinics.Pharmaceutical Retail SectorUzbekistan has around 3,500 pharmacies, most of which have been privatised. Private distributors mostly supply private pharmacists, polyclinics and private doctors' practices. The vast majority of drugs dispensed in pharmacies now incur out-of-pocket ***payments***, with many prescription products also available over the counter. Purchasing drugs in the private sector is done on the basis of individual negotiations.E-commerce and mail order systems are not available in Uzbekistan, despite some reported government efforts in this direction, mainly due to low purchasing power and very limited internet penetration. Postal distribution of pharmaceuticals is not regulated, and over-the-counter drugs can be advertised directly to consumers, provided the company receives the approval of the Ministry of Health. Mobile pharmacies, complete with essential equipment, operate in some rural areas of Uzbekistan.

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[***Factors affecting temporary labour migration for seasonal work: a review***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5YJX-P231-DY4C-F124-00000-00&context=1516831)

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**ABSTRACT**

Purpose

Seasonal labour migration is a common form of temporary migration where the work of the migrant labour depends on seasonal conditions and is performed only during that period of ***year***. This paper aims to identify the factors and subfactors of temporary labour migration from the existing literature.

Design/methodology/approach

The paper is based on an extensive review of the literature on temporary labour migration. Studies done from 1990 to 2016 were considered for review. The literatures from research articles, book chapters, working papers, conference papers and field-based project reports from various disciplines, like economics, sociology, anthropology, psychology and management studies were reviewed for critically analysing various factors affecting seasonal labour migration.

Findings

A total of five key factors and 60 subfactors of temporary labour migration were documented from previous studies. The findings of the study are organized under five thematic segments: economic factors, social factors, environmental factors, policy-related factors and psychological factors New aspects of seasonal migration were identified such as “role of labour contractors ”, “inter-generational mobility”, “social networks”, “grassroot politics”, “migrant’s relationship with the agents”, “labour registration process”, “market intervention” and “civil society intervention” after consultation with the subject experts and field study.

Research limitations/implications

The paper restricts itself to include aspects of temporary labour migration. Only the factors and subfactors affecting temporary migration are taken into purview. Further the findings of the paper can be empirically tested to know the significance of each factor and subfactor.

Practical implications

The paper has implications for better understanding of the temporary labour migration process in different context by focussing extensively on the factors of migration. The factors identified can be empirically tested in regional and local context, which would provide effective insights for policy formulation for the welfare and protection of the migrant workers.

Originality/value

The paper fulfils an identified need to provide a holistic review for understanding and documenting various factors and subfactors that affect the process of temporary labour migration.

**1. Introduction**

The changes in composition and distribution of population are the result of three processes, namely, fertility, mortality and migration. Fertility and mortality are operated by biological and demographic determinants, while migration is operated by social, economic, political, demographic, environmental and institutional determinants. Migration between origin and destination has been facilitated by growing interconnectedness of economic, social and cultural aspects. Globalization as a key factor of change has not only increased the flows of finance, trade, ideas and ideology about democratic and economic governance, cultural and media issues but also it has increased the mobility of people across regions (Castles and Miller, 2009). Factors such as rising international and domestic inequalities, persistent demand for cheap migrant labour in the market, rapid population growth and conflict in the developing countries have also facilitated migration (Czaika and Haas, 2014). The International Organization for Migration (IOM) defines migration as a population movement of any kind, including any length, composition and causes within a state or across an international boundary which includes the migration of refugees, displaced persons, economic migrants and persons moving for various other purposes. The number of international migrants has increased over 15 ***years*** from 173 million in 2000 to 244 million in 2015. About two-third of the migrants from the middle-income countries are living in 20 countries of the world (UNDESA, 2016). The International Labour Organization (ILO) has technically differentiated the term migrants, refugees and labour migrants. Migrant is a broader term that includes person moving across international and internal border away from the habitual place of residence whether voluntary or involuntary for short or long period of time. While labour migrants include the people who move across the international and national border for the purpose of employment (ILO, 2013a; 2013b).

Labour migration has emerged as a phenomenon that concerns all regions of the world. People are moving beyond their territory in search of decent work and improved livelihoods. According to the global estimates of ILO on migrant workers, out of 150.3 million migrant workers, 106.8 million migrants are engaged in service sector; 26.7 million in industry, manufacturing and construction; and 16.7 million in ***agriculture*** (ILO, 2013a; 2013b). There has been a sudden increase in temporary labour migration in contrast to permanent migration in the recent times. The temporary labour migration schemes assert return to the origin country after specific period of time (Martin, 2006). Seasonal labour migration is a very common form of temporary migration where the work of the migrant worker depends on seasonal conditions and is performed only during that period of ***year*** (Martin, 2006). The developed countries mostly operate the seasonal workers ***programmes*** to meet the labour shortage in their country (Abella, 2006). Such seasonal migration ***programmes*** are beneficial for both origin and destination and for migrant workers as well. These ***programmes*** helped the destination country to meet the labour requirements for production and increase the capacity of the migrants to compete in the globalized economy and return with remittances and skills which will lead to the growth and development of the origin (Vertovec, 2007). Some countries have introduced temporary labour migration to channelize migrant workers into specific sectors, like the UK’s Former Sectors Based Scheme which was introduced in 2003. The scheme reserved migrant workers in food manufacturing sector and it also restricted mandatory return of the workers after fulfilment of the work contract (ILO, 2006). Despite some potential positive benefits, the seasonal labour migration schemes have failed to protect the rights of the migrant workers. The seasonal migrant workers found it problematic to change their employers or job within the contract period which made them more vulnerable and exploitative (Ruhs, 2006).

**1.1 Temporary labour migration: global context**

Temporary migration or guest worker ***programme*** in the international context emphasizes on the principle of rotation and return. Migrants stay and work abroad for one or more ***years*** and then return to their country. Guest worker ***programmes*** are initiated by the employers who want to employ foreign workers. Distortion by the employer and dependence of the migrants are the factors that allow the temporary migration to increase and last longer than being anticipated (Martin, 2006). It was found that the prime recipients of low-skilled migrants were not the industrial and developed countries, but they were the developing countries (Goldin and Reinert, 2007). The major sources of information on temporary labour migration are World Bank, Organization for Economic Co-operation and Development (OECD), United Nations Population Division and United Nations Department of Economic and Social Affair (UNDESA). The Principle 4 of the multilateral framework of ILO declares that all states have the right to develop their own policy and practices to manage labour migration. Thus, there were several illustrations of temporary labour migration ***programmes*** from various countries like Australia, Canada, Germany, Spain and New Zealand.

Wickramasekara (2012) highlighted some seasonal migration ***programmes*** across the globe. Guest workers ***programme*** in Germany admitted migrants from Europe for six to nine months if the local workers are not available for the vacant jobs in ***agriculture***, forestry, hotel and catering services. The commonwealth Caribbean and Mexican ***Agricultural*** Seasonal Workers ***Programme*** of Canada enabled the farmers in Canada to use foreign workers for eight months and the same workers return ***year*** after ***year*** to work in the ***agricultural*** farms in Canada. Similarly, Spain has a number of temporary labour migrants in Cartaya, for strawberry plantation every season. It developed the circular temporary migration ***programme*** with Morocco, but the return of the migrants was low at the end of the season. Gibson *et al.* (2014) highlighted the New Zealand Recognized Seasonal Employment ***Programme***, which was launched in 2007, for admitting migrants from Pacific countries to work in the horticulture and viticulture industries for a period of seven months.

Guest workers ***programmes*** or seasonal workers ***programmes*** are being criticized at many grounds for failing to meet the development needs. Empirical evidence on the seasonal migration is very scarce because of missing and problematic data (Constant *et al.*, 2013). The period of seasonal work mostly restricted to one ***year*** is too short for the temporary migrants to earn enough for meeting the requirements for investment on home or business (Barber *et al.*, 2005). The remittances earned by the migrants are spent on conspicuous consumption and non-productive investment (Pessar, 2005). Seasonal labour migration in the Indian context is different, because it is internal in nature and takes place within the nation boundary. The large-scale migration for seasonal work in India continues every ***year*** without any standard ***programme*** or policy. The issues of labour rights, low wages, miserable and subjugated conditions of life in the workplace are common problems faced by the seasonal migrants everywhere. But, the issue of illegal and unauthorized mobility is difficult to check in case of migration within nation boundary. This illegal and unauthorized migration makes the seasonal migrants more prone to exploitation at the hands of the employers.

**1.2 Temporary labour migration: Indian scenario**

Labour migration has evolved as a complex and dynamic process to include varied forms of mobility like commuting daily for work, circular short-term migration and permanent migration to distant places to reflect increasing inequalities like agrarian crisis and inadequate livelihood generation in rural India (Karan, 2003). In India, the Census and National Sample Survey Organization (NSSO) are the two authentic sources for providing secondary data on migration, but these surveys fail to capture and represent temporary and seasonal migration for employment and livelihood purposes in the country (Chandrasekhar and Ghosh, 2007). The National Commission on Rural Labour recognized the process of temporary or seasonal migration over ***years*** from rural regions of India because of the absence or lack of employment opportunities, scarcity of natural resources and backwardness of the area. The duration of the stay of migrants in the destination depended on household traits, economic compulsion and availability of employment opportunities and individual choice and preferences (NCRL, 1991). Posthumously, the NSSO, in its 64th Round Survey, introduced the term short-term migrants and defined it as those who stayed away from the native village or town for a period of one month or more but less than six months during past 365 days for the purpose of employment and work (National Sample Survey Organization, 2009).

Seasonal labour migration on the one hand is chiefly driven by pull factors like availability of better employment opportunities, higher wages, accessibility to better education and health facilities and better conditions of living in the destination and push factors like absence and lack of employment opportunities, lower wages, ***agriculture*** distress, natural calamities and disaster in the origin (De Haan, 1999). Seasonal migration has been a survival, coping and accumulative strategy for the poor in the rural areas to manage risks, meet the consumption needs and augment the income and living standard in the origin area (Deshingkar *et al.*, 2009). Seasonal migrants constitute an invisible and floating population shifting between origin and destination areas. They are the temporary casual workers possessing less of the means of production of their own, leading a circulatory existence in the lowest regions of the labour system and forming the footloose proletariat (Breman, 1996). The regulatory and administrative procedures exclude the migrants from the access to legal rights, public services and social protection ***programmes*** which are meant for the host residents only. Migrants face the lack of political representation, inadequate housing, low-paid and hazardous work, limited access to basic needs and discrimination based on ethnicity, race, religion, class and gender. Seasonal labour migration involves violation of labour laws and the labour departments, unions and civil societies have largely failed to protect the rights of the migrant workers and defend them from the exploitation of the employers and agents (Mosse *et al.*, 2005).

The various literatures on labour migration were reviewed from 1990 to 2016 to identify the key factors and subfactors that directly or indirectly affected the process of seasonal migration. The findings of the study are classified into five thematic segments such as: economic factors, social factors, environmental factors, policy-related factors and psychological factors. In total, 60 subfactors are documented and grouped under the abovementioned key factors. The identification of the key push and pull factors that affect the seasonal labour migration can be helpful in policy reformulation for managing and facilitating labour migration without affecting the rights of the migrants.

**2. Aim, scope and method**

The paper aims to identify, analyse and summarize the literatures available on factors of temporary migration. The focus has been on the articles and research papers that are central and pertinent to seasonal labour migration within the wider context of temporary migration for work and employment. The articles and research papers which dealt with various economic, social, environmental, policy-related and psychological factors of temporary migration were considered relevant for the paper.

The selection of the literature was done by identifying relevant databases, time frame and keywords. Initially, selection of a broader database was done to cover a varied range of publications including journal articles, books and conference proceedings. Relevant articles were searched through multiple formal search methods such as hand searching of printed copy of key journals, electronic searching of databases by using free text, index terms, author names, keywords and reference searching. The hand searching of journal articles was done by using library catalogue. Electronic searches of databases like Google Scholar, JSTOR, Web of Science, Scopus and PubMed was done to identify the relevant journals and articles. Keywords associated with temporary migration (e.g.: short-term migration, seasonal labour migration, internal migration) were identified initially. Then, keywords were further refined as factors of temporary migration (e.g. push and pull factors) to ensure relevance of the study. Keywords were refined further and appropriate articles were recognized. The grey literatures including unpublished studies, technical reports, working papers and official field-based reports were also considered for the paper. These grey literatures were identified through personal contact.

A large number of articles were uncovered by searching databases using keywords over a selected period of time. The study focussed on the literatures published between 1990 and 2016. The list of articles was then edited to avoid repetitions. The abstracts of all enlisted articles were viewed, and the full papers of the appropriate and relevant articles were read and considered for the review. Initially, the search of keywords identified about 320 articles, book chapters and reports. These articles were again filtered as per the relevance of the study and 110 articles were then considered for initial review. The abstracts of these articles were reviewed. In total, 44 research papers were finally selected for directing our literature review process. The analysis of the literature was done thematically based on in-depth understanding of the content and context of the selected articles.

**3. Summary of literature**

The literatures from research articles, journals, book chapters, working papers, conference papers, technical papers and field-based project reports from various disciplines, like economics, sociology, anthropology, psychology and management studies were referred for discussing, analysing and studying different push and pull factors affecting seasonal labour migration. The factors affecting migration are broadly categorized into five sections:

* economic factors;

1. social factors;
2. environmental factors;
3. policy-related factors; and
4. psychological factors.

**3.1 Economic factors**

Economic causes of labour outmigration relate to the labour standards, unemployment situation and availability of overall health and education facilities in the origin and the prospects for higher wages and better employment opportunities in the destination. Migration helps to overcome economic risk at the origin and improves the conditions in the origin by ***transfer*** of skills and remittances. Seasonal migration also serves to meet the short-term labour demand at the destination. Wages and employment are two main economic drivers of seasonal migration. People accept the circulatory nature of job to get higher wages that they can spend for clearing outstanding loans or saving purposes or meeting education and health needs of the family. They also migrate to overcome the idleness faced during lean season in the origin when they have no employment opportunity to work.

A study conducted on 324 migrant households in 16 villages of Dungarpur district of Rajasthan, India revealed that around 88 per cent of the migrants chose neighbouring and affluent districts as their destination. A majority of the migrants (53 per cent) were found working as manual, unskilled and domestic labourers in factories, industries, hotels and shops because of their lower educational level. In total, 60 per cent of the households depended on wages earned from migration to sustain their livelihood, as ***agriculture*** contributed to only 20 per cent of the annual income. The findings of the study were at par with the New Economics of Migration approach and concluded that the lower income from ***agriculture***, low education level and remote geographical location were the main factors of migration (Haberfeld *et al.*, 1999).

De Haan (2002) while studying the labour market scenario in Calcutta, India focussed on the circular migration pattern from Bihar to Calcutta. By relying on the historical perspective and based on facts from the district gazetteers and census survey, he concluded that the higher population density and poverty in Western part of Bihar were the main causes of labour outmigration. The level of poverty in Bihar was 60 per cent according to the 1991 Census. The wages in industrial areas of Calcutta were higher, and migrant labourers from Bihar remitted an average of Rs 2,200 as compared to average annual income of Rs 1,513 in 1984-1985. A household survey based on participatory appraisal technique was conducted in Todgha valley in Southern Morocco among 507 households which included 40 per cent of international migrants, 25 per cent internal migrants and 34.5 per cent of non-migrants. Only 4.3 per cent of the households relied on ***agriculture*** that was underdeveloped. Remittances from international and internal migration contribute positively to economic development of the origin area by improving the standard of living of people and the emancipation of the minority groups. Remittances were higher in international migration contributing to 53.59 per cent of the income, and internal migration was undertaken for stabilizing income differences and spreading and sharing of risks (De Haas, 2006). Canales (2003) analysed various economic factors of migration in both Mexico (origin) and the USA (destination) in the context of globalization. The structural transformation in the Mexican economy had brought about changes in the pattern of migration among the Mexicans. The process of labour segmentation and polarization in the USA also affects the migration process. Parkins (2010) while exploring the rising emigration of Jamaicans revealed that crime and lawlessness, occupation and mismatch of skills, lack of economic and opportunities are the major factors of migration.

Keshri and Bhagat (2012) while analysing the 64th Round NSS data on short-term migration found that temporary migration rate was 40 per 1,000 in the lowest monthly per capita expenditure quintile, while it decreased to 10 per 1,000 in the higher quintile. The sample included the working age population from 15 to 65 ***years***, because short-term migration was undertaken for employment. Within the country, the rate of migration varied state wise; in rural areas, Bihar (58) had the highest rate of migration, and in urban areas, Assam (18) stood ahead in terms of migration. The study also concluded that rural to urban and rural to rural migration was more common stream of migration. The economic status, landholding size and educational levels were the determining factors which led to the rural→urban differentials in the rate of migration.

Shen (2013) analysed the factors behind sudden increase in rate of migration from China in the post-reform period. He found that initially the institutional reforms in the form of Hukou system in 1980s and economic reforms of 1978 led to migration from the country. The rate of migration increased after the reforms in 1990 because of uneven and rapid economic growth.

Yan *et al.* (2014) in their research paper on farm size, relocation of land and labour migration in 17 villages of Henan province of China, explored the factors that affected the farm households’ decision for migration. Heckman two-stage model was used as a tool to estimate the probability model for decision of migration. Data were collected from the head of the households using interview schedule. The empirical findings of the study are: the lack of acknowledgement in rural areas made the households depend on remittances from migration. The households with small farm size migrated to off-farm sector to afford a better living, while the households with large farm size migrated to increase capital input for their own farm. The continuous risk of land relocation in China increased the propensity for temporary migration. The households chose short-term migration to avoid land expropriation. The households who rented land to other farmers at a lower transaction costs were more likely to undertake permanent emigration. The study suggested that improvement of irrigation and drainage facilities would not only accelerate the ***agricultural*** development in the villages but also would release the migrant labour from off-farm sectors.

Rahman (2015) critically analysed the scenario of temporary labour migration from Bangladesh to Gulf countries. He argued that remittances from migration contributed positively for family maintenance in the origin. But the economic cost of migration reduced the family income and weakened the economic condition of the migrant families, because they have to rely on selling their land, livestock and ornaments and also seek debts from the moneylenders to incur the migration expenses. Shonchoy (2015) in a cross-sectional household survey in northwest region of Bangladesh found that the ***agricultural*** downturn was a common problem in Bangladesh which led to dependence on seasonal migration for livelihood. The process of migration included huge economic cost which was incurred by relying on microcredit in the origin.

Dodd *et al.* (2016) in their study on the determinants of temporary labour migration in three village panchayats of northwest Tamil Nadu investigated the linkages between demographic and socio-economic factors of migration. The study included 1,110 individual migrants and 278 household migrants. Families belonging to disadvantageous castes and lower socio-economic status with marginal landholdings opted for individual or household temporary migration. The relative deprivation of the households was a key factor in taking up individual or household migration; the households with more serious deprivation of income went for household migration. In case of individual migration, age and sex played a key role in determining migration. While in case of household migration, caste, household size, landholding size, assets possession determined migration decisions. Multiple members from a single household used temporary labour migration as an attempt to cope with cycles of severe indebtedness (Table I).

**3.2 Social factors**

Besides, remittances and risk sharing, better wages and progressive lifestyle in the destination, social factors play a vital role in perpetuation of migration. Some people migrate with an urge to reunite with the family members and friends. And some migrate to find independence from the oppressive norms of their original villages. Migration among the marginalized sections commenced for social and economic empowerment and enhancement of social status. Social networks including family, relatives, neighbours, community and friends provide information about migration and nature of work at destination thus facilitating migration. The economic and environmental aspects are the key factors for initiation of migration, but the perpetuation and facilitation of migration solely depends on the social factors.

Yang (2000) in their study on determinants of migration in Hubei province of Central China suggested that temporary migrants were more migratory than the permanent migrants and non-migrants. The study indicated some social factors which affected the pattern of migration. Individual migration was higher among men. Age and marriage affected the decisions of migration in the family. Married migrants preferred to migrate with family. And the family network acted as a pull for enabling individual migration. Dolfin and Genicot (2010) while understanding the undocumented migration of Mexicans to the USA, studied the effect of migrant networks on individual’s choice to migrate. They found that family and community networks affected the migration decision by providing information about border crossing and job at destination and accessing credit to finance the migration journey. Jensen and Pedersen (2007) studied the process of return migration of immigrants from Denmark. They proposed that the migrant’s success and proper labour market integration in the destination were significant factors which affected the return migration. The lack of success and inadequate labour market integration would increase the return migration. The socio-economic conditions in the country of origin, age at the entry of migration, educational level and family ties had significant effect on the decision for migration. Epstein (2008) emphasized that network externalities and herd behaviour influenced the migration decision and location choices.

Massey and Aysa-Lastra (2011) by combining data from Latin American Migration Project and Mexican Migration Project predicted the effect of social capital on international migration. They explored how the effects of social capital varied under conditions of higher and lower costs and on first and final trips of migration. They revealed that in case of short distance the effect of social capital was positive for short distances and negative for long distances, as the cost of migration was lower for short distance. The swing in migration probabilities was between 0.11 and 0.06 in case of short-distance migration, while it was from 0.03 to 0.43 in case of long-distance migration.

Kharel (2016) provided a multi-sited ethnographic account of Nepali outmigration to Japan and revealed the complex and dynamic relationship between social networks, social capital, migration and migrant entrepreneurs. More than 30 per cent of the total residents from Malma village of Nepal migrated as cooks to Nepali restaurants in Japan. After 1990s, the new economic opportunities led to more of permanent migration from Nepal; social capital and family ties helped in upward mobility of the migrants, but the inequality and status gap did not reduce among them.

Shah (2006) in her study on brick kiln migration from Jharkhand, India discovered a different aspect of seasonal migration. Leaving the origin for finding work was treated as a space of freedom for the migrants. They voluntarily decided to migrate in order to overcome social exclusion in the origin and to live a life free from social norms for some time. Thapan *et al.* (2014) projected migration as an empowering experience for women. Women preferred to migrate to cities, as the rural areas and small towns were not supportive of independent lifestyles.

Majumder (2015) analysed the case of forced labour in 343 brick kilns located in two districts of Uttar Pradesh, India. After interacting with the migrant labourers in the kilns, he identified the five root states from where the labourers migrated every lean season. Bihar and Jharkhand were the highest migration prone states. The rain-fed mono-cropping cultivation sustained the villagers for only four months, and thus, they migrated to the brick kilns for rest of the period by taking advance from the owner and broker. After receiving the advance, they were tied to the kilns and were not released till the advance was paid off.

Guerin *et al.* (2015) in their study on migration to brick kilns and sugar cane industries in Tamil Nadu, India highlighted the role of aspiration, consumerism needs and the willingness to climb the ladder of social hierarchy among the marginalized communities as factors affecting migration (Table II).

**3.3 Environmental factors**

Environmental variations, resource depletion and natural disasters act as significant causes of seasonal labour migration. People from remote areas mostly depend on natural resources for their survival and livelihood. Any change in the natural resource base because of shocks of natural or man-made disaster lead to migration for livelihood.

Bilsborrow (1992) examined the probable relationship between demographic and environmental factors in Guatemala, Sudan and Indonesia. He observed that the higher growth of population in rural areas led to increase in the arable land. Deforestation, soil erosion, desertification, urban encroachment on ***agricultural*** land and watershed destruction were the environmental hazards that affected the mobility of population. Ezra (2001) argued that the changes in the demographic behaviour of the population in Ethiopia was observed because of the environmental stress of drought, famine and associated food insecurity. The changed demographic behaviour included reduction in fertility, increasing rates of family planning services, changing attitude towards age of marriage, migration of youths and involvement of farmers in non-farm occupation. Massey *et al.* (2010) in his study on relationship between environmental factors and outmigration identified that environmental changes including increase in population density, decline in ***agricultural*** productivity, access to natural resources and increasing time to gather firewood led to short-duration migration. Fritz (2010) provided the instances of the climate change-induced mobility in case of seasonal labour migration of peasants in Central America, Mexico and Western Africa to compensate for lower ***agricultural*** productivity and temporary mass migration of the Bangladeshis in response to annual floods. He argued that migration as a result of climate change can be analysed in context of three indicators: vulnerability, resilience and adaptability. Nawrotzki *et al.* (2013) in their study on the US-bound migration from rural areas of Mexico taking data sources from the 2000 Mexican Census analysed the differential role of rainfall as an environmental factor in the migration process. Kavi Kumar and Viswanathan (2013) explored the linkages between weather variability, ***agricultural*** productivity and internal migration in India by using the census data. Van der Geest (2011) in the study of north-south migration in Ghana, observed various push and pull environmental factors of migration. The push factors included scarcity of fertile land, poor agro-ecological conditions, climate change and environmental stress at the origin. The pull factors included access to fertile land and humid conditions at the destination.

Gray (2011) analysed the effect of soil quality on rural outmigration in five Kenyan provinces. Longitudinal survey data from Kenya and Uganda containing information on household level soil properties was used for the study. He argued that soil degradation is a vital factor affecting ***agricultural*** livelihoods in the developing countries and leading to higher rates of rural outmigration. He revealed that the poor soil quality reduced the ***agricultural*** production which encouraged temporary migration among households for improving livelihood conditions at the origin.

Hunter *et al.* (2014) pointed out the environmental aspects of migration in South Africa. Climate change and availability and variability of natural capital led to increasing rates of cyclical outmigration for livelihood. Households from 21 villages were selected as sample for the study and multiple models were used for estimating migration. They found that temporary migration was a livelihood strategy in the study area; in total, 62 per cent of the households had one of the household member absent because of temporary migration. The village level availability of natural resources provided economic security to the households to initiate migration. The paper also contributed towards highlighting distinction between temporary and permanent migration. Permanent migration was more affected by socio-demographic factors such as marriage, age and family formation. While temporary migration was affected by the availability of local natural capital. The disadvantaged and vulnerable households used natural capital as a safety net for livelihood and could not fuel migration. Education and socio-economic status of the households also played a significant role in the association between natural capital and temporary outmigration (Table III).

**3.4 Policy-related factors**

Irregular migration and human trafficking has posed a major challenge for the protection of human and labour rights. Low-skilled labour migrants undergo poor living and working conditions, lower wages and work in hazardous environment without any social protection and welfare. They also face exploitation and discrimination at the destination. The international and national policies have been framed to manage and regulate migration, but these policies have remained ineffective and failed to check the irregular and undocumented migration. Few studies have tried to highlight the policies which were framed to manage and regulate migration. The policy-related factors play a significant role in protecting the migrant’s rights and security. These factors can make the process of migration hassle free for the migrants.

Highlighting the right-based approach towards migration, Kaur (2010) in her study on the Southeast Asian migration discussed the Malaysia state policy reorganization described as “6P” to tackle the irregular chain of migration: registration, legalization, amnesty, supervision, enforcement and deportation. Firdausy (2005) observed the international labour migration issues in Indonesia and concluded the policies to manage migration in both sending and receiving countries have not been well-established to protect the migrants from exploitation by the employers. Castles (2004) stated three reasons responsible for failure of policies to manage migration and integration in the European Union. They were: factors affecting the social dynamics of migration process, factors related to globalization and factors linked to the political system. Breman (1996) in his study on the migrant labour in Gujarat criticized the legal provisions for its ineffectiveness in dealing with the problem of migration. He stated that the men, women and children who work as undocumented migrant labour were not covered under the regulation of the state government, but they were regulated by the unwritten rules of the employers. Mosse *et al* (2005) in their study on construction site workers in Western India pointed out the failure of the labour departments, unions and law to protect the workers as a result of which the migrants depended on the agents and employers for their welfare. Trebilcock and Sudak (2006) argued that economic effects of emigration and immigration both affected the migration policies in source and destination countries. Emigration posed risks of fiscal loss and depletion of human capital, while it also enabled positive gains like remittances flow, return migration and skill ***transfer*** in the source area. The decentralized and market-driven approach in immigration countries permitted unhindered entry of the immigrants.

McPhee (2012) analysed the role of institutional factors in creation of labour market segmentation. The study focussed on the low-skilled services in Dublin. Greater focus was on catering, cleaning and security services. Data were collected from the employers in the selected sectors. The interviews revealed that the state policies played a vital role in the migration trends and experiences. The employers preferred migrant labour at a short notice for low-skilled sectors to reduce the cost of production. There was rarely any space for allocation of benefits and entitlements by the migrant workers in the short period of time which made them more prone to exploitation by the employers. Abbas and Verma (2014) argued that the migrants face identity crisis in the place of origin and destination, because of which they are unable to avail ration cards, health and education facilities provided by the government (Table IV).

**3.5 Psychological factors**

Seasonal migration is affected by the migrant’s attitude, perception and motivation. The World Bank acknowledged that migration does not bring social well-being, and thus, it results in risk of mental illness. Psychological aspects such as stress because of environmental crisis, poverty in the origin, the agony of staying away from the family members and desire to improve the material and subjective well-being determines the seasonal labour migration. Positive migration experience acts as a catalyst for further migration, while the negative experience affects the mental health of the migrants.

Lu (2012) by analysing the longitudinal data on migration from Indonesia examined the relationship between migration and mental health and risk behaviour of the migrants. The study indicated that both males and females faced migration-related stress, but female migrants showed depressive symptoms and internalized the migration stress, while the male migrants externalized stress by developing smoking habits. He found that people with better ability to handle stress were more likely to migrate, and the movement within short distance was less stressful for the migrants. Bhugra and Jones (2001) identified personal and relational psychological factors that affected the migration process, the personal factors included coping with adversity like cultural identity, social support networks in the destination, self-esteem and relational factors like achievement, racism, social isolation and unemployment. The psychological well-being of the migrants was disturbed because of the depression of staying away from the homeland. Griffin and Soskolne (2003) examined the relationship between migration and psychological distress among the Thai migrant ***agricultural*** workers in Israel. And found that migrants with higher level of traditional health beliefs, poor quality of social relationship with the co-workers and changes in drinking behaviour reported higher level of psychological stress in the destination. They felt homesick and perceived migration to be difficult experience. Yang *et al.* (2007) examined the association between temporary migration and risk for HIV/STD in China. Laxity in social control, social isolation and migration selectivity led to behavioural changes that increased the temporary migration. Post-migration laxity in social control led the temporary migrants to develop drug-using behaviours and HIV risks. Wong *et al.* (2009) analysed the risk factors associated with the well-being of migrant workers children in Shanghai, China. They observed that children suffered from symptoms of separation anxiety, depression and generalized anxiety disorder because of migration of their parents. Melzer (2011) identified a positive relationship between favourable labour market conditions and improvement in the subjective well-being of migrants in case of migration in Germany. Stillman *et al.* (2015) differentiated the objective and subjective well-being among international migrants from New Zealand. They concluded that the material well-being improves and subjective well-being declines because of migration (Table V).

Various factors and subfactors influenced the seasonal labour migration process across the globe. Studies from different countries reflected the factors behind seasonal labour migration. As the study aims to review and analyse the migration process in the Indian context, it is important to identify the different factors of migration with special reference to the country.

**4. Reasons for migration in Indian context: evidence from census and NSS data**

In India, two major sources of data on migration are the decennial population census and National Sample Survey (NSS). Census covers the entire population but fails to provide in-depth information on temporary and seasonal migrants. While the 55th and 64th round of NSS conducted in 1999-2000 and 2007-2008, respectively, provide macro level data on temporary migration. The census data in India reveals two kinds of migration: migration by place of birth and migration by place of last residence. For capturing the persons who have migrated more than once, the migration by place of last residence gives a better picture. According to the estimate of 2011 Census data, 453.6 million persons migrate every ***year*** from their place of residence in India. The figure stood at 314.5 million in 2001, which indicates an increase of 139 million migrants within 10 ***years***. The increase in the number of migrants between 1991 and 2001 was 89.5 million. The census enlists seven factors of migration as: work and employment, business, education, marriage, moved after birth, moved with households and any other (Figure 1). The 2011 population Census reveals that majority of the males (27.67 per cent) migrated for work and employment purpose, while majority of the females (69.68 per cent) migrated for marriage reasons.

Most of the migrants in India are females; about 69 per cent of the migrants are women who mostly migrate because of marriage purpose (Census of India, 2011). Over the decade, there have been changes in the reasons for migration. There have been notable changes in the reasons of migration in 2001 and 2011 population Census data. In the present era, the migration for work and employment accounts for 10.22 per cent of the migrants which was 14.7 per cent in 2001 Census. Marriage still remains a dominant factor of migration in Census statistics with an upward shift of 5.55 per cent from 43.8 per cent in 2001 to 49.35 per cent in 2011. The latest census survey shows an increase in number of migrants for migration after birth and other reasons (Figure 2).

The number of interstate labour migrants for work and employment is increasing at a faster rate and is close to an average of 9 million between 2011 and 2016. The figure is significantly higher than the average flow of 4 million internal interstate migrants as reported by the successive census data (Economic Survey, 2017).

The NSS enlists four major factors of migration: employment-related reasons, studies, forced migration and others. The NSS classifies the subfactors under these four factors. Among all the factors, the employment-related factors are regarded as more significant with 60.8 per cent of migrants moving out because of employment reasons (Table VI). Under employment reasons, the subfactors include search for employment, better employment, business, take up employment, ***transfer*** of service and proximity to work place. In rural and urban context, the reasons for migration vary, 55.2 per cent migrate for employment reasons form rural areas, while 66.5 per cent migrate from urban areas. For employment reasons from rural areas, migration takes place in search of employment (17 per cent), better employment (17 per cent), to take up employment (11 per cent), ***transfer*** of service (5 per cent), business (4 per cent) and proximity to workplace (1.2 per cent). While employment-related reasons for migration from urban areas is mostly (20 per cent) in search of employment and better employment (17 per cent), to take up better employment (13 per cent), ***transfer*** of service (10 per cent), business (5 per cent) and proximity to workplace (1.5 per cent). For education and study purpose, the percentage of migration is 23.8 per cent, more from rural areas (27.7 per cent) because of unavailability of better educational facilities in the rural areas. Forced migration is more from rural areas (2.5 per cent) than urban areas (1.9 per cent).

**5. Key findings from the review**

From the critical analysis of the literature on temporary labour migration, five key factors and 109 subfactors were identified and documented. Economic factors included (26) subfactors, environmental factors (25), policy-related factors (20), social factors (19) and psychological factors included (14) subfactors. It is quite evident from the number of subfactors identified under each factor that economic and environmental factors were considered more vital in the temporary migration literature. While the policy-related factors, social and psychological factors have been gaining importance in the migration literature recently, factors of migration are not mutually exclusive. There are studies which have recognized interrelationships between the factors of migration. Agadjanian *et al.* (2014) in their study have examined an interconnection between three factors that influenced the women temporary migration from Russia and Moscow. Economic incorporation, civil inclusion and social connectedness are the three factors which affected the women’s migration decisions. Economic incorporation included the sectors of employment, type of occupation and wages in the destination. Civil inclusion included legal status and issues related to citizenship in the destination and cases of harassment and abuse. Social connectedness included the social ties of the origin. Kee (2010) explained economic, environmental demographic and social factors associated with temporary labour migration in Asia-Pacific region. He highlighted three key factors: the asymmetry in demographic and economic development in the origin and destination, the wage differentials between the origin and destination and the household’s decision to maximize income and minimize risks that caused temporary labour migration. There exists an interrelationship between the factors of migration, which varies across time and space.

Migration from the Asian countries is mostly intra-rural in nature and the migrants leave their origin only for a season (Breman, 2010). Unlike the seasonal migration from developing nations, migration from South Asian countries, more specifically from India is intra-rural in nature. The migration takes from rural to rural areas. The 55th NSS report estimated temporary short-term outmigration in India for the first time. Employment and work were identified as the main factors for temporary outmigration by the census and NSS reports. Some micro-level studies conducted in various parts of the country also highlighted the different pattern of temporary labour migration. More than 500,000 seasonal workers migrated to the rice producing belt of Bardhhaman, West Bengal during the harvesting season (Rogaly *et al.*, 2001). Around 150,000 to 200,000 tribal households from Maharashtra migrated seasonally to the sugar co-operatives in the south region of Gujarat (Teerink, 1995). Economic and demographic factors like age, education level, land ownership and productivity and job opportunities influenced the participation of individuals and households in temporary migration. Besides, social factors like social attitudes and supporting social networks also affected the decision for migration (Haberfeld *et al.*, 1999; Mosse *et al.*, 2005). Temporary labour migration in India is very much rooted in the social network. The migrants face exploitation and deprivation because of the process, as the migration is based on mutual trust between brokers, employers and workers. Migrants face exploitations in the destination and the exploiters are sometimes the closed ones. Many cases of exploitations are unheard and remain unresolved because of the lack of effective state policies for the temporary migrants.

While reviewing and analysing the literatures on temporary seasonal migration from across the globe, it was found that the stream and pattern of migration varied in different countries. Generally, the stream of migration for the South Asian countries like India, Bangladesh and Nepal can be differentiated from other countries, as migration in these countries is strongly influenced by the level of regional development. Migration takes place from economically backward areas to economically advanced areas. But there are also differences in the migration stream within the South Asian countries; in Bangladesh, the rural to urban migration for non-farm work is predominant stream of migration. Whereas the picture is opposite for India and Nepal, the rural→rural migration for farm activities from hilly areas to ***agriculturally*** productive areas is predominant stream of migration in these countries. The stock of internal migration in South Asian countries is mainly dominated by females for marriage-related reasons and as associational migrants. Three major streams of migration were documented in the migration from Mexico to the USA, namely, the undocumented rural migration of low-skilled migration of ***agricultural*** labourers to the USA, undocumented migration from the urban interiors to the USA and internal migration to the border areas by gaining access to migration-related information and contacts (Fussell, 2004). Recently, the Mexican migration is undergoing a change in trend of migration. After the Great Recession, Mexican immigrants are returning back to Mexico because of weakened job opportunities in the USA, tougher border enforcement law, decline in birth rate in Mexico and improvement in the Mexican economy. Internal migration from Jamaica is from rural to urban areas for obtaining better standard of living and good job opportunities. Education and occupation mismatch is the major factor of emigration of Jamaican youth to the USA, Canada and the UK. In China, there is circular flow of rural migrants to industrial cities of Beijing and Shanghai. Most of the Chinese migrants are undocumented and unregistered workers who work in construction, manufacturing and service industry. The major contention in the literatures on migration experiences of various countries is either on the origin or on the destination. In India, there exists a stronger interdependence between the practice of labour circulation and informal sector employment. Recruitment of labour is for short period of time not more than one season is in line with the time bound nature of informal sector jobs (Breman, 2010). Moulding of bricks, construction work and quarrying of stone are all operated in the dry season of the ***year***. With the onset of monsoon, the operations are stopped and the migrants return to their origin. Circulation of labour takes place through migration networks including brokers and agents of the industries. In the Indian scenario, the analysis of the process of seasonal migration needs a holistic approach.

In case of temporary migration from Mexico, most of the migrants left for the USA without any proper documents, at their own personal risk. The increasing cases of death of Mexican migrants and the issue of human rights abuse faced by them along the border raised the need for development of bilateral immigration policy. In 2010, a law was passed in Mexico to increase penalties for smuggling and human trafficking. In 2011, the Temporary Workers ***Programme*** was initiated which was an effort to legalize unauthorized temporary mobility. The ***programme*** provided temporary visas for the ***agricultural*** guest workers and low-skilled seasonal workers. The ***programme*** also guaranteed the migrants access to justice, education and health-care services. The National Statistics Bureau of China estimated about 269 million internal migrant workers were moving from rural villages to the urban towns and cities. The Government of China in collaboration with the IOM, ILO and UNESCO is developing and strengthening the border management and labour migration policy. The government is taking action to promote regular migration and prevent irregular migration and trafficking. Relaxation in the Hukou system in the mega cities, ensuring fair treatment to the rural migrants in the cities are the steps taken by the Chinese Government for the migrant labourers. Legalizing the irregular migration is a major challenge in all countries. In case of India, the Interstate Migrant Workmen Act (ISMWA) of 1979 is a single act which deals with registration of the establishments recruiting migrant workers from other states, licensing of the contractors who recruit the migrant workers and the registration of the migrant workers. The act also provides details of wage rates, journey and displacement allowances that workers should get. Despite the act, the situation of migrant workers is vulnerable, lack of education and awareness of the government policies and schemes make the migration process more precarious for them. Recently, debt bondage has emerged as a mode of employment in many industries. Monetary advances are paid at once to the migrant workers before the start of migration. Wages in the destination are adjusted with the advances and the remaining amount is paid as remittances to them after the end of seasonal work. The victims of debt bondage belonged to marginalized groups who are unable to ascertain their rights (Breman, 2010). Thus, dealing with the Indian migration experiences, the socio-economic and educational background of the migrants plays a significant role. The migrant sending nation with similar socio-economic and educational background will also face similar issues related to mobility.

**6. Gap in literature**

To find the gap in the existing literature, various subject experts from different fields were interviewed. In the Indian context, under the ISMWA, the contractors and migrant labourers register themselves in the district labour offices (DLOs). The prime focus of the study is on the brick kiln workers who migrate from Odisha to Andhra Pradesh, Telangana and Tamil Nadu every ***year*** after monsoon. The information on labour registration revealed the number of interstate registered migrants from different districts. And three districts of Western Odisha are selected as the universe of the study. The DLO, District Rural Development Agency, District ***Agriculture*** Office and State Labour Office were visited for exploring the factors affecting migration process. Experts from 12 non-governmental organizations were also interviewed who were working for the protection of migrants’ rights. Based on the opinion of the experts, it was found that there are factors which have significant impact on seasonal labour migration, but they were not discussed in the previous literature. These factors include “role of labour contractors”, “intergenerational mobility”, “grassroot politics”, “migrant’s relationship with the contractors”, “labour registration process”, “market intervention” and “civil society intervention”. The migration agents play a very significant role in the temporary migration process; they meet the needs of the employers and the migrant workers. The informal contract between the employers, brokers and workers based on mutual trust is the essence of the temporary mobility in the Indian context. The relationship of the migration brokers, migrant workers and employers of the establishment is emerging as the main factor behind the decision for migration in the Indian context.

Labour contractors or brokers are the intermediaries who supply workers to the employers on the basis of contract for a specific task. The contractors make ***payment*** to the migrant workers in advance and supervise their work. There is no direct contact between the workers and employers. The labour contractors play a major role in the temporary migration process. The migrant workers generally revealed their relationship with the contractors and could hardly name the employer of the establishment. These labour contractors are sometimes from the same village from where the migrant belong to. And in rare cases, they are from the destination areas. The contractors have good fluency in the regional dialect of the migrant workers; they are friendly to the workers. But, there are also cases where the labour contractors are rude; they operate through a chain of subcontractors. The contractor who distributes the advance in the origin is a local subcontractor, and the contractor who supervises the work of the migrant workers is the main contractor from the destination. In this case, the migration becomes a vulnerable experience for the migrants.

Another factor which was observed among the migrants in Western Odisha was the phenomena of intergenerational mobility. To improve the social and economic status of the family, the young generations of migrants are depending on migration solely for their livelihood. The low ***agricultural*** productivity in the origin and the unavailability of alternative job opportunities has led the young mass to look for work outside throughout the ***year***. This trend is growing faster in the migrant villages. Thus, the intergenerational mobility also acts as a significant factor for undertaking migration. Rural to rural migration stream dominate the form of migration in India. Most of the migrant workers are from the interior villages, and they also migrate to the interior areas lacking basic infrastructure. Thus, the grassroot politics in the rural areas play a pivotal role in the process. The panchayat and block level officials must maintain a record register with the number of migrant households and their details from respective villages.

A cordial relationship of the migrants with the contractors facilitates healthy migration relations. The migrant workers also try to develop intimacy and closeness with the contractors for getting extra benefits in form of relaxation at work, extra weekly wages and a chance of becoming subcontractor after few cycles of migration. The contracts in recruitment process deny the basic right of the migrant workers to choose their employer and workplace. Thus, most of the migrant workers are forced labourers, who migrate illegally. Thus, the lack of awareness for the registration process makes them more vulnerable and exploitative at the workplace. Debt bondage and illegal migration pulls cheap labour force from Odisha. An extensive study of the new dimensions in the migration process will provide new insights to the migration literature. It would also suggest and recommend for new policy formation on temporary migration and revision of the old acts and schemes on labour migration.

**7. Discussion and conclusion**

The paper explored various approaches, methods and techniques that were used for identifying various factors affecting temporary labour migration across the globe. The different literatures were reviewed for this study from 1990 to 2016. Research on labour migration from various countries, such as Indonesia, South Africa, Ghana, Jamaica, Germany, Mexico, Guatemala, New Zealand, Sudan, European Union, Thailand, China, Bangladesh and India were covered for this study. Several push and pull factors were identified which affected temporary labour migration process around the globe. Studies which were critically reviewed covered single factor, bi-factors and some also covered multiple factors. The reviewed literature with different methodological underpinnings indicates the factors affecting labour migration. The findings of the paper are classified into five key factors, namely, economic factors, social factors, environmental factors, policy-related factors and psychological factors. The subfactors identified from the literature were grouped systematically under the abovementioned five key factors. The paper further documented evidence from the population census and NSS on factors of migration in India. But the surveys reflected two contradictory pictures, the census indicated marriage as a major factor of migration, while NSS indicated employment-related reasons as the major factor for migration.

Among the push and pull factors listed, the economic factors are regarded as a significant factor affecting the migration process (Keshri and Bhagat, 2012). Lower level of income from ***agriculture*** and other traditional occupations, lower educational status, remote geographical location, high density of population, poverty, lack of economic opportunities, unbalanced economic development, marginal landholding size, indebtedness, lawlessness, crime, mismatch of occupational skills are the economic push factors at the origin. And remittances, risk sharing, better economic status and availability of better economic opportunities at the destination are the economic pull factors affecting migration process. The community and family networks, social linkages and ties, overcoming social exclusion, empowerment for women and enhancing the socio-economic status are the social factors which affect the seasonal migration process. Environmental hazards, environmental stress, climate change, adaptability, irregular rainfall and agrarian distress and access to fertile land are the environmental determinants affecting the migration process. Issues relating to labour registration process, lack of well-established policy in sending and receiving countries, failure of labour departments and unions, social dynamics, globalization, undocumented migration are the policy-related factors affecting the migration. The subjective well-being of the migrants is an important aspect in the migration process. The role of psychological factors affecting the process of migration cannot be ignored. Ability to handle stress, home sickness, children’s depression, separation anxiety, difficult migration experience, migrant’s subjective well-being are the psychological factors that affect the seasonal labour migration process.

The paper contributes in various ways; it provides a holistic review on various factors of migration. It reflects on different reasons of migration in national context using population census and NSS. It further highlights the gap in existing research and points out for the need of more micro-level studies on migration process. The factors and subfactors identified from the existing literature can be empirically tested to know the significance of each factor. The identification of factors will also help in effective policy formulation for the migrant workers. Various departments and officials working on labour migration issues in the regional level were visited to identify new dimension of research to the existing area. And after an engaging interaction with the officials, it was found that seasonal migration in many regions of the country still remains an undocumented process. The process works through a network involving owner of the establishment, brokers and migrant workers. These brokers are the migration agents who arrange and supply cheap labour for the owners and provide employment and work opportunities to the migrants. The seasonal mobility has become an intergenerational process; “the son of a migrant is a migrant too, if father fails to pay the debt, son has to pay it, if not son then grandson”, said an official in the interview.

The main findings of the study indicate that seasonal labour migration is not a negative phenomenon to be checked and controlled. Seasonal migration acts as a safety valve for the poor and jobless to earn their livelihood in the absence of other alternative livelihood opportunities at the origin. But problem arises when the question of migrant’s rights is posed. The lack of social security and welfare schemes for the seasonal migrants is still a major concern across the globe. The seasonal migrant labourers lead a transitory existence. They are distinct from the permanent skilled migrant employees who carry out skilled and better paid work and whose conditions of employment have gained recognition and protection. Thus, the process of labour registration is an effective measure through which the number of seasonal migrants can be documented. And after documentation, various policies can be framed for their welfare and protection. Availability of sustainable livelihood opportunities throughout the ***year*** in the origin can also reduce the rate of seasonal labour migration. Identification of factors that affect seasonal migration is significant for understanding the nature of migration. Further, micro-level study can be carried out on seasonal labour migration process for understanding the new dimensions and factors.

The development of migration as a discourse can be bifurcated into two strands of approach, namely, the development optimism and development pessimism approach. The development optimism claims migration to be a positive factor for development, while the pessimism approach took an anti-colonial strand to argue migration as a factor for underdevelopment. Migration in some cases brings positive gains in form of remittances for the improvement of livelihood and skill enhancement in the place of origin, while in some cases, it has negative consequences including exposure to harmful and hazardous life at the worksite and various kinds of exploitations. The paper, thus, further leads towards developing an inter-subjective approach to argue that migration among the lowest echelons of the society is always followed by some risks and social costs which can be minimized by protecting the rights of the migrants through legal initiatives and enhancing the informal interactions among the actors in the process of migration. The premium on the intersubjectivity in the migration process will enhance the trust of the labourers on the employers and would increase the productivity of work and assure the employer to the regular services of the labourers.

**Table I.**  Summary of economic factors affecting temporary labour migration

| **Sl no.** | **Author (*Year*)** | **Area/country** | **Source of data** | **Subfactors** |
| --- | --- | --- | --- | --- |
| 1 | Haberfeld *et al.* (1999) | India | Research Journal | *Lower levels of income from* ***agriculture*** |
| *Lower educational status* |
| *Remote geographical location* |
| 2 | De Haan (2002) | India | Research Journal | *Higher population density* |
| *Poverty* |
| 3 | Canales (2003) | Mexico | Research Journal | *Structural transformation in origin* |
| *Labour segmentation and polarization in destination* |
| 3 | De Haas (2006) | South Africa | Research Journal | *Remittances* |
| *Sharing of risks* |
| 4 | Parkins (2010) | Jamaica | Research Journal | *Crime and lawlessness* |
| *Occupation and mismatch of skills* |
| *Lack of economic opportunities* |
| 5 | Keshri and Bhagat (2012) | India | Research Journal | *Economic status* |
| *Landholding size* |
| *Educational levels* |
| 6 | Shen (2013) | China | Research Journal | *Unbalanced economic development* |
| 7 | Yan *et al.* (2014) | China | Research Journal | *Farm size* |
| *Land reallocation* |
| *Land rental market development* |
| *Irrigation and drainage facilities* |
| 8 | Rahman (2015) | Bangladesh | Research Article | *Indebtedness* |
| 9 | Shonchoy (2015) | Bangladesh | Research Article | *Access to micro credit* |
| 10 | Dodd *et al.* (2016) | India | Research Journal | *Relative deprivation* |
| *Marginal landholding* |
| *Assets possession* |
| *Disadvantageous caste* |

**Table II.**  Summary of social factors affecting temporary labour migration

| **Sl no.** | **Author (*Year*)** | **Area/country** | **Source of data** | **Subfactors** |
| --- | --- | --- | --- | --- |
| 1 | Yang (2000) | China | Research Journal | *Age* |
| *Marriage* |
| *Gender* |
| *Family network* |
| 2 | Dolfin and Genicot (2010) | Mexico | Research Journal | *Community and family networks* |
| 3 | Jensen and Pedersen (2007) | Denmark | Research Journal | *Age at entry* |
| *Education* |
| *Socio-economic conditions of the origin* |
| *Family ties* |
| *Successful labour market integration in destination* |
| 4 | Epstein (2008) | N.A. | Research Journal | *Herd behaviour* |
| 5 | Massey and Aysa-Lastra (2011) | USA, Mexico, Latin America | Research Journal | *Effect of social capital in terms of distance and strength of ties* |
| 6 | Kharel (2016) | Nepal | Research Journal | *Social linkages* |
| 7 | Shah (2006) | India | Research Journal | *Overcome social exclusion in the origin* |
| 8 | Thapan *et al.* (2014) | India | Research Journal | *Empowering experience for women* |
| 9 | Majumder (2015) | India | Research Journal | *Debt repayment* |
| *Marginal landholding size* |
| 10 | Guerin *et al.* (2015) | India | Research Journal | *Consumerism needs* |
| *Enhancement of social status* |

**Table III.**  Summary of environmental factors affecting temporary labour migration

| **Sl no.** | **Author (*Year*)** | **Area/country** | **Source of data** | **Subfactors** |
| --- | --- | --- | --- | --- |
| 1 | Bilsborrow (1992) | Guatemala, Sudan and Indonesia | Research Journal | *Environmental hazard* |
| *Deforestation* |
| *Soil erosion* |
| *Urban encroachment* |
| *Desertification* |
| 2 | Ezra (2001) | South Africa | Research Journal | *Environmental stress* |
| *Drought* |
| *Famine* |
| *Food insecurity* |
| 3 | Massey *et al.* (2010) | Nepal | Research Journal | *Environmental changes* |
| *Increase in population density* |
| *Decline in* ***agriculture*** *productivity* |
| *Access to natural resource* |
| 4 | Fritz (2010) | Central America, Mexico and Western Africa | Research Article | *Climate change* |
| *Vulnerability* |
| *Resilience* |
| *Adaptability* |
| 5 | Nawrotzki *et al.* (2013) | Mexico | Research Journal | *Irregular rainfall* |
| 6 | Kavi Kumar and Viswanathan (2013) | India | Research Journal | *Weather variability* |
| ***Agricultural*** *distress* |
| 7 | Van der Geest (2011) | Ghana | Research Journal | *Poor agro-ecological conditions at origin* |
| *Access to fertile land* |
| *Humid conditions at the destination* |
| 8 | Hunter *et al.* (2014) | South Africa | Research Journal | *Natural capital* |
| 9 | Gray (2011) | Kenya | Research Journal | *Soil degradation* |

**Table IV.**  Summary of policy-related factors affecting temporary labour migration

| **Sl no.** | **Author (*Year*)** | **Area/country** | **Source of data** | **Subfactors** |
| --- | --- | --- | --- | --- |
| 1 | Kaur (2010) | South Asia | Research Journal | *Registration* |
| *Legalization* |
| *Amnesty* |
| *Supervision* |
| *Enforcement* |
| *Deportation* |
| 2 | Firdausy (2005) | Indonesia | Research Article | *Lack of well-established policy in sending and receiving countries* |
| 3 | Castles (2004) | European Union | Research Article | *Social dynamics* |
| *Globalization* |
| *Political system* |
| 4 | Breman (1996) | India | Book Chapter | *Undocumented migrants not covered under state labour regulation* |
| 5 | Mosse *et al.* (2005) | India | Research Journal | *Failure of the labour departments, unions and law to protect the workers* |
| 6 | Trebilcock and Sudak (2006) | N.A. | Research Journal | *Emigration policies* |
| *Immigration policies* |
| *Maximization of remittances* ***transfer*** *from immigrant to emigrant countries* |
| 7 | McPhee (2012) | Dublin | Research Journal | *State polices* |
| *Role of employers in low-skilled services* |
| 8 | Abbas and Verma (2014) | India | Research Article | *Problem in accessing PDS* |
| *Education* |
| *Health* |

**Table V.**  Summary of psychological factors affecting temporary labour migration

| **Sl no.** | **Author (*Year*)** | **Area/country** | **Source of data** | **Subfactors** |
| --- | --- | --- | --- | --- |
| 1 | Lu (2012) | Indonesia | Research Journal | *Ability to handle stress* |
| 2 | Bhugra and Jones (2001) | N.A. | Research Journal | *Personal factors* |
| *Relational factors* |
| 3 | Griffin and Soskolne (2003) | Thailand | Research Journal | *Difficult migration experience* |
| *Home sickness* |
| 4 | Yang *et al.* (2007) | China | Research Journal | *Laxity in social control* |
| *Social isolation* |
| *Migration selectivity* |
| *Behavioural changes* |
| 5 | Wong *et al.* (2009) | China | Research Journal | *Children?s depression* |
| *Separation anxiety* |
| 6 | Melzer (2011) | Germany | Research Journal | *Improved subjective well-being* |
| 7 | Stillman *et al.* (2015) | New Zealand | Research Journal | *Material well-being improves* |
| *Subjective well-being declines* |

**Table VI.**  Reasons for migration: 64th Round NSS estimates

| **Reasons for migration** | **Rural (%)** | **Urban (%)** | **Total** |
| --- | --- | --- | --- |
| *Employment-related reasons* | | | |
| In search of employment | 17 | 20 | 18 |
| In search of better employment | 17 | 17 | 17 |
| Business | 4 | 5 | 4.6 |
| To take up employment/better employment | 11 | 13 | 12 |
| ***Transfer*** of service/contract | 5 | 10 | 8 |
| Proximity to place of work | 1.2 | 1.5 | 1.2 |
| Subtotal | 55.2 | 66.5 | 60.8 |
| Studies | 27.7 | 21 | 23.8 |
| *Forced migration* | | | |
| Natural disaster | 1.4 | 0.2 | 0.7 |
| Social/political problem | 0.7 | 0.2 | 0.5 |
| Displacement by development projects | 0.4 | 1.5 | 1.1 |
| Subtotal | 2.5 | 1.9 | 2.3 |
| *Others* | | | |
| Acquisition of own house/flat | 2.4 | 3 | 2.7 |
| Housing problems | 3 | 1.6 | 2.3 |
| Health care | 0.5 | 0.9 | 0.7 |
| Post retirement | 0.5 | 0.4 | 0.5 |
| Marriage | 2.9 | 1.3 | 2.1 |
| Others | 5.3 | 3.4 | 4.4 |
| Subtotal | 14.6 | 10.6 | 12.7 |
| Total | 100 | 100 | 100 |

**Load-Date:** April 2, 2020

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[***Nursultan Nazarbayev's Address to the People: "Five Social Initiatives of the President"***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RT3-4KC1-JDVR-03J4-00000-00&context=1516831)

Emerging Markets Brokers Reports - Russia

March 5, 2018 Monday 5:04 PM EEST

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**Length:** 2406 words

**Byline:** SeeNews

**Body**

During today's joint session of the Chambers of the Parliament of the Republic of Kazakhstan, the President of Kazakhstan Nursultan Nazarbayev addressed the people of Kazakhstan and voiced five new social initiatives, which need to be implemented in the country in the near future.

Dear people of Kazakhstan!

March is a special month in the ***calendar*** of Independence. In March we celebrate the Day of Gratitude. It is symbolic that this is, simultaneously, the date of the creation of the Assembly of People of Kazakhstan. In March, our people celebrate the sacred Nauryz Meiramy. Also in March, as is tradition, we honor our dear women. All these events unite the people of Kazakhstan.

It is thanks to the unity of the people and the state's well-adjusted policy that we were able to pass all trials with flying colors.

Today, there are monuments of gratitude to the Kazakh people in four regions of Kazakhstan: Almaty, Zhambyl, West Kazakhstan and South Kazakhstan.

All these monuments were voluntarily built by different ethnic groups of Kazakhstan in gratitude to the land and the people who supported them during a difficult time.

And this causes a reciprocal appreciation of the Kazakh people for such a deep respect for our national history. This mutual respect and trust create the unity of our people.

This is an important moral undertaking, which confirms the greatheartedness of all Kazakhstanis.

I am convinced that gratitude elevates all.

Every Kazakhstani has made their contribution to the growth of modern Kazakhstan.

I especially appreciate ethno-cultural associations. Together - we have passed through very difficult times.

I am grateful to our people, who always supported me in the crucial moments of Independence.

In all the past presidential elections, the people unanimously supported and elected me. This is the highest reward for me. This is what gave me strength to work.

I worked, I work and will work to ensure that our people look confidently into the future.

That is why today in the Parliament of the Republic of Kazakhstan I address my people with new social initiatives.

I have been considering this step for a long time. But Kazakhstan needed to accumulate strength and resources. And now - the time has come!

The time to make concrete efforts to strengthen the social unity of our society. And to do this through large-scale social projects.

The state is taking these essentially drastic measures.

The idea "Kazakhstan is our common home" should be filled with a new tangible meaning.

Given the importance of the new proposals, I initiated the convening of this joint session of the Chambers of the Parliament and the Government to discuss with you my new social initiatives aimed at further improving the well-being of every Kazakhstani.

I want to say this: everything that will be proposed today is a calculated ***program***.

This is a rational, and at the same time, optimistic project for the benefit of the people.

I am convinced that a prosperous Kazakhstan is, first and foremost, self-confident people who feel the protection, support and care of the state and answer with reciprocity and patriotism.

Therefore, today we are opening the path to new large-scale social projects.

Dear friends!

Today we are ready to make a new, large-scale step along the road of social modernization. I offer Five Presidential social initiatives.

The first initiative: "New opportunities to purchase housing for each family."

We have done a lot in recent ***years*** in order to expand the opportunities for our citizens to purchase housing.

During 2017, 11.2 million square meters of housing were commissioned. This is a record figure.

However, this is not enough. To this day, many families do not have their own homes.

This is a problem of exceptional social importance. It is necessary to create all conditions for its solution, increasing the availability of housing mortgages for the broad masses.

We need mechanisms to provide cheap resources, when each worker can take a mortgage to buy an apartment and service this loan taking into account the capabilities of the family budget.

Therefore, I propose to launch the ***program*** "7 - 20 - 25". Each working citizen will have an opportunity to get a mortgage loan in tenge under the following conditions. The interest rate on the loan will be no more than 7% per ***year***, and not 14-16% like it is now.

If today banks require an initial contribution of up to 30%, and sometimes up to 50%, then under this ***program*** the initial contribution should not exceed 20%.

The loan term will not be 10-15 ***years***, but up to 25 ***years***, to reduce the amount of monthly ***payments*** for people.

\*\*\*

Through the ***program*** "Seven - Twenty - Twenty Five", one can get a mortgage with:

- An annual rate not exceeding 7%;

- An initial ***payment*** not exceeding 20%;

- A term of up to 25 ***years***.

\*\*\*

To do this, it is necessary to use the capabilities of the National Bank, second-tier banks and the stock market.

The National Bank needs to create a special company that will attract at least 1 trillion tenge and forward it for repayment of new mortgage loans provided by banks on the above terms.

The implementation of the ***program*** will give a powerful impetus to housing construction. As a result, access to housing will increase for millions of Kazakhstanis.

It will also affect the growth of the economy, small and medium-sized businesses, and create new jobs.

The dreams of many of our citizens will become reality!

The second initiative: "Reducing the tax burden to increase the wages of low-paid workers".

\*\*\*

In order to support working people of Kazakhstan with a relatively low salary, I propose to reduce their tax burden 10 times to 1% from January 1, 2019.

Reduction of the tax burden through individual income tax should be applied to those who receive payroll no more than 25 times the minimum monthly calculation index.

At the same time, it is necessary that the released funds from this reduction be directed to increase the ***payment*** of their labor.

As a result, at least one third of the country's wage earners, more than two million people, will have increased wages without increasing the burden on employers.

In the future, the Government needs to explore the possibilities of introducing a progressive scale of income tax.

The third initiative: "Increasing the accessibility and quality of higher education and improving the living conditions of student youth."

Today, more than 530 000 young people study in the country's universities, of which almost 30% through grants allocated by the state.

To improve accessibility and quality of higher education, I propose the following measures.

In the 2018/2019 school ***year***, 20 000 grants are to be allocated in addition to the 54 000 grants allocated annually.

Of these, 11 thousand are for training bachelors in technical specialties.

This will allow training thousands and thousands of specialists who will be in demand in the new economy in the conditions of the fourth industrial revolution.

We are talking, first of all, about engineers, specialists in the field of information technology, robotics, and nanotechnology.

And this is also the state's concern for our youth.

It is necessary to increase the cost of new grants in all universities for technical and ***agricultural*** specialties to the level of grants in national universities.

These measures will help increase the enrollment of secondary school graduates in higher education institutions, which is a worldwide trend. It is an investment in human resources.

In creating an education system on par with world standards, it is necessary to pay due attention to the studying and living conditions of students.

Today, the issue of providing students of universities and colleges with dormitories is acute.

To solve this problem, it is necessary to promote the construction of dormitories by universities, colleges, development companies on the principles of public-private partnership.

The state, for its part, through the Ministry of Education and Science will guarantee a gradual reimbursement of part of the investments directed to the construction of dormitories.

I task to by the end of 2022 ensure the construction of new student dormitories housing no less than 75 thousand people.

This will completely solve the problem in view of the growth in demand in the coming ***years***.

\*\*\*

The fourth initiative: "Expansion of microlending".

As part of the ongoing work on the development of mass entrepreneurship among the self-employed and unemployed, the most effective mechanism is the provision of preferential microcredits.

In 2017, there 7200 microcredits were issued for the amount of 32 billion tenge.

At the same time, another 5000 people who trained under the Bastau Business project could not get microcredits to start their own business.

\*\*\*

I instruct to allocate an additional 20 billion tenge in 2018, bringing the total amount of microlending to 62 billion tenge.

As a result, microlending will in total cover more than 14 thousand people, which will double the level of 2017.

This work should be actively continued in the following ***years***. The significance of this initiative is that it will allow thousands of people to open their own business.

I would like to emphasize that this is especially important for rural areas, for the development of entrepreneurship in the countryside.

The fifth initiative: "Further development of gas infrastructure in the country."

Over the ***years*** of independence, gas production in the country has increased from 8 to 52 billion cubic meters per ***year*** and will grow further.

To date, the gas infrastructure covers almost 50% of the population of the country. Nine regions have full gas infrastructure.

At the same time, the central and northern regions of the country are still without gas.

\*\*\*

We need to implement a project to build a gas mains along the route Karaozek (Kyzylorda region) - Zhezkazgan - Karaganda - Temirtau - Astana.

To do this, it is necessary to attract appropriate funds, including from international financial institutions. This will not only provide gas to 2.7 million people, but also create new production of small and medium-sized businesses.

Ecology will also improve. Only in Astana, the transition to gas will reduce harmful emissions into the atmosphere six times or by 35 thousand tonnes per ***year***.

The implementation of this project will make it possible to further set up gas infrastructure in other regions.

These are the Five Presidential Initiatives.

Their implementation will create new jobs and contribute to the further growth of the country's economy.

I instruct the Government and the National Bank to work out in detail the mechanisms for their implementation.

I ask the Deputies of the Parliament to make the necessary changes to the legislation in a timely manner.

Given the absolute importance of these initiatives, an extensive discussion of approaches for their effective implementation is required.

It is also important to carry out awareness-raising work among the population and business.

The Nur Otan Party will monitor the implementation of these important measures.

Dear compatriots!

The new state measures will become tangible for all Kazakhstanis, for all citizens of our country.

The society will have a new opportunity to plan the future, firmly linking its fate with Kazakhstan.

I think that it is necessary to consolidate this ***program*** legislatively.

The implementation of the ***program*** will fill the constitutional norm on the "social state" with a new concrete content.

In modern global conditions, national unity is social unity, and a successful state is a social state.

We look forward, not backward. And I am sure that together we will definitely form a realistic, pragmatic Kazakhstan model of a social state and national well-being.

\*\*\*

Dear friends!

Today's initiatives will succeed only if our country has a solid, stable society.

And the unity of the country is, first of all, the unity of the Kazakh people.

In order to become a prosperous country in the process of globalization, unity and solidarity are required first of all among us, Kazakhstanis.

There is one truth that has been proven by history - our nation grows stronger in unity, and weakens without it.

Kassym Khan has laid the foundation of what further became the territory of modern Kazakhstan.

It is true that "Unity of the country is the equality of the country"!

"The Lycurgus of the Kazakh Horde" - the Great Tauke has united the country and led through a period of peace, a time free from trouble.

"Wealth is not riches, but unity" - this is the principle left to us from those times.

At the dawn of our nation, only after the unification of every Kazakh under the white flag of Ablay Khan was it possible to chase away the enemy from our country.

Our ancestors used to say - "A united hundred will overcome a scattered thousand".

These 3 Kazakh khans - 3 giants in the history of our country, their heritage is the unity of the people.

At the same time, there were many times when our country was devastated by the sword.

This is a bitter lesson of history.

"Build your future taking lessons from the past" goes the proverb, thus the lessons of the past are the priceless wealth of today.

Keeping this in mind, taking in the lessons from the past, our people enjoy great prosperity in the Independence era thanks to friendship and unity, peace and stability.

If we are to multiply our prosperity, strengthen our independence - we need a solid unity, which cannot be broken.

If we cherish our prosperity and unity, there will be no danger to our carefree life.

The country and the land belong to the people of Kazakhstan, as such the people themselves are responsible for everything good and bad that happens to the country.

And in realizing this great responsibility, in our nation uniting as one, we need to be an example to the rest of the world.

Only then, our sacred Kazakhstan, named after our people, will prosper and develop.

The nation will enjoy peace and comfortable living.

Let us keep this in mind and focus on the job!

Godspeed!

[*www.primeminister.kz*](http://www.primeminister.kz)

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**Load-Date:** March 5, 2018

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[***Washington: ADDITIONAL COSPONSORS (Senate - May 22, 2018)***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5SD9-W1K1-JDG9-Y4RX-00000-00&context=1516831)

Impact News Service

May 24, 2018 Thursday

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**Length:** 1560 words

**Body**

Washington: The Library of Congress, The Government  of USA has issued the following house proceeding:

 At the request of Mr. Wicker, the name of the Senator from Mississippi (Mrs. Hyde-Smith) was added as a cosponsor of S. 184, a bill to prohibit taxpayer funded abortions. S. 266 At the request of Mr. Hatch, the name of the Senator from Indiana (Mr. Donnelly) was added as a cosponsor of S. 266, a bill to award the Congressional Gold Medal to Anwar Sadat in recognition of his heroic achievements and courageous contributions to peace in the Middle East. S. 751 At the request of Mr. Warner, the name of the Senator from Illinois (Ms. Duckworth) was added as a cosponsor of S. 751, a bill to amend title 54, United States Code, to establish, fund, and provide for the use of amounts in a National Park Service Legacy Restoration Fund to address the maintenance backlog of the National Park Service, and for other purposes. S. 760 At the request of Mr. Schatz, the name of the Senator from Colorado (Mr. Bennet) was added as a cosponsor of S. 760, a bill to expand the Government's use and administration of data to facilitate transparency, effective governance, and innovation, and for other purposes. S. 783 At the request of Ms. Baldwin, the name of the Senator from Illinois (Ms. Duckworth) was added as a cosponsor of S. 783, a bill to amend the Public Health Service Act to distribute maternity care health professionals to health professional shortage areas identified as in need of maternity care health services.

S. 974 At the request of Mr. Leahy, the names of the Senator from Indiana (Mr. Young) and the Senator from Michigan (Ms. Stabenow) were added as cosponsors of S. 974, a bill to promote competition in the market for drugs and biological products by facilitating the timely entry of lower-cost generic and biosimilar versions of those drugs and biological products. S. 1022 At the request of Mr. Isakson, the name of the Senator from Minnesota (Ms. Klobuchar) was added as a cosponsor of S. 1022, a bill to amend the Public Health Service Act to facilitate assignment of military trauma care providers to civilian trauma centers in order to maintain military trauma readiness and to support such centers, and for other purposes. S. 1050 At the request of Ms. Murkowski, her name was added as a cosponsor of S. 1050, a bill to award a Congressional Gold Medal, collectively, to the Chinese-American Veterans of World War II, in recognition of their dedicated service during World War II. S. 1112 At the request of Ms. Heitkamp, the name of the Senator from Pennsylvania (Mr. Casey) was added as a cosponsor of S. 1112, a bill to support States in their work to save and sustain the health of mothers during pregnancy, childbirth, and in the postpartum period, to eliminate disparities in maternal health outcomes for pregnancy-related and pregnancy-associated deaths, to identify solutions to improve health care quality and health outcomes for mothers, and for other purposes. S. 1328 At the request of Mr. Kaine, the name of the Senator from Minnesota (Ms. Klobuchar) was added as a cosponsor of S. 1328, a bill to extend the protections of the Fair Housing Act to persons suffering discrimination on the basis of sexual orientation or gender identity, and for other purposes. S. 1358 At the request of Mr. Cassidy, the name of the Senator from Kentucky (Mr. Paul) was added as a cosponsor of S. 1358, a bill to amend the Internal Revenue Code of 1986 to provide for the treatment of certain direct primary care service arrangements and periodic provider fees. S. 1589 At the request of Mr. Cardin, the name of the Senator from Vermont (Mr. Leahy) was added as a cosponsor of S. 1589, a bill to amend the Internal Revenue Code of 1986 and the Small Business Act to expand the availability of employee stock ownership plans in S corporations, and for other purposes. S. 2105 At the request of Mr. Boozman, the name of the Senator from Montana (Mr. Tester) was added as a cosponsor of S. 2105, a bill to modify the presumption of service connection for veterans who were exposed to herbicide agents while serving in the Armed Forces in Thailand during the Vietnam era, and for other purposes. S. 2269 At the request of Mr. Isakson, the name of the Senator from Florida (Mr. Rubio) was added as a cosponsor of S. 2269, a bill to reauthorize the Global Food Security Act of 2016 for 5 additional ***years***. At the request of Mr. Casey, the names of the Senator from Maryland (Mr. Cardin) and the Senator from Oregon (Mr. Merkley) were added as cosponsors of S. 2269, supra. S. 2372 At the request of Mrs. Fischer, her name was added as a cosponsor of S. 2372, a bill to amend title 38, United States Code, to provide outer burial receptacles for remains buried in National Parks, and for other purposes. S. 2379 At the request of Mr. Kaine, the name of the Senator from Montana (Mr. Tester) was added as a cosponsor of S. 2379, a bill to improve and expand authorities, ***programs***, services, and benefits for military spouses and military families, and for other purposes. S. 2404 At the request of Mr. Casey, the names of the Senator from New Hampshire (Ms. Hassan) and the Senator from Minnesota (Ms. Smith) were added as cosponsors of S. 2404, a bill to amend the Food, ***Agriculture***, Conservation, and Trade Act of 1990 to reauthorize the organic ***agriculture*** research and extension initiative. S. 2418 At the request of Ms. Hassan, the name of the Senator from Maine (Mr. King) was added as a cosponsor of S. 2418, a bill to direct the Federal Communications Commission to promulgate regulations that establish a national standard for determining whether mobile and broadband services available in rural areas are reasonably comparable to those services provided in urban areas. S. 2543 At the request of Ms. Heitkamp, the name of the Senator from Ohio (Mr. Brown) was added as a cosponsor of S. 2543, a bill to amend part B of title IV of the Social Security Act to provide grants to develop and enhance, or to evaluate, kinship navigator ***programs***, and for other purposes. S. 2584 At the request of Ms. Baldwin, the name of the Senator from New Jersey (Mr. Menendez) was added as a cosponsor of S. 2584, a bill to end discrimination based on actual or perceived sexual orientation or gender identity in public schools, and for other purposes. S. 2597 At the request of Mr. Isakson, the name of the Senator from Kansas (Mr. Moran) was added as a cosponsor of S. [[Page S2837]] 2597, a bill to amend the Public Health Service Act to reauthorize the ***program*** of ***payments*** to children's hospitals that operate graduate medical education ***programs***, and for other purposes. S. 2667 At the request of Mr. McConnell, the name of the Senator from North Carolina (Mr. Burr) was added as a cosponsor of S. 2667, a bill to amend the ***Agricultural*** Marketing Act of 1946 to provide for State and Tribal regulation of hemp production, and for other purposes. S. 2679 At the request of Mr. Tester, his name was added as a cosponsor of S. 2679, a bill to provide access to and manage the distribution of excess or surplus property to veteran-owned small businesses. S. 2723 At the request of Mrs. Gillibrand, the name of the Senator from Connecticut (Mr. Murphy) was added as a cosponsor of S. 2723, a bill to amend the Food and Nutrition Act of 2008 to require that supplemental nutrition assistance ***program*** benefits for children be calculated with reference to the cost of the low-cost food plan, as determined by the Secretary of ***Agriculture***, and for other purposes. S. 2778 At the request of Mr. Cruz, the name of the Senator from Kentucky (Mr. Paul) was added as a cosponsor of S. 2778, a bill to amend the Endangered Species Act of 1973 to include a prohibition on the listing of a living nonnative species as a threatened species or an endangered species, and for other purposes. S. 2789 At the request of Mr. Cornyn, the names of the Senator from Connecticut (Mr. Blumenthal) and the Senator from Iowa (Mr. Grassley) were added as cosponsors of S. 2789, a bill to prevent substance abuse and reduce demand for illicit narcotics. S. 2810 At the request of Mr. Sanders, the name of the Senator from Michigan (Ms. Stabenow) was added as a cosponsor of S. 2810, a bill to amend the National Labor Relations Act to establish an efficient system to enable employees to form, join, or assist labor organizations, and for other purposes. S. RES. 386 At the request of Mr. Flake, the names of the Senator from Maryland (Mr. Cardin) and the Senator from New Jersey (Mr. Menendez) were added as cosponsors of S. Res. 386, a resolution urging the Government of the Democratic Republic of the Congo to fulfill its agreement to hold credible elections, comply with constitutional limits on presidential terms, and fulfill its constitutional mandate for a democratic transition of power by taking concrete and measurable steps towards holding elections not later than December 2018 as outlined in the existing election ***calendar***, and allowing for freedom of expression and association. S. RES. 502 At the request of Mr. Hatch, the name of the Senator from Oregon (Mr. Wyden) was added as a cosponsor of S. Res. 502, a resolution supporting robust relations with the State of Israel bilaterally and in multilateral fora upon seventy ***years*** of statehood, and for other purposes.

**Load-Date:** May 25, 2018

**End of Document**



[***-Roxgold Reports 2017 Fourth Quarter and Full Year Financial Results - Strong Cash Flow Driven by Robust Operating Performance in First Full Year of Operation***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5S18-CF71-JD3Y-Y19D-00000-00&context=1516831)

ENP Newswire

April 3, 2018 Tuesday

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**Length:** 4681 words

**Body**

Toronto, Ontario - Roxgold Inc. ('Roxgold' or the 'Company') (TSX: ROXG) (OTC: ROGFF) today reported its fourth quarter and full ***year*** financial results for the period ended December 31, 2017.

For complete details of the audited Condensed Consolidated Financial Statements and associated Management's Discussion and Analysis please refer to the Company's filings on SEDAR ([*www.sedar.com*](http://www.sedar.com)) or the Company's website (   [*www.roxgold.com*](http://www.roxgold.com)). All amounts are in U.S. dollars unless otherwise indicated.

HIGHLIGHTS

For the twelve-month period ended December 31, 2017, the Company: Achieved over 4,000,000 hours free of lost time injuries ('LTI') since the mine commenced operations; Produced 126,990 ounces of gold, exceeding the upper limit of the increased guidance range 115,000 to 125,000 ounces, compared to 75,078 ounces for the seven-month period in 2016; Sold 126,555 ounces of gold totalling revenues of $ 159.4 million in fiscal ***year*** 2017 compared to $ 41.4 million during the three-month period of commercial production in 2016 ($ 98.0 million during the seven-month period of 2016); Incurred a cash operating cost1 of $ 438 per ounce produced for a total cash cost1 of $ 491 per ounce sold and an all-in sustaining cost1 of $ 740 per ounce sold, including additional investment to advance underground development ahead of the initial mine plan compared to $ 705 for the seven months ended December 31, 2016; Generated cash flow from mining operations1 totalling $ 83.9 million for cash flow from mining operations per share1 of $ 0.23 (C$ 0.28/share); Became net cash positive2 with a cash balance of $ 63 million and a long-term debt face value3 balance of $ 47 million; Connected to the Burkina Faso high voltage grid which provides 95% of the power utilized at the Yaramoko mine site; Funded thirty projects originating from the local communities; Successfully passed Lenders' Completion test and amended its $ 75M Initial Facility to a $ 60M Amended Facility; Graduated to the Toronto Stock Exchange on March 30, 2017; Completed a positive Feasibility Study for the Bagassi South Project that showed an after-tax IRR of 53.2% with 1.8 ***year*** payback on initial capital and Commenced construction work at site to facilitate the Bagassi South expansion project; For the three-month period ended December 31, 2017, the Company: Achieved record tonnes mined of 108,094 tonnes leading to a record quarterly mill throughput of 70,815 tonnes; Produced 35,016 ounces of gold and sold 34,876 ounces for gold sales totalling $ 45.5 million; Incurred a cash operating cost1 of $ 417 per ounce produced for a total cash cost1 of $ 488 per ounce sold and an all-in sustaining cost1 of $ 609 per ounce sold; Generated cash flow from mining operations1 totalling $ 22,035,000 for cash flow from mining operations per share1 of $ 0.06 (C$ 0.07/share) and Received permitting approval in January 2018 to develop the Bagassi South Project.

'In 2017, the Yaramoko gold mine outperformed on several fronts providing strong cash flow as a result of robust operating performance where production exceeded our increased guidance and costs came in below and at the low end of guidance. Our continued operational success has allowed us to build a strong balance sheet providing the flexibility to achieve our accretive growth objectives, while continuing to build net cash,' stated John Dorward, President and Chief Executive Officer. 'In looking ahead, 2018 is expected to be another exciting ***year*** for Roxgold as we shift our focus to expanding our proven operations at the 55 Zone by completing construction of our second high-grade mine, Bagassi South, while executing on our extensive regional exploration ***program***.'

2017 GOALS AND ACHIEVEMENTS

In 2017, the Company's main operational focus was to achieve annual gold production at its Yaramoko gold mine between the range of 115,000 and 125,000 ounces (increased from 105,000 to 115,000 ounces in Q3 2017) while being a low-cost producer maintaining a cash operating cost1 at $ 445-$ 490 and an all-in sustaining cost1 at $ 740-$ 790. The Company also wanted to pursue its organic growth, with the completion of a Feasibility study for its Bagassi South Project.

During the full ***calendar*** ***year*** for 2017 there were no lost time injuries ('LTI'). There were 2.1 million LTI free hours worked during 2017, with a total of 4 million LTI free hours worked since the start of the operations to December 31, 2017.

Roxgold exceeded the upper limit of the increased guidance range with gold production of 126,990 ounces in 2017. Cash operating cost1 of $ 438 was below guidance and all-in sustaining cost1 of $ 740 was at the low end of guidance.

The Company continued its organic growth with the completion of a positive feasibility study for the Bagassi South Project located less than two kilometers from the Company's Yaramoko processing facility. The Feasibility Study envisions a satellite underground operation at Bagassi South and an expanded processing facility at Yaramoko. The Bagassi South project has an after-tax IRR of 53.2% with a 1.8-***year*** payback on initial capital, average total cash cost of $ 426 per ounce (including royalties) and an average all-in sustaining cost of $ 630 per ounce. The pre-production capital is estimated at $ 30 million and is anticipated to be funded entirely from the Company's balance sheet without recourse to external financing.

2018 outlook

Gold production between 110,000 and 120,000 ounces; Cash operating cost1 between $ 450 and $ 500/ounce; All-in sustaining costs1 between $ 780 and $ 830/ounce; Underground capital expenditure between $ 22 million and $ 26 million

Bagassi South pre-production capital expenditure of $ 30 million

Exploration budget of $ 9 million

Due to sequencing of activities within the underground mine, gold production is expected to be slightly higher in the second and third quarters relative to the respective comparative period of prior ***year***. In 2018, the Company also expects to see a greater proportion of the mill feed met by stoping activities as opposed to ore development. Grades from the mine are expected to be in line with those seen in 2017 with an average of 13.7 grams per tonne of gold ('g/t Au') expected across the ***year***.

In the third and fourth quarters of 2018, the processing plant tie-ins for the Bagassi South expansion are expected to occur, slightly affecting mill operating time in those periods; however, it is planned that these exercises will largely occur within planned maintenance stoppages.

With current cash on hand totalling approximately $ 63 million as of December 31, 2017, combined with the terms of the Amended Facility, the Company has the flexibility to pursue its organic and strategic growth objectives.

MINE OPERATING ACTIVITIES

The Company declared commercial production on October 1, 2016. As a result, there is no comparable twelve-month period of mining operations nor mining operating profit for 2016. The Company considers that pre-commercial production operations at the Yaramoko Gold Project commenced in June 2016 as the construction of the processing plant was completed. As such, the seven-month period ended December 31, 2016 includes three months of commercial production and four months of pre-commercial production. The Company believes that these seven months are the best comparison for the twelve months of operation ended December 31, 2017.

Health and safety performance

Health and Safety is a fundamental value for Roxgold and is a constant priority at the Yaramoko gold mine. The Company believes that every individual working for the Company or visiting Roxgold's premises should be able to return safely and without injury to their home after a day spent at our operations. The team at the Yaramoko gold mine exhibit their commitment to safety daily through their activities with toolbox meetings, departmental reviews and frequent task safety analyses.

With the project being put into production in 2016, the Company's Operational Health and Safety Management systems have been effectively implemented and are now operating smoothly with a continuous improvement and review ***program*** in place. As the Company considers that that everyone, regardless of position, has the ability to involve, influence, motivate and enable others to contribute to Roxgold Health and Safety culture by encouraging personal and collective leadership, accountability and responsibility, each employee has a personal performance objective related to safety embedded within their annual appraisal process. An award and recognition ***program*** has also been implemented at site.

With steady state operations being established in 2017, the focus has evolved from establishing a strong reporting culture that encourages proactive identification of risk and therefore swift rectification of hazards and sub-par operating practices in 2016 to now implementing Health and Safety training ***programs*** for all employees in 2017 with more than 18,000 hours of training provided.

These values and actions resulted in a solid safety performance observed in 2017. During the ***year*** ended December 31, 2017, the Company did not observe any Lost Time Injury ('LTI') and to date achieved a significant milestone of more than 4,300,000 hours LTI free since the mine commenced operations.

Operational performance

During the ***year*** ended December 31, 2017, 319,855 tonnes of ore were extracted from the underground mine. Mine development in 2017 totalled 6,819 metres compared to 6,739 in 2016.

As at December 31, 2017, 14 sublevels had been developed throughout the extents of the resource. The Company took advantage of higher than planned productivity rates from the underground mining contractor to advance mine development ahead of budgeted requirements. As a result, the Company is significantly ahead of the initial mine plan and is, as such, benefiting from additional flexibility.

In 2017, approximately 52% of the mill feed was sourced from stoping activities as opposed to 29% during the seven-month of operation in 2016. In September 2017, a second production rig arrived onsite which supported an increase in stoping capacity over the final months of the ***year***. At the end of the ***year***, nine stoping panels were developed for extraction.

Stoping activities during the course of 2017 were focused between the 5270 and 5168 levels while development took place between the 5151 and 5049 levels. Reconciliation of mined material against the Company's resource model performed well on a tonnage basis but underperformed on a grade basis by approximately 11%. While the stoping areas between the 5270 and 5168 levels generally performed well, the areas that were developed between 5151 and 5049 demonstrated variability against expectations. Grade variability is expected at the 55 Zone, as in 2016, the resource model under predicted actual gold mined by 2% and early indications for 2018 are that grade reconciliation has improved.

To better understand the distribution of grade between the 5151 and 5049 levels, the Company is planning an 11,000 meter drilling ***program*** from surface and underground to better test the eastern and western extents of the 55 Zone in this particular area.

The processing facility ran at an average operating time of 96% with excellent metallurgical performance representing an improvement from 93.3% achieved during the seven-month period ended December 31, 2016. Accordingly, in 2017, 266,599 tonnes of ore were processed for an average throughput of 730 tonnes per day including a record throughput of 70,815 tonnes in the fourth quarter. Average head grade for 2017 was 15.3 grams per tonne. The 2017 average recovery was 98.9% in line with the recovery achieved in 2016 while the gravity circuit contribution to the overall recovery increased to between 65% and 70% during 2017 from 58% in 2016.

Based on the foregoing, 126,990 ounces of gold were poured during the ***year*** ended December 31, 2017 compared to 75,078 ounces of gold for the seven-month period ended December 31, 2016.

Financial performance

During the ***year*** ended December 31, 2017, a total of 126,555 ounces of gold were sold resulting in revenues from gold sales totalling $ 159 million at an average realized gold price of $ 1,260 per ounce sold compared to an average market gold price of $ 1,257 per ounce.

During the four-month pre-commercial production period ended September 30, 2016, a total of 42,844 ounces of gold were sold resulting in pre-commercial production revenues of $ 57 million (at an average realized gold price of $ 1,322 per ounce sold). This amount was recorded to Mineral properties under development within property, plant and equipment ('PP&E'). From the declaration of commercial production on October 1, 2016 to December 31, 2016, 34,271 ounces of gold were sold at an average realized gold price of $ 1,208 per ounce for gold sales revenue totalling $ 41 million. Accordingly, the Yaramoko gold mine generated $ 98 million of pre-commercial and operational revenue during the seven months in which it was it was in operation during the twelve-month period ended December 31, 2016.

Mine operating expenses represent mining, processing, and mine site-related general and administrative expenses. The cash operating cost1 totalled $ 438 per ounce for 2017 below the lower-end of the 2017 guidance range of $ 445 to $ 490 per ounce produced. The variation with the 2016 comparable period is a result of lower head grade combined with a higher cash operating cost1 per tonne processed. The difference between the cash operating cost1 per tonne processed of $ 208 in 2017 and the cash operating cost1 per tonne processed of $ 196 for the comparative period of 2016 is mainly due to costs associated with standard preventive maintenance which occurred in 2017 as the mill facility had been in operation for more than twelve months along with reagents costs that were included in the first fill pre-production costs in 2016.

In 2016, the Company made the strategic decision to continue to invest in the underground mine development during 2017, to ensure mine operational flexibility and resilience as well as to benefit from the opportunity provided by the high availabilities of the mill. As such, Roxgold invested $ 25,515,000 in underground mine development including $ 10,039,000 spent eighteen months ahead of the current mine plan schedule, representing a sustaining capital cost1 of $ 202 per ounce sold. As a result, the Company achieved a site all-in sustaining cost1 of $ 692 per ounce sold and an all-in sustaining cost1 of $ 740 per ounce sold representing the low end of the 2017 guidance compared to all-in sustaining cost1 of $ 705 per ounce sold for the comparable period in 2016. The variation ***year*** over ***year*** is essentially due to a higher cash operating cost resulting from lower head grade and a slightly higher cash operating cost1 per tonne as previously explained.

Based on the financial performance discussed above, the Company achieved cash flow from mining operations1 of $ 83,944,000 for the ***year*** ended December 31, 2017, for cash flow from mining operations per share of $ 0.23 (C$ 0.28/share), which allowed the Company to become net cash positive2 during the fourth quarter of 2017. Comparatively, the Company generated cash flow from mining operations of $ 59,106,000 during the seven-month period ended December 31, 2016. The variation between both periods is due to the timing of the start of the operations in 2016.

CORPORATE AND SOCIAL RESPONSIBILITY ACTIVITIES ('CSR')

2017 highlights

Roxgold has established a collaborative and participative approach with the community investment ***program*** in the communities surrounding the Yaramoko gold mine. In 2017, the key areas of activity have included community investment, community health and safety, cultural heritage and road infrastructure development, along with socio-economic development to enhance local procurement and employment opportunities.

The Company's main ***program***, the community investment ***program***, aims to improve the education, health, water and sanitation and economic development of the host communities with the financial support of projects that originate from the local communities themselves. This ***year***, 30 projects were funded with a focus on youth and women's development, which include the following: Support for the opening of a municipal occupational training center; Solar electrification or boreholes in four schools; School construction; Capacity building of women's association (e.g. ***agricultural*** business); Development of Bagassi electrification system.

Along with the Environmental and Social permitting process undertaken in 2017 for the mine extension project at Bagassi South, Roxgold has strengthened the relations and trust between the Company and the community with the identification of additional future shared benefit opportunities in community investment projects, local employment and local procurement.

In collaboration with the Canadian project West Africa Governance & Economic Sustainability in Extractive Areas (WAGES) managed by the CECI and WUSC organizations the Company has worked in partnership with communities, local government, mining companies, and other stakeholders, to enable communities, particularly women and youth, to maximize the socio-economic benefits from extractive resource investment in West Africa. In 2017, the group has been successful in opening the municipal occupational training center and local suppliers' capacity building events.

2018 CSR ***program***

Based on the success of previous ***years***, the 2018 CSR activities will keep the same approach of grassroots-based initiatives, collaboration, transparency and partnership to maximize the benefit, sustainable growth and creation of local community opportunities from the Company's operation and extension project, especially through human capital and economic development. Furthermore, the six main ***programs*** as described above will be further strengthened. In addition, the extensive stakeholder engagement ***programs*** currently in place contribute to the viability of Roxgold's projects and secure future growth.

REVIEW OF ANNUAL 2017 FINANCIAL RESULTS

Mine operating profit

During the ***year*** ended December 31, 2017, revenues totalled $ 159,414,000 while mining operating expenses and royalties totalled $ 55,681,000 and $ 6,443,000, respectively. The Company achieved total cash cost1 per ounce sold of $ 491 for the ***year*** ended 2017 period representing a mining operating margin1 of $ 769 per ounce sold.

The Company declared commercial production on October 1, 2016 and consequently there is no comparable mine operating profit for the full twelve-month period ended December 31, 2016. Pre-commercial production revenue totalling $ 56,625,000 associated with gold ounces sold during the period June 1 to September 30, 2016 has been offset against mine operating costs, totalling $ 14,728,000, and other capitalized costs, including previously capitalized development costs, on the statement of financial position. Accordingly, mine operating profit totalling $ 21,493,000 for 2016 presented in the Financial Statements relates solely to the 34,271 ounces of gold sold during the fourth quarter of 2016, representing a mining operating margin1 $ 746 per ounce sold, and a total cash cost1 per ounce sold of $ 461.

General and administrative expenses

General and administrative expenses totalled $ 4,627,000 for the ***year*** ended December 31, 2017 period compared $ 3,395,000 for the corresponding period in the prior ***year***. Higher corporate development costs and non-recurring professional fees associated with graduating as a listed issuer on the Toronto Stock Exchange, affected the corporate expense in 2017. Additional corporate personnel were also hired to position the Company for future growth.

Sustainability and other in-country costs

Sustainability and in-country costs totalled $ 1,612,000 for the ***year*** ended December 31, 2017, respectively compared to $ 398,000 for the twelve-month comparative period. These expenditures are incurred to maintain Roxgold's social licence to operate in Burkina Faso, and include investments made in sustainability and community projects related to current operations. Costs totaling $ 460,000 incurred during the pre-commercial period in 2016 were capitalized in PP&E.

Exploration and evaluation expenses ('E&E'): Exploration and evaluation expenses totaled $ 12,757,000 compared to $ 6,039,000 for the ***year*** ended December 31, 2017 and December 31, 2016, respectively.

Drilling costs incurred during the period totalled $ 5,760,000 and $ 3,658,000 for the ***year*** ended December 31, 2017 and 2016 period, respectively. The 2017 drilling ***program*** for the Bagassi South area included a total of 214 drill holes for a total of 23,535 meters of drilling while the 2016 drilling costs reflected a ***program*** which included 4,225 metres of diamond drilling.

The cost incurred for the economic and feasibility studies for the ***year*** ended December 31, 2017 period include expenses associated with the updated mineral resource estimate, the preparation of the Bagassi South project Feasibility Study and the filing requirements to get the permitting approval for Bagassi South project.

Share-based ***payment***

Share-based ***payment*** totalled $ 2,522,000 compared to $ 2,135,000 in the ***year*** ended December 31, 2017 and 2016 period, respectively. Stock option costs reflect the decrease in stock options granted combined with a modification of the vesting conditions which since January 2017 are vesting over thirty-six months as opposed to twenty-four months.

Performance share units ('PSU') and Deferred share unit costs reflect expenses associated with the units granted to senior management and directors, respectively in 2017. The variation with the prior ***year*** is due to the implementation of the PSU plan early in 2017 and a change in directorship in 2016.

Financial expenses

Net financial expense totalled $ 14,214,000 for the ***year*** ended December 31, 2017, compared to $ 10,601,000 for the comparable period in 2016. The $ 3,613,000 variation period over period is mainly attributable to the change in the fair value of the Company's gold forward sales contracts and increased interest expense in relation to the Company's Amended facility as these were capitalized in 2016 until the declaration of Commercial Production on October 1, 2016.

Deferred income tax expense

The deferred income tax expense mainly reflects future income tax impact associated with temporary differences between the accounting and the tax basis of the Company's assets offset by future benefits related to non-capital loss carry forwards.

Net income (loss)

The Company's net income for the ***year*** ended December 31, 2017 was $ 23,423,000 compared to a net loss of $ 1,071,000 in the comparable period of the ***year*** prior. The variation is a result of the Company's operations as the Company was in the development stage until it declared commercial production on October 1, 2016.

Consequently, the Company's income per share was $ 0.05 per share in 2017 to a loss of $ 0.01 per share for the comparative, 2016 period.

Income Attributable to Non-Controlling Interest)

For the ***year*** ended December 31, 2017, the income attributable to the non-controlling ('NCI') interest was $ 4,400,000. The Government of Burkina Faso holds a 10% carried interest in Roxgold SANU SA and as such is considered Roxgold's NCI. The NCI attributable income is based on IFRS accounting principles and does not reflect dividend payable to the minority shareholder of the operating legal entity in Burkina Faso.

About Roxgold

Roxgold is a gold mining company with its key asset, the high grade Yaramoko Gold Mine, located in the Hounde greenstone region of Burkina Faso, West Africa. Roxgold trades on the TSX under the symbol ROXG and as ROGFF on OTC.

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This press release contains 'forward-looking information' within the meaning of applicable Canadian securities laws ('forward-looking statements'). Such forward-looking statements include, without limitation: statements with respect to Mineral Reserves and Mineral Resource estimates (including proposals for the potential growth and/or upgrade thereof), anticipated receipt and maintenance of permits and licenses, future production and life of mine estimates, production and cost guidance, anticipated recovery grades, the anticipated increased proportion of mill feed coming from stoping ore, future capital and operating costs and expansion and development plans including with respect to the 55 Zone and Bagassi South, and the expected timing thereof, proposed exploration plans and the timing and costs thereof, the anticipated operations, costs, proposed funding, timing and other factors set forth in the Feasibility Study, proposed 2018 CSR activities, and sufficiency of future funding. These statements are based on information currently available to the Company and the Company provides no assurance that actual results will meet management's expectations. In certain cases, forward-looking information may be identified by such terms as 'anticipates', 'believes', 'could', 'estimates', 'expects', 'may', 'shall', 'will', or 'would'. Forward-looking information contained in this news release is based on certain factors and assumptions regarding, among other things, the estimation of Mineral Resources and Mineral Reserves, the realization of resource estimates and reserve estimates, gold metal prices, the timing and amount of future exploration and development expenditures, the estimation of initial and sustaining capital requirements, the estimation of labour and operating costs, the availability of necessary financing and materials to continue to explore and develop the Yaramoko Gold Project in the short and long-term, the progress of exploration and development activities as currently proposed and anticipated, the receipt of necessary regulatory approvals and permits, and assumptions with respect to currency fluctuations, environmental risks, title disputes or claims, and other similar matters, as well as assumptions set forth in the Company's technical report dated December 20, 2017, and entitled 'Technical Report for the Yaramoko Gold Mine, Burkina Faso' available on the Company's website at [*www.roxgold.com*](http://www.roxgold.com) and SEDAR at   [*www.sedar.com*](http://www.sedar.com). While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include: changes in market conditions, unsuccessful exploration results, possibility of project cost overruns or unanticipated costs and expenses, changes in the costs and timing of the development of new deposits, inaccurate reserve and resource estimates, changes in the price of gold, unanticipated changes in key management personnel, failure to obtain permits as anticipated or at all, failure of exploration and/or development activities to progress as currently anticipated or at all, and general economic conditions. Mining exploration and development is an inherently risky business. Accordingly, actual events may differ materially from those projected in the forward-looking statements. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.

[Editorial queries for this story should be sent to [*newswire@enpublishing.co.uk*](mailto:newswire@enpublishing.co.uk) ]

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**End of Document**



[***EXECUTIVE AND OTHER COMMUNICATIONS (Senate - September 12, 2018)***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5T86-SS41-F0YC-N4NM-00000-00&context=1516831)

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**Body**

Washington: The Library of Congress, The Government  of USA has issued the following house proceeding:

 The following communications were laid before the Senate, together with accompanying papers, reports, and documents, and were referred as indicated: EC-6444. A communication from the Director of the Regulatory Management Division, Environmental Protection Agency, transmitting, pursuant to law, the report of a rule entitled ``2-Propenoic acid, 2-methyl-, 2-oxiranylmethyl ester, polymer with butyl 2-propenoate, ethenylbenzene and 2- ethylhexyl 2-propenoate; Tolerance Exemption'' (FRL No. 9982- 72) received in the Office of the President of the Senate on September 6, 2018; to the Committee on ***Agriculture***, Nutrition, and Forestry. EC-6445. A communication from the Director of the Regulatory Management Division, Environmental Protection Agency, transmitting, pursuant to law, the report of a rule entitled ``Cloquintocet-mexyl; Pesticide Tolerances'' (FRL No. 9980-90) received in the Office of the President of the Senate on September 6, 2018; to the Committee on ***Agriculture***, Nutrition, and Forestry. EC-6446. A communication from the Director of the Regulatory Management Division, Environmental Protection Agency, transmitting, pursuant to law, the report of a rule entitled ``Metschnikowia fructicola strain NRRL Y-27328; Exemption from the Requirement of a Tolerance'' (FRL No. 9982-22) received in the Office of the President of the Senate on September 6, 2018; to the Committee on ***Agriculture***, Nutrition, and Forestry. EC-6447. A communication from the Director of the Regulatory Management Division, Environmental Protection Agency, transmitting, pursuant to law, the report of a rule entitled ``Spiromesifen; Pesticide Tolerances'' (FRL No. 9982-21) received in the Office of the President of the Senate on September 6, 2018; to the Committee on ***Agriculture***, Nutrition, and Forestry.

EC-6448. A communication from the Regulations Management Team Lead , Rural Utilities Service, Department of ***Agriculture***, transmitting, pursuant to law, the report of a rule entitled ``Announcement Process for Rural Utilities Service Grant ***Programs***'' (RIN0572-AC39) received in the Office of the President of the Senate on September 6, 2018; to the Committee on ***Agriculture***, Nutrition, and Forestry. EC-6449. A communication from the Secretary of the Commodity Futures Trading [[Page S6140]] Commission, transmitting, pursuant to law, the report of a rule entitled ``Chief Compliance Officer Duties and Annual Report Requirements for Futures Commission Merchants, Swap Dealers, and Major Swap Participants; Amendments'' (RIN3038- AE56) received in the Office of the President of the Senate on September 5, 2018; to the Committee on ***Agriculture***, Nutrition, and Forestry. EC-6450. A communication from the Director of the Regulatory Review Group, Farm Service Agency, Department of ***Agriculture***, transmitting, pursuant to law, the report of a rule entitled ``Market Facilitation ***Program***'' (RIN0560-AI42) received during adjournment of the Senate in the Office of the President of the Senate on September 10, 2018; to the Committee on ***Agriculture***, Nutrition, and Forestry. EC-6451. A communication from the Administrator of the Specialty Crops ***Program***, ***Agricultural*** Marketing Service, Department of ***Agriculture***, transmitting, pursuant to law, the report of a rule entitled ``Irish Potatoes Grown in Colorado; Increased Assessment Rate for Area No. 2'' ((7 CFR Part 948) (Docket No. AMS-SC-18-0022; SC18-984-1 FR)) received in the Office of the President of the Senate on September 6, 2018; to the Committee on ***Agriculture***, Nutrition, and Forestry. EC-6452. A communication from the Secretary of Defense, transmitting a report on the approved retirement of General John W. Nicholson, United States Army, and his advancement to the grade of general on the retired list; to the Committee on Armed Services. EC-6453. A communication from the Secretary of Defense, transmitting the report of an officer authorized to wear the insignia of the grade of rear admiral (lower half) in accordance with title 10, United States Code, section 777; to the Committee on Armed Services. EC-6454. A communication from the President of the United States, transmitting, pursuant to law, a report relative to the continuation of the national emergency with respect to the terrorist attacks on the United States of September 11, 2001; to the Committee on Banking, Housing, and Urban Affairs. EC-6455. A communication from the Secretary of the Treasury, transmitting, pursuant to law, a six-month periodic report on the national emergency with respect to Ukraine that was originally declared in Executive Order 13660 of March 6, 2014; to the Committee on Banking, Housing, and Urban Affairs. EC-6456. A communication from the Secretary of the Treasury, transmitting, pursuant to law, a six-month periodic report on the national emergency with respect to persons undermining democratic processes or institutions in Zimbabwe that was declared in Executive Order 13288 of March 6, 2003; to the Committee on Banking, Housing, and Urban Affairs. EC-6457. A communication from the Secretary of the Treasury, transmitting, pursuant to law, a six-month periodic report on the national emergency with respect to Venezuela that was originally declared in Executive Order 13692 of March 8, 2015; to the Committee on Banking, Housing, and Urban Affairs. EC-6458. A communication from the Secretary of the Treasury, transmitting, pursuant to law, a six-month periodic report on the national emergency with respect to Iran as declared in Executive Order 12957 of March 15, 1995; to the Committee on Banking, Housing, and Urban Affairs. EC-6459. A communication from the Assistant General Counsel, General Law, Ethics, and Regulation, Department of the Treasury, transmitting, pursuant to law, a report relative to a vacancy in the position of Assistant Secretary (Financial Institutions), Department of the Treasury, received during adjournment of the Senate in the Office of the President of the Senate on September 7, 2018; to the Committee on Banking, Housing, and Urban Affairs. EC-6460. A communication from the Regulatory Specialist, Office of the Comptroller of the Currency, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled ``Expanded Examination Cycle for Certain Small Insured Depository Institutions and U.S Branches and Agencies of Foreign Banks'' (RIN1557-AE37) received during adjournment of the Senate in the Office of the President of the Senate on September 7, 2018; to the Committee on Banking, Housing, and Urban Affairs. EC-6461. A communication from the Assistant Secretary for Export Administration, Bureau of Industry and Security, Department of Commerce, transmitting, pursuant to law, the report of a rule entitled ``Addition of Certain Entities to the Entity list, Revision of Entries on the Entity List and Removal of Certain Entities from the Entity List'' (RIN0694- AH42) received in the Office of the President of the Senate on September 5, 2018; to the Committee on Banking, Housing, and Urban Affairs. EC-6462. A communication from the Assistant Secretary for Export Administration, Bureau of Industry and Security, Department of Commerce, transmitting, pursuant to law, the report of a rule entitled ``Revisions to the Export Administration Regulations Based on the 2017 Missile Technology Control Regime Plenary Agreements'' (RIN0694-AH46) received in the Office of the President of the Senate on September 6, 2018; to the Committee on Banking, Housing, and Urban Affairs. EC-6463. A communication from the Director of Legislative Affairs, Federal Deposit Insurance Corporation, transmitting, pursuant to law, the report of a rule entitled ``Liquidity Coverage Ration Rule: Treatment of Certain Municipal Obligations as High-Quality Liquid Assets'' (RIN3064-AE77) received in the Office of the President of the Senate on September 6, 2018; to the Committee on Banking, Housing, and Urban Affairs. EC-6464. A communication from the Director of Legislative Affairs, Federal Deposit Insurance Corporation, transmitting, pursuant to law, the report of a rule entitled ``Expanded Examination Cycle for Certain Small Insured Depository Institutions and U.S Branches and Agencies of Foreign Banks'' (RIN3064-AE76) received during adjournment of the Senate in the Office of the President of the Senate on September 7, 2018; to the Committee on Banking, Housing, and Urban Affairs. EC-6465. A communication from the Director of the Regulatory Management Division, Environmental Protection Agency, transmitting, pursuant to law, the report of a rule entitled ``Air Plan Approval and Air Quality Designation; Florida: Redesignation of the Hillsborough County Lead Nonattainment Area to Attainment'' (FRL No. 9983-44-Region 4) received in the Office of the President of the Senate on September 6, 2018; to the Committee on Environment and Public Works. EC-6466. A communication from the Director of the Regulatory Management Division, Environmental Protection Agency, transmitting, pursuant to law, the report of a rule entitled ``Air Plan Approval; ID, Pinehurst PM10 Redesignation, Limited Maintenance Plan; West Silver Valley 2012 Annual PM2.5 Emission Inventory'' (FRL No. 9983-53- Region 10) received in the Office of the President of the Senate on September 6, 2018; to the Committee on Environment and Public Works. EC-6467. A communication from the Director of the Regulatory Management Division, Environmental Protection Agency, transmitting, pursuant to law, the report of a rule entitled ``Air Plan Approval; New Hampshire; Single Source Orders and Revisions to Definitions'' (FRL No. 9982-99-Region 1) received in the Office of the President of the Senate on September 6, 2018; to the Committee on Environment and Public Works. EC-6468. A communication from the Director of the Regulatory Management Division, Environmental Protection Agency, transmitting, pursuant to law, the report of a rule entitled ``Air Plan Approval; North Carolina: New Source Review for Fine Particulate Matter (PM2.5)'' (FRL No. 9983- 43-Region 4) received in the Office of the President of the Senate on September 6, 2018; to the Committee on Environment and Public Works. EC-6469. A communication from the Director of the Regulatory Management Division, Environmental Protection Agency, transmitting, pursuant to law, the report of a rule entitled ``Air Plan Approval; Vermont; Infrastructure State Implementation Plan Requirements for the 2012 PM2.5 NAAQS'' (FRL No. 9983-02-Region 1) received in the Office of the President of the Senate on September 6, 2018; to the Committee on Environment and Public Works. EC-6470. A communication from the Director of the Regulatory Management Division, Environmental Protection Agency, transmitting, pursuant to law, the report of a rule entitled ``Approval and Promulgation of Air Quality Implementation Plans; Virginia; Nonattainment New Source Review Requirements for the 2008 8-Hour Ozone Standard'' (FRL No. 9983-33-Region 3) received in the Office of the President of the Senate on September 6, 2018; to the Committee on Environment and Public Works. EC-6471. A communication from the Director, Office of Technology Transitions, Department of Energy, transmitting, pursuant to law, a report entitled ``Report on Technology ***Transfer*** and Related Technology Partnering Activities at the National Laboratories and Other Facilities for Fiscal ***Year*** 2015''; to the Committee on Energy and Natural Resources. EC-6472. A communication from the Chief of the Publications and Regulations Branch, Internal Revenue Service, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled ``Implementation of Nonresident Alien Deposit Interest Regulations'' (Rev. Proc. 2018-36) received in the Office of the President of the Senate on September 6, 2018; to the Committee on Finance. EC-6473. A communication from the Chief of the Publications and Regulations Branch, Internal Revenue Service, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled ``Qualifying Relative and the Exemption Amount'' (Notice 2018-70) received in the Office of the President of the Senate on September 6, 2018; to the Committee on Finance. EC-6474. A communication from the Chief of the Publications and Regulations Branch, Internal Revenue Service, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled ``Revenue Procedure: Examination of Returns and Claims for Refund, Credit, or Abatement; Determination of Correct Tax Liability'' (Notice 2018-68) received in the Office of the President of the Senate on September 6, 2018; to the Committee on Finance. EC-6475. A communication from the Assistant General Counsel, General Law, Ethics, and Regulation, Department of the Treasury, [[Page S6141]] transmitting, pursuant to law, a report relative to a vacancy in the position of Assistant Secretary (Economic Policy), Department of the Treasury, received during adjournment of the Senate in the Office of the President of the Senate on September 7, 2018; to the Committee on Finance. EC-6476. A communication from the Assistant Secretary, Legislative Affairs, Department of State, transmitting, pursuant to section 36(c) of the Arms Export Control Act, the certification of a proposed license for the export of firearms abroad controlled under Category I of the U.S Munitions List of Automatic 5.56mm rifles to the UAE in the amount of $1,000,000 or more (Transmittal No. DDTC 18-024); to the Committee on Foreign Relations. EC-6477. A communication from the Secretary of the Treasury, transmitting, pursuant to Executive Order 13313 of July 31, 2003, a semiannual report detailing telecommunications-related ***payments*** made to Cuba pursuant to Department of the Treasury licenses; to the Committee on Foreign Relations. EC-6478. A communication from the Strategic Advisor and Director of Congressional Relations and Government Affairs, Office of the Special Inspector General for Afghanistan Reconstruction, transmitting, pursuant to law, a report relative to the Office's July 2018 quarterly report to Congress (OSS-2018-1090); to the Committee on Homeland Security and Governmental Affairs. EC-6479. A communication from the Archivist of the United States, National Archives and Records Administration, transmitting, pursuant to law, a report relative to the Administration's fiscal ***year*** 2018 Commercial Activities Inventory and Inherently Governmental Activities Inventory and the Uniform Resource Locator (URL) for the report; to the Committee on Homeland Security and Governmental Affairs. EC-6480. A communication from the Associate General Counsel for General Law, Department of Homeland Security, transmitting, pursuant to law, a report relative to a vacancy in the position of Assistant Secretary and Director, U.S Immigration and Customs Enforcement (ICE), Department of Homeland Security, received in the Office of the President of the Senate on September 6, 2018; to the Committee on Homeland Security and Governmental Affairs. EC-6481. A communication from the Chief Counsel, Federal Emergency Management Agency, Department of Homeland Security, transmitting, pursuant to law, the report of a rule entitled ``Removal of Dispute Resolution Pilot ***Program*** for Public Assistance Appeals'' ((RIN1660-AA94) (Docket No. FEMA-2018- 0015)) received during adjournment of the Senate in the Office of the President of the Senate on September 10, 2018; to the Committee on Homeland Security and Governmental Affairs. EC-6482. A communication from the Chief of the Regulatory Coordination Division, Citizenship and Immigration Services, Department of Homeland Security, transmitting, pursuant to law, the report of a rule entitled ``Adjustment to Premium Processing Fee'' (RIN1615-ZB73) received in the Office of the President of the Senate on September 5, 2018; to the Committee on the Judiciary. EC-6483. A communication from the Assistant General Counsel for Regulatory Affairs, Consumer Product Safety Commission, transmitting, pursuant to law, the report of a rule entitled ``Safety Standard for Automatic Residential Garage Door Operators'' (RIN3041-AD66) received in the Office of the President of the Senate on August 27, 2018; to the Committee on Commerce, Science, and Transportation. EC-6484. A communication from the ***Program*** Analyst, Office of Managing Director, Federal Communications Commission, transmitting, pursuant to law, the report of a rule entitled ``Assessment and Collection of Regulatory Fees for Fiscal ***Year*** 2018'' (FCC 18-126) received during adjournment of the Senate in the Office of the President of the Senate on September 11, 2018; to the Committee on Commerce, Science, and Transportation.

**Load-Date:** November 5, 2018

**End of Document**



[***Egypt's economy grows in response to wide-ranging reform programme***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5WS6-C4X1-DXYV-74G4-00000-00&context=1516831)

Oxford Business Group: Articles

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**Body**

As Egypt enters 2018, a newly liberalised currency and the recent implementation of a much-anticipated investment framework have left it well positioned for continued economic expansion: the IMF expects the country's GDP growth to reach 6% over the medium term. However, a structural fiscal deficit, high unemployment levels and socio-economic fragility are some of the challenges faced by the government as it presses forward with its ambitious reform agenda.

**Economic Snapshot**

Since 2014 Egypt has been implementing a wide-ranging ***programme*** of economic reform. The process started with a drive to rebalance the economy through a number of challenging initiatives, including the reduction of subsidies, the introduction of value-added tax (VAT) and the liberation of the Egyptian pound.

At the outset of 2018, these headline measures had been implemented, and the government's focus has since shifted to the improvement of governance and the investment climate. This effort includes the implementation of the Civil Service Reform Law, aimed at cutting the large public sector wage bill, and an array of legislation designed to remove investment barriers, such as the Industrial Licensing Law, the Investment Law and the Company Law.

These efforts have begun to have a positive effect on the nation's economic growth. In 2017 the World Bank estimated that GDP grew by 3.9% over the ***year***, and forecast it would expand by 4.6% in 2018 - a significant improvement on the 2% average GDP growth rate seen during the period FY 2010/11 to FY 2013/14. The overall budget deficit for the first half of the 2017/18, which started in July 2017, dropped to 4.4% from 5% the previous ***year***, the Ministry of Finance said in mid-January 2018.

Foreign reserves, which had been depleted over recent ***years*** as a result of the government's attempts to defend the currency, have benefitted from the liberalisation of the Egyptian pound and the securing of development funding from the IMF. By the end of 2017 the nation's foreign reserves stood at $37bn, their highest level since 2011. The flotation of the currency in late 2016, however, has contributed to inflation reaching over 30% in 2017 - and the effects of this phenomenon on households and businesses remains one of the chief obstacles to growth.

**Fiscal Challenge**

Despite a gradually improving fiscal scenario, a structural fiscal deficit remains the key economic challenge, and one which nearly all of its reforms aim to address. The problem has persisted since the revolution of 2011 and the political turbulence which immediately followed it. The rapid turnover of governments and the prevailing atmosphere of economic uncertainty resulted in a fiscally damaging era of lower revenue and rising expenditure, as business activity and investment decreased and the government set about meeting the demands from both state employees and the wider population for social justice. By FY 2012/13 the nation was running a fiscal deficit of 13.7%, a level considered to be unsustainable in the long term.

During the first term of President Abdel Fattah El Sisi the government initiated a process of fiscal reform aimed at shrinking the deficit, an effort that combined expenditure cuts with attempts to boost revenue. Its first target was the fuel subsidy system: expenditure trimming in the FY 2014/15 budget saw diesel grades rise between 64% and 78%; the price of natural gas - which most of the nation's taxi fleet relies on - increase by 175%; and 92-octane petrol made 40% more expensive. In June 2017 fuel prices were hiked again, by as much as 100%, as the government sought further fiscal savings. According to the Ministry of Petroleum and Mineral Resources (MoPMR), the price of 92-octane gasoline rose by more than 40% from LE3.5 ($0.23) to LE5 ($0.33) per litre, while prices for diesel and 80-octane - the most popular fuel categories - went up by more than 50% from LE2.35 ($0.15) to LE3.65 ($0.24) per litre. The price of cooking gas cylinders rose from LE15 ($0.99) to LE30 ($1.98) per cylinder.

While gas prices to the industrial sector remained unchanged in a bid to protect growth, fuel oil prices to cement factories rose by 40%. As a result of the changes, the MoPMR expects to see subsidies on petroleum products fall to LE110bn ($7.2bn) in FY 2017/18, from LE145bn ($9.6bn) in the previous ***year***. According to the government's strategy, the coming ***years*** will see the complete removal of fuel subsidies, increasing efficiency in energy use, a diversification of the energy mix and the roll-out of a smart card system for fuel distribution.

The removal of electricity subsidies, first outlined in the 2014/15 budget, also continues, albeit at a slower pace than originally foreseen. Egypt spent more than twice the budgeted amount on electricity subsides in FY 2016/17 due to rising import costs for liquefied natural gas, which fuels most of its power stations. In the summer of 2017 the Ministry of Electricity and Renewable Energy announced a series of price increases which saw households paying between 18% and 42% more depending on the category and level of consumption. A ministry statement at the time indicated that an initial target of removing electricity subsidies entirely by the end of FY 2018/19 had been extended to the end of FY 2021/22, due to the challenging economic conditions brought about by the flotation of the currency.

In carrying out its energy subsidy trimming exercise, the authorities have attempted to protect the most vulnerable in society. For example, in June 2017 the president announced a range of new spending plans, including a doubling of monthly food subsidies, a freeze of tax on ***agricultural*** lands for three ***years*** and a 15% increase in civil servant pensions.

**Revenue Raising**

Raising revenue is another way the government is attempting to tackle the fiscal deficit. The centrepiece of this agenda is the implementation of VAT, which has replaced the old sales tax framework. As a broad-based consumer tax, VAT offers gains in terms of efficiency and revenue, while the ability of the government to define the exemption list enables it to protect the most vulnerable segments of the population from its effects. The timing of the VAT's introduction in late 2016 was driven by both the government's desire to push ahead with its reform ***programme***, and the fact that its implementation is tied to an IMF funding package.

The government has succeeded in implementing a real estate tax, an annual tax that is applied on all constructed real estate units, which had previously met with strong opposition. In addition, it rationalised the corporate income tax system to establish a standard rate of 22.5%, which also covers new companies in free zones. Egypt's rate of personal income taxes is low compared to corporate tax levels, based on a progressive rate which in 2017 was adjusted to provide relief for those on lower incomes. A capital gains tax implemented in 2015 but suspended due to public opposition, was postponed for another three ***years*** in 2017. However, the government did succeed in introducing stamp duty on trades made in the capital markets, beginning at a rate of 0.15% and rising to 0.175% by 2019.

In the first half of FY 2017/18, tax revenue reached LE249bn ($16.4bn), a ***year***-on-***year*** (y-o-y) increase of 66%. However, while this represents a success for the government, the difficulties it has faced with the implementation of capital gains tax are a reminder of the challenges associated with any change to the nation's taxation framework (see analysis).

**Bridging The Gap**

Egypt's structural deficit requires the government to seek external funding to meet its expenditure commitments. In the ***years*** following the overthrow of President Mohamed Morsi, this was largely secured from regional allies in the form of cash grants and deposits to the Central Bank of Egypt (CBE), loans, investment packages and preferential rates on petroleum products. However, Egypt has since reduced its dependence on ad-hoc support from GCC allies by securing substantial development funding from global institutions. The World Bank agreed to a $3bn loan ***programme*** in 2015, which is being disbursed in three tranches linked to a number of planned reform measures. In 2017 the World Bank released its second $1bn tranche to the country, which was welcomed by the Ministry of Investment and International Cooperation as an important spur to private sector investment and development projects.

**Funding**

Egypt's standing in the global economy received a more significant boost in November 2016, when the country signed a $12bn loan ***programme*** with the IMF. The first disbursement of $2.75bn was made the same month, with the remainder to be paid out over three ***years*** and three tranches. As with the World Bank development loan, the IMF funding is contingent upon Egypt's ability to implement its ambitious agenda of economic reform. In July 2017 the IMF executive board disbursed the final $1.25bn of the first $4bn tranche of the loan, after a favourable review of Egypt's reform ***programme***. Moody's described the development as credit positive for the country, stating that its reforms were showing results, particularly the foreign exchange rate liberalisation in 2016, which "helped reduce balance-of-***payment*** pressures from large current-account deficits and support the sovereign's external liquidity position". Egypt is expected to receive the second $4bn tranche in two instalments during FY 2017/18.

Egypt has also shown itself capable of raising funds in the global markets over the course of 2017, despite ratings downgrades that have placed the sovereign in speculative territory. In January 2017 the country successfully raised $4bn of debt in its first sovereign bond offering since it devalued its currency and secured IMF assistance. The offer attracted strong interest from global investors, receiving orders of approximately $13.5bn, and priced at yields below the initial price talk: the five-***year*** notes were priced at 6.125%, while the 10- and 30-***year*** bonds had a yield of 7.5% and 8.5%, respectively.

Global appetite for Egyptian Treasury bills (T-bill) has been equally robust, reaching record levels in 2017. The currency devaluation and some of the world's highest yields brought around $18bn of T-bill purchases by October 2017, as portfolio investment flooded into the system. The average yield on Egyptian Treasuries climbed as high as 22% in the period after the flotation, but investors were also incentivised by the government's investment-friendly approach in its ongoing process of economic reform, as well as robust GDP growth forecasts of 3.5% for 2017 and 4.2% in 2018. Foreign investors now own more than 30% of Egypt's outstanding T-bill stock, more than at any time in the republic's history.

**Currency Challenge**

One reason for increased investor confidence is Egypt's successful handling of a troubling currency issue. The policy of controlling the value of its currency through central bank operations became problematic after the 2011 revolution, as a significant drop-off in tourism numbers and a slowdown in foreign investment resulted in a dollar shortage in the country. The nation spent a considerable portion of its foreign reserves defending the currency, while the dwindling dollar supply made it difficult for Egyptian importers to meet their dollar invoices and foreign investors to repatriate profits. This scenario undermined Egypt's attempts to improve its investment environment, and resulted in a number of high-profile difficulties with global companies. Backlogs in foreign currency requests from customers resulted in the rise of a parallel currency market, causing yet another problem for the CBE in the form of unreported and unregulated transactions. In November 2016 the CBE was compelled to make the historic decision of allowing the flotation of the Egyptian pound. It set an initial target price of LE13 to $1, which represented a considerable devaluation from the previous official exchange rate of LE8.88. The depreciation of the pound which followed its liberalisation, however, was greater than most market observers had anticipated: by December 20, 2016 it hit LE19.63 to $1, close to the barrier of LE20 to the dollar. Since that time the currency has settled at a steady level of approximately LE18 to the dollar.

As a result, the past ***year*** has seen significantly improved foreign currency liquidity. In July 2017 Tarek Amer, governor of the CBE, told the local press that $57bn of cash inflows had flooded into the domestic banking system since the flotation the previous November. With liquidity strengthening and foreign exchange reserves following a rising trend, in June 2017 the CBE removed limits on international currency ***transfers***. In November 2017 it removed all restrictions on US dollar deposits and withdrawals for importers of non-essential goods. By lifting the currency controls the government aims to increase the flows of foreign investment into the country, as well as attract more deposits from Egyptians abroad.

The downside to the flotation of the currency, however, is the rapid rise in consumer price inflation, which has had a negative effect on both household consumption and business growth. The CBE reacted to this challenge by tightening monetary policy, starting with a 3% interest rate rise in November 2016 and making two further rate rises in 2017. The efficacy of this policy has become a matter of debate within the business community, with some market observers believing that the rate rises will have only a minimal impact on inflation, but a significantly adverse influence on the ability of businesses to borrow and expand their operations (see analysis).

**Trade**

One area of the national accounts where the currency devaluation has had a beneficial effect is the trade deficit, which narrowed by 46% y-o-y in the first half of 2017. According to the Ministry of Trade and Industry, imports fell by 30% to $24bn, while the country's newly competitive exports increased by 8% to $11bn. In 2017 the trade deficit fell by 25%. The ministry has been working to limit the import of low-quality products, rationing imports and increasing a reliance on local production. As part of the ministry's strategy to promote industrial development in the country, it aims to leverage trade offices and export councils in key markets to increase non-oil exports by 10% by 2020. Turning around Egypt's trade deficit is a significant challenge, however. The country's overall trade balance has remained in negative territory since 2004, as imports demanded by a rapidly expanding economy have outpaced export growth. The nation has, however, established itself as a sizeable exporter of oil and other mineral products, chemicals, ***agricultural*** products, livestock and food products. Primary imports, which are later exported as manufactured goods, account for a large share. These include mineral and chemical products, ***agricultural*** products, livestock and foodstuff, machinery and electrical equipment and base metals.

The nation's largest export markets, according to the UN Statistical Division, are the UAE, which accounted for $2.83bn of total exports in 2016, Saudi Arabia with $1.75bn, Italy at $1.47bn, Turkey with $1.44bn and the UK with $1.05bn.

In terms of imports, China is the origin of the biggest single share of the total ($10.4bn), followed by Germany ($5.01bn), Russia (3.7bn), the US ($3.4bn) and Italy ($3.42bn). One of the more interesting questions regarding Egyptian trading patterns is the country's ability to respond to the changing shape of the global economy. This may include a greater effort to tap into eastern markets: a 2017 report from HSBC foresees the country's three biggest export markets remaining the same during the period to 2030, but India overtaking the US to claim fourth position.

**Foreign Investment**

A drive to attract more investment in the economy runs parallel to Egypt's trade development effort. Despite the nation's political and economic challenges, it remains a favoured destination for global investors. In 2016 the country ranked second among Arab countries for the amount of foreign direct investment (FDI) it attracted, according to the Arab Investment and Export Credit Guarantee Corporation. Since 2014 the government has introduced a range of legislative and regulatory measures aimed at boosting FDI. Of these, the most important in recent months has been the promulgation of the new investment law at the end of May 2017. The publishing of this long-anticipated piece of legislation has established a number of investment guarantees, such as equal treatment for foreign and national investors, the granting of residence rights for the duration of projects, a protection against nationalisation or the seizure of funds (without a court order) and the right to ***transfer*** profits abroad.

The new law is also cognisant of some of the difficulties in securing suitable local labour, in that it allows for a 10% quota of foreign workers, which can be increased to 20% in the absence of national labour with the necessary qualifications.

**Incentives**

A variety of incentives is also outlined, divided into three categories: general incentives for projects not occurring in free zones, including stamp duty exemptions on loans and a low Customs duty rate of 2% on machinery and equipment; specific incentives for some qualifying investment projects (for example, those established in labour-intensive sectors or geographical areas in need of employment opportunities), such as tax deductions of up to 50% on investment costs; and incentives applied on an ad-hoc basis, such as the establishment of special Customs points for a project's exports and imports, and financial assistance from the government for the cost of technical training of employees.

With its new investment framework in place, Egypt targeted $10bn in FDI in 2017, compared to the $8.7bn it attracted in FY 2016/17, according to the Ministry of Investment and International Cooperation. This ambition was made more attainable by the weaker local currency, which has lowered costs of material and labour for investors, as well as the removal of currency controls later in the ***year***. According to the ministry, the pipeline of FDI for FY 2017/18 includes projects and investments in sectors including oil and gas, real estate, tourism and logistics.

However, despite an improved legislative framework, the country's broader business environment is still seen as a challenging one. Egypt was ranked 128th out of 190 countries in the World Bank's "Doing Business Report 2018", a decline of six places over the previous ***year***. The country showed particular vulnerability with regard to the legal frameworks and bureaucracy surrounding paying taxes, trading across borders and enforcing contracts. The government responded to the report with a number of initiatives which, if fully implemented, will have beneficial consequences on the business environment over the short and medium term (see analysis).

"We have not seen a flood of multinational companies leaving Egypt; on the contrary, firms appear to be considering their investments in Egypt seriously," Mark Lipton, managing director of G4S, told OBG. "Despite some external negative perceptions, the security situation is actually quite stable for doing business, providing you carefully consider your risks and have good resilience plans in place."

**Opportunities**

Egypt's efforts to attract more investment are aided by the fact that it has one of the most diverse economies in the region. ***Agriculture*** continues to play an important role in the economy, accounting for around 26% of the workforce and contributing 12% to GDP in 2015, according to the World Bank. However, over the past century successive governments have pursued a range of developmental agendas which have expanded the economy to include manufacturing, extraction activity - including the mining, oil and gas sectors - construction, tourism and the various segments of the rapidly emerging services sector. Manufacturing, which includes the refining of petroleum products as well as the production of clothes, textiles, furniture, paper, cement and pharmaceuticals, is the largest single contributor to GDP, accounting for approximately 17% of the total. Wholesale and retail activity, based on Egypt's large consumer market and the emergence of a middle class with disposable income since the turn of the century, makes up around 13% of GDP. Extraction activity claims a similarly-sized share of the GDP total - Egypt is the largest non-OPEC oil producer in Africa and has in recent decades built a gas extraction industry based on significant finds in the Nile Delta and its offshore territories. Other important contributors to GDP include construction, transport and storage, and tourism. The latter, traditionally an important source of foreign currency, has been particularly adversely affected by Egypt's recent political turbulence - although 2017 saw an improvement in tourism numbers. According to the Ministry of Tourism, investments in security and a cheaper Egyptian pound helped to boost tourist arrivals to 8.3m in 2017 - a level not seen since 2011 (see Tourism chapter).

**Outlook**

As well as the tourism revival, other areas of the economy show signs of recovery. Most notably, significant gas finds in 2016 hold out the promise of increased export growth and a boost to GDP, as well as easing electricity constraints and reducing the country's import requirements. The Zohr gas field has the potential to produce the equivalent of 40% of Egypt's total natural gas production based on 2015 rates. At the other end of the business spectrum, a government drive to boost activity in the small and medium-sized enterprises (SMEs) sector, which requires banks to allocate 20% of their portfolios to SME businesses by 2020, has recently been augmented with a new microfinance law. Thanks to the ongoing reform initiative, Egypt's macro outlook is a positive one: the World Bank estimates inflation to decline to 14.2% in 2018, further easing to 11.3% in 2019, and Moody's expects the budget deficit to shrink gradually to about 3% of GDP by the end of the 2020 fiscal ***year***, supported by a pickup in exports. The challenges of the large fiscal and external deficits, meanwhile, are offset by support from the IMF ***programme*** and, to a lesser extent, similar assistance from the World Bank. This has prompted the major ratings agencies to grant Egypt a stable outlook.

Difficulties remain, however. Egypt enters a presidential election ***year*** facing fundamental challenges, including an official unemployment rate of 13%, a youth unemployment level of 24%, and more than one-quarter of the population living under the poverty line. Maintaining the support of the public for the remainder of the reform process is thus paramount.

**Load-Date:** March 12, 2020

**End of Document**



[***Thursday in Parliament - 10:04 PM GMT***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5THH-N571-DY08-32Y0-00000-00&context=1516831)

TVEyes - BBC Parliament

October 18, 2018 Thursday

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**Section:** U.K. NATIONAL; News

**Length:** 866 words

**Highlight:** Highlights of Thursday's proceedings in Parliament.

**Body**

**Speech to text transcript:**[[19]](#footnote-20)1

in Parliament, our round-up Hello again and welcome to Thursday of the day at Westminster. counting the cost. In this ***programme***, a benefits mistake that's left left The Government comes under fire over tens of thousands of sick and disabled people out of pocket. will pay up to #1 billion The DWP now estimates that it as a result of this shambolic error.

for longer, or perhaps not. Britain could be staying in the EU the European Union as early It is vital that we leave as we can so we can make sure that we are outside of the common outside the Common Fisheries Policy ***agricultural*** policy, and that we take back control. And a minister shares his family's experience. My mother was 50 ***years*** old. She was having a really bad experience and she was taken off to a mental institution. All that to come and more. and disabled people could be in line But first, up to 180,000 sick over around #5,000. for backdated benefits ***payments*** for Work and Pensions. After an error at the Department Coming to the Commons to answer an urgent question, all the ***payments*** would be made a minister said it was hoped that by the end of next ***year***. were being prioritised. And those who were terminally ill The problem stems from a move to a new ***payment*** called implement and support allowance. Which began in 2011. The shadow Minister for disabled people said the Government estimate of the number of people underpaid had more than doubled. ***years*** to acknowledge these mistakes, It has taken this government six seven ***years*** to find out how many disabled people have actually been people will wait ten ***years*** affected and some disabled to receive back ***payments***. The DWP now estimates that it will pay up to #1 billion as a result of this shambolic error. debt, or print the reason She said people had been pushed into destitution. Will she apologise to the almost 200,000 disabled people and their families who have been denied this vital social security support? regularly updated and she already The Minister said MPs had been apologised. error in the department and it This was a dreadful administrative should not have happened. happened when people were moved to She explained how the mistake had the new system. All of the funding that they were receiving, the department, was ***transferred*** across. taken away from them. Nobody had anything What happened here was that people had missed the opportunity support, additional premium. of receiving additional So what we're doing now... What we're doing now by reviewing these cases is to make sure that they're entitled to. people get everything that administrative errors were picked up But her claim about how the provoked shouts from a the Labour benches. it was the good housekeeping In fact, at the scale of the error. of the DWP that spotted that's undertaken on fraud and error It was during the routine work of the problem. that actually detected the scale rightly apologised. The minister has quite the minister for part Can I apologise as I was was taking place? of the time when this migration In all governments, mistakes happen - they happen under the 13 ***years*** rightly apologised. The minister has quite In all governments, mistakes happen - they happen under the 13 ***years*** us before, and it is of Labour and government, how we handle this. So, a department which has a budget of in excess of #250 billion a ***year***, there will be mistakes made. that if there is necessary Can I ask the minister to make sure ***payments*** in compensation, because there will be that we stand up and we admit that people here that suffered, and we address that? It is actually staggering that this happens in the DWP's part to happen for so many ***years***, and the fact that this was allowed it should be shocking. shocking because myself But actually it's not and many of my colleagues at these benches, week in, week out, of the Department for Work we see the absolute ineptitude and Pensions every single week. respect for the minister. Now I have a lot of somehow that this was due But to suggest that really is laughable. to housekeeping on part of the DWP unacceptable situation. Because this has been an absolute investigations to find out So, will the DWP be undertaking had on these people, what impact having less money has forced in the poverty, how many of them have been how many of them have had to use food banks and how many have as a result of this suffered physically and emotionally catastrophic error? department were being strengthened The Minister said processes and the to make sure this doesn't happen again. How long does she envisage it will take before everyone affected is repaid money they're owed? friend for his question. I thank my honourable as we possibly can. And we are working as fast And we confidently expect everyone to be paid by the end of next ***year***. of the most vulnerable This involves hundreds of thousands people in our society.

**Load-Date:** October 18, 2018

**End of Document**



[***Raiffeisen Bank Aval - Ukraine, Monthly Economic Review, November 2017***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5R4N-1331-F19S-P1VT-00000-00&context=1516831)

Emerging Markets Brokers Reports - Central Eastern Europe

December 8, 2017 Friday 9:02 PM EEST

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**Length:** 2956 words

**Byline:** SeeNews

**Body**

Highlights

In October, Ukraine's government conducted a "reprofiling" of government bonds owned by the National Bank, i.e. the exchange of old bonds for new ones with a longer maturity. This in essence leads to smoothing of the public debt ***payment*** schedule. Nevertheless, ***payments*** in domestic and external public debt still remain notably high in 2018/19, posing external financing risks.

(To view the original document, please click on the link below:

[*http://reports.aiidatapro.com/brokers/Aval/Ukraine\_MER\_Nov17\_En.pdf*](http://reports.aiidatapro.com/brokers/Aval/Ukraine_MER_Nov17_En.pdf))

The parliamentary and presidential elections looming in 2019 cast uncertainty over the implementation of reforms and rising populism closer to the election dates. With some progress, Ukraine should be able to receive the next IMF tranche in spring 2018, but there are risks of further delay.

Ukraine's economy has been showing strong growth in 2017, and we improved our 2017 GDP growth estimate by 0.4 pp to 1.9% yoy. Though, given the pending reforms and growing political uncertainty, we decided to decrease our GDP forecast for 2018 from 3% yoy to 2.5% yoy.

In Jan-Oct industrial production index fell by 0.2% yoy and retail sales sharply decelerated - from 8.1% yoy to 4.2% yoy. Consumer price inflation decelerated from 16.4% yoy to 14.6% yoy in October. Given the unexpectedly high CPI rate in September, we change our estimate for 2017 ***year***-end to 13.2% yoy above the inflation target of maximum 10% yoy.

The USD/UAH exchange rate has been on a roller-coaster ride in November crossing the level of 27.00. In our view, the traditional spike of budget spending by the end of the ***year*** will cause a gradual UAH devaluation in December and January.

On 14 December, the NBU will hold the last Monetary Committee meeting this ***year***. We believe that the regulator will keep the key policy rate at the current level.

Ukraine

Economic Policy

In October, Ukraine conducted a reprofiling operation of government bonds owned by the National Bank. Given that the National Bank holds about 50% of domestic bonds and the peak ***payments***

occur in 2018-2019, the Ministry of Finance and the regulator agreed to implement a so-called "reprofiling", i.e. the exchange old bonds for new ones with a longer maturity. Consequently, UAH 219.6 bn of bonds (60.9% in the NBU portfolio and 31.5% of total outstanding domestic bonds) were exchanged for two types of new securities - one with a fixed interest rate and another linked to inflation (interest rate for each coupon ***payment*** is calculated by adding 2.2 pp to annual CPI rate released no longer than 2 months before the interest ***payment*** date). The maturities of the new bonds are spread across the period from 2025 to 2047. Interestingly, about 2/3 of exchanged securities are linked to the CPI rate, which should help to diversify risks (interest rate risk). Moreover, this could ease debt ***payments*** for the government, in case we see a slowdown in inflation. It is expected that the inflation rate will fall during the next 1-2 ***years*** from currently elevated levels. Finally, the NBU now has long-term instruments with various maturities that can be used in its monetary policy. Of course, given the fact that the regulator returns the lion's share of its profit to the Ministry of Finance, the reprofiling looks more like just a formal technical operation. However, the smoothed debt ***payment*** schedule will be beneficial for monetary policy and specifically for inflation targeting, as it will reduce the volatility in the UAH liquidity.

Debt repayment of the new domestic bonds is evenly distributed in such a way that principal ***payments*** to the NBU amounts to about UAH 12 bn every ***year*** from 2025 to 2047. Nevertheless, if we look to the total domestic debt, we still see two notable peaks in principal ***payments*** during 2018-2019 and in 2031. A significant amount of FCY domestic bonds (issued in 2016-2017) matures in 2018-2019. In our view, though, the Ministry of Finance will be able to refinance the bonds and markets will be happy to buy them given still sufficiently attractive yield levels. The second peak, significant debt ***payments*** in 2031 originate from index bonds placed for the capitalization of state banks, but in case of stronger UAH (which is not our base case scenario), it may be much lower.

Moreover, the local debt operation somewhat tackles one of the macrofinancial risks of Ukraine - rising external public debt redemptions in the upcoming ***years*** - as lower domestic public debt ***payments*** also decrease the overall public debt servicing burden. That said the external debt burden in 2018-2019 remains tough. After a successful placement this ***year***, Ukraine will likely issue another Eurobond next ***year***, but in order to get a significant amount of "cheap money", continued cooperation with international creditors is needed. Unfortunately, after receiving tranches from

IMF and EU this spring, both ***programs*** have become stuck again. Despite the fact, that Ukraine has adopted the pension reform, the IMF still waits for an acceleration of the privatization process (specifically, a new law on privatization), the creation of an anticorruption court, the adoption of a state budget for 2018 consistent with the parameters of the IMF ***program*** (which was recently approved, but still has to be evaluated by the IMF) and the adjustment of domestic gas prices (a recently appeared hot issue between the IMF and Ukrainian authorities).

Parliamentary and Presidential elections are looming in 2019 and will make the decisions and the implementation of reforms more difficult the closer the election dates approaches. We do not rule out the growth of political turbulence and growing populism that may pose a threat to economic and financial stability. Thus, we see only a limited window of opportunity - say in H1 2018 - to reengage with the reform process. With some progress, Ukraine should be able to receive the next tranche in spring 2018, but there are risks of further delay.

The Macro-Financial Assistance (MFA) ***program*** by the EU of three tranches of each EUR 600 mn expires in January 2018. As the EU Commission announced on 1 December, Ukraine will not receive the undisbursed third tranche, as several conditions have not been met. Nevertheless, a new MFA ***program*** with EU is still possible. However, the details for a new ***program*** would have yet to be worked out and approved by the respective EU bodies. Thus, we do not expect additional loan tranches from the EU in the nearest future.

Real Sector

Ukraine's economy has been showing moderately strong growth in 2017 on the back of a revival of business activity and improvements in social wellbeing. Nevertheless, the GDP growth rate is gradually decelerating owing to base effect - from 2.5% yoy in Q1 to 2.3% yoy in Q2, and to 2.1% yoy in Q3. Given the hike in minimum wage and relatively stable prices, real wage jumped by 18.8% yoy in Jan-Sep and consumption showed elevated dynamics as well. Moreover, the urgent need to upgrade equipment after several ***years*** of crisis facilitated growth in investments. Conversely, economic growth in Ukraine is generally linked to the growing trade deficit. Thus, we expect a negative contribution to GDP from net exports. In our view, GDP growth will notably decelerate in Q4 on the back of a strong base effect (***agriculture*** propelled GDP upwards by 4.8% yoy back in Q4 2016). Nevertheless, we improve our conservative 2017 GDP growth estimate by 0.4 pp to 1.9% yoy. Though, given the pending reforms and growing political uncertainty, we decrease our GDP forecast for 2018 from 3% yoy to 2.5% yoy.

In October, industrial production showed a minor growth - by 0.4% yoy (after declining by 0.3% yoy in the previous month). Nevertheless, compared to September (adjusting for seasonality), industrial output fell by 0.1% mom. In the mining industry we still see a reflection of economic blockade of Donbas, i.e. a reduction by 8.1% yoy (-1.4% mom). Decline in coal mining deepened

from 24.2% yoy in September to 25.1% yoy. Iron ore mining and oil/gas extraction fell by 6.4% yoy and by 0.5% yoy respectively. Meantime, manufacturing has been still a growth driver as an increase in production by 5.7% yoy and by 1.2% mom has been observed in October. The positive results were attributed to chemical (+38.9% yoy), light (+8.7% yoy) and food (+3.8% yoy) industries as well as machinery (+3.8% yoy). Moreover, high global prices supported the metallurgical production (+3.3% yoy). By contrast, coke production dropped by 10.3% yoy. There was a decline in the energy sector by 7.6% yoy and by 2.8% mom. Overall, in Jan-Oct industrial production index fell by 0.2% yoy. Given the base effect (there was a notable growth in November-December last ***year***) the cumulative decline may deepen by ***year***-end.

In October, retail sales sharply decelerated - from 8.1% yoy to 4.2% yoy. We do not have a clear explanation for this stark change and have to see in coming months if this has been only a temporary change or something more. In cumulative terms, sales growth rate slowed down from 8.8% yoy to 8.2% yoy.

Inflation

In October, consumer price inflation decelerated from 16.4% yoy to 14.6% yoy on the back of strong base effect (12 months ago there was a hike in tariffs for heating and hot water). With respect to September, consumer prices grew by 1.2% mom in October. Food prices went up by 1.1% mom. Only a few food products showed price cut in October - sugar (-5.5% mom), fruits (-4.6% mom), vegetables (-0.8% mom) and sunflower oil (-0.1% mom). Such dynamics was attributed to increased production and decline in global prices. On the other hand, reduced supply led to an increase in prices for other food products. For instance, egg prices kept growing fast (+14.9% mom) due to growth in exports. In additions, milk prices jumped by 5.5% mom. As of non-food products, alcohol and tobacco prices increased by 1.3% mom in October. Prices for clothes also increased (+2.4% mom) on the back of seasonality and UAH devaluation. There were no significant changes in communal tariffs - growth by 0.5% mom. Local currency weakening and growth in oil prices pushed gasoline costs up by 4.4% mom. Given the unexpectedly high CPI rate in September, we change our estimate for the ***year***-end to 13.2% yoy, which means that inflation will show a much stronger deviation from the target range (6-10% yoy) in 2017. However, we believe that inflation can return to the NBU's goal next ***year*** on the back of prudent monetary policy and the fading negative shocks of this ***year*** i.e. return below 8% yoy by December 2018. As of risks, we see a threat for the price stability from the side of sharp increase in social standards (minimum wage, pensions, etc.), which is partly motivated by the upcoming elections.

Producer prices growth rate decelerated as well owing to base effect - from 22.4% yoy in September to 18.8% yoy in October. In mom terms, prices went up by 2.3%. Main growth was in mining industry (+2.8% mom) that created a price pressure in manufacturing (+3.1% mom). Prices in iron ores mining jumped by 5.7% mom, in oil/gas extraction - by 0.8% mom, and in coal mining - by 0.6% mom. As a result, prices in coke production and metallurgy elevated by 16.5% mom and by 6.5% mom respectively. In energy sector prices declined by 0.1% mom.

Balance of ***Payments***

As was expected, the Current Account (C/A) improved in October compared to the previous month, but looking 12-months backward, we see some deterioration. In October, the C/A posted a deficit of USD 408 mn, which is almost USD 500 mn lower the September deficit when were held the interest ***payments*** on the restructured Eurobonds. However, compared to October 2016, we see a two times deeper deficit this ***year***. Goods' exports grew fast, albeit slightly decelerated - from 18.3% yoy to 16.7% yoy. Given the lower corn harvest and decline in sugar price, exports growth rate of food products slowed down from 22.5% yoy to 11.6% yoy. On the other hand, favourable global price dynamics pushed metallurgical exports from +7.6% yoy in September to +23.4% yoy. Merchandise imports' growth accelerated from 20.6% yoy to 22.4% yoy. Growth of households' incomes and high investment demand from the side of ***agriculture*** pushed machinery imports up by 33% yoy (+30.6% yoy in September). ***Agricultural*** sector also supported the significant growth of chemical imports (+29.4% yoy). On the back of coal deficit in the domestic market due to economic blockade of Donbas, imports of mineral products jumped by 30.3% yoy in October (+37.6% yoy in the previous month). On the positive note, the primary income account was

virtually balanced, secondary income account showed a surplus of USD 312 mn owing to growing ***transfers*** to Ukraine, while trade balance of services was traditionally positive (USD 245 mn) on the back of significant transportation exports.

In October, the Financial Account recorded a surplus of USD 563 mn. Due to still weak interest from foreign investors, FDI inflow amounted to only USD 65 mn, but it was directed to the real sector. The banks bought about USD 170.3 mn of government bonds denominated in foreign currency. Growing devaluation expectations caused only a minor reduction of FCY outside the

banks - USD 8 mn (while during the previous 9 months of this ***year*** it shrunk by more than USD 2 bn).

In Jan-Oct, the C/A showed a deficit of USD 3.3 bn (USD 0.4 bn higher than last ***year***). Due to elevated global prices and revival business activity, goods' exports and imports grew fast - by 20.3% yoy and by 22% yoy respectively. Financial account accumulated a surplus of USD 5.3 bn. As a result, balance of ***payments*** (excluding changes in reserves) recorded a positive amount of USD 2.1 bn in Jan-Oct.

Monetary Policy and Exchange Rate

USD/UAH rate on a roller-coaster ride in November. The month started with the pressure in the FX market on the back of the beginning of a new period of dividend repatriation, but when the major FCY demand was satisfied, UAH strengthened again. Moreover, the significant quarterly tax ***payments*** (with a deadline of 17 November) supported UAH in the middle of the month as the FX demand was lowered. However, sharp VAT reimbursement (by UAH 9 bn) crushed the equilibrium, and USD/UAH rate moved up again. By the end of November, USD/UAH crossed the level of 27.00, and in early December it reached 27.20/27.23 owing to another period of dividend ***payments***. In our view, the traditional spike of budget spending by the end of the ***year*** will cause a gradual UAH devaluation in December and January. However, the National Bank has enough resources to diminish excessive volatility.

Gross international reserves keep growing. In October, FX reserves boosted by USD 98 mn to USD 18.7 bn. There were two major growth drivers - placement of domestic FCY bonds (USD 170.3 mn) and swap operations with an authorized bank in the domestic market (USD 100 mn). On the other hand, growing FX market volatility forced the regulator to conduct interventions and FX auctions; as a result, the NBU injected USD 147.2 mn to the market. Also, USD 30.9 mn was spent on servicing and repayment of state debt. We do not expect a significant growth of reserves by the ***year***-end owing to the elevated FX market pressure.

The National Bank keeps relaxing its administrative controls. Recently, the regulator allowed the repatriation of dividends accrued before 2013 with a limit of USD 2 mn per month. Thus, every month a company can repatriate 2014-2016 dividends in the amount up to USD 5 mn and additionally USD 2 mn of 2013 and earlier dividends.

Banking sector liquidity dwelled by the mid-November on the back of quarterly tax ***payments***, but later it returned to the previous level thanks to significant VAT reimbursement mentioned above. On average, the liquidity was only UAH 0.9 bn lower than in October. Correspondent accounts fluctuated in a range of UAH 36-59 bn, while Certificates of Deposit (CDs) laid between UAH

20-39 bn. As in previous month, banks increased their correspondent accounts by the beginning of a new reservation period, but in a few weeks shifted part of UAH liquidity to CDs. Money market rates were quite volatile as well - index of interbank rates (overnight) fluctuated in a range of 11.4-13.3%. On 14 December, the NBU will hold the last Monetary Committee meeting this ***year***. We believe that the regulator will keep the key policy rate at the current level given slightly lowered but still high risks for price stability from the one side and the need to support economic

growth from the other (as a reason for no further hike). In our view, the NBU will return to monetary policy easing in H2'18 after the end of seasonal FX market volatility and the return of CPI rate to the targeted trajectory.

Banking Sector

The deposits showed mixed dynamics in October. From the one side, corporate sector (CO) increased their savings in local currency (LCY) by 0.7% mom. On the other hand, CO FCY deposits dropped by 4.4% mom. Meanwhile, private individuals' deposit portfolio slightly shrunk in October - by 0.1% mom both in LCY and FCY which may be related to relatively high devaluation expectations.

The lending kept recovering. In October, CO UAH loans went up by 0.4% mom, while in FCY jumped by 1.8% mom. Moreover, households continued to borrow in LCY (+3% mom) owing to the growth in incomes and the restructuring of FCY debts (PI FCY loans dropped by 1.2% mom). In Jan-Oct, the operating banks were profitable (UAH 2.2 bn) due to lower costs of provisions and high interest incomes.

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**Body**

Brussels: Public Register European Parliament has issued the following document:

Briefing February 2018 EPRS | European Parliamentary Research Service Author: Vasilis Margaras Members' Research Service PE 614.703 EN Challenges for EU cohesion policy Issues in the forthcoming post-2020 reform SUMMARY The departure of the United Kingdom from the EU will have a significant impact on the EU budget. The next Multiannual Financial Framework, to be presented in May 2018, could make fewer resources available for cohesion policy in the post-2020 period. At this critical juncture, the discussion amongst policy-makers on the future priorities of cohesion policy is now heating up. Among the topics widely debated are the need to make cohesion funds simpler and more flexible for beneficiaries to use, while also strengthening the contribution of cohesion policy to the EU's economic governance and increasing its added value. One point of the debate relates to the way cohesion policy addresses new or growing challenges such as migration, environment and digitalisation.

Yet another includes finding the most efficient form of support for beneficiaries: should it be grants, financial instruments, or possibly a mix of all of these? Other specific matters raised relate to the urban dimension in cohesion policy and the impact that the policy can have upon growth, jobs and innovation in rural areas, regions lagging behind, as well as regions with special geographical characteristics. Last but not least, the relationship between cohesion policy and the European Fund for Strategic Investment is much debated. The European Commission (EC) has published a number of white papers on the future of the EU that provide further ideas for reflection on the priorities of the Union. These reflections also have repercussions for cohesion policy. In addition, the 7th EC Report on Economic, Social and Territorial Cohesion also provides insights into the direction cohesion policy is likely to take. This briefing is an update of an earlier edition, published in September 2017. In this briefing:  Introduction to cohesion policy  The post 2020 multiannual financial framework and possible impact of Brexit  Economic governance and structural reform  Flexibility: focus on new policy challenges  Performance and simplification  Financial instruments and the European Fund for Strategic Investment  The urban agenda for the EU – regions lagging behind and areas with special geographic characteristics  Alternative indicators to gross domestic product  The view of the European Parliament  The view of the Committee of the Regions  Outlook EPRS Challenges for EU cohesion policy Members' Research Service Page 2 of 12 Introduction to cohesion policy Article 174 of the Treaty on the Functioning of the European Union (TFEU) (introduced by the 2009 Lisbon Treaty) states that: 'in order to promote its overall harmonious development, the Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion. In particular, the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions'. Cohesion policy covers funds such as the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund. Along with the European ***Agricultural*** Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF), they constitute the European Structural and Investment Funds (ESI funds). Funding for regional and cohesion policy in the 2014-2020 period amounts to €351.8 billion and constitutes 32.5 % of the EU budget. It provides support for all European regions. The current ***programming*** period ends in 2020 and discussions have already begun about the future of post-2020 cohesion policy. Some of the most prominent policy questions regarding the future of cohesion policy will be analysed below. The post-2020 multiannual financial framework and possible impact of Brexit As the Article 50 procedure has been triggered by the United Kingdom, the budgetary relations between the EU and the UK will need to be settled. The various scenarios evoked range from an exit bill covering outstanding liabilities under the common budget with no further participation in EU activities, to continued participation in a number of activities and associated contributions. Various academic studies provide accounts of the issues raised with the departure of the UK, and sketch out different budgetary scenarios for such a departure.1 Depending on the final scenario, some outcomes from the Brexit process would have a serious impact on the EU budget, whereas others would have a more manageable one. In addition, the 7th Report on economic, social and territorial cohesion (from now on: 7th Cohesion Report) suggests that the levels of national co-financing for cohesion policy could be increased. A 2018 Commission communication on the future MFF provides different scenarios for cohesion policy depending on the state of coverage of EU regions. The first scenario envisages coverage of all EU regions. The second focuses on the more developed and transition regions, which would amount to a reduction of approximately €95 billion over the period, accounting for more than a quarter of current allocations from those funds. Under this scenario, support for regions in Austria, Belgium, Denmark, Finland, mainland France, Germany, Ireland, the Netherlands, Sweden and many regions in Italy and Spain, would be discontinued. With the third scenario, support is limited even further to cohesion countries, and investment for less developed regions in France, Italy and Spain would also need to be discontinued. This would amount to a reduction of approximately €124 billion over the period, accounting for around 33 % of the current allocations. Economic governance and structural reform Since its inception, cohesion policy has been aimed at closing the gap between poor and rich European regions. However, it may be suggested that the focus of discourse on competitiveness – and the policy instruments that this brings – tends to favour already dynamic regions and metropolitan poles of growth.2 In contrast, a discourse on cohesion may take into account various structural problems that regions face, such as high EPRS Challenges for EU cohesion policy Members' Research Service Page 3 of 12 unemployment, social inequalities, geographical location-related handicaps (experienced for instance by mountainous and insular regions) and remoteness from major cities. Although cohesion remains an important element in the regional policy of the EU, the 2014-2020 legislative framework has strengthened links with issues related to economic governance and cohesion policy has been linked more closely with the priorities of the European Semester. The European Semester determines the goals to be pursued in the upcoming ***year*** for the whole of the EU, and also delivers a set of country-specific recommendations that address key socio-economic challenges in each Member State. The reflection paper on the future of EU finances also claims that the link with economic governance and the European Semester may need to be strengthened even further. A further linkage with the economic priorities of the EU is provided by Article 23 of the Common Provisions Regulation (CPR), which covers macroeconomic conditionality. It mentions that sanctions such as the suspension of cohesion funds can be used in order to reinforce compliance with excessive debt or budget inconsistencies by the Member States. Suspension of ***payments*** can be decided by the Council of the European Union on the basis of a proposal from the European Commission in the event that the Member State concerned fails to take effective action. For instance, in 2016, the Commission proposed to take measures against Spain and Portugal due to those countries' failure to address the excessive government deficit. However, no sanctions were levied and the proposal was shelved in November 2016. The issue of macroeconomic conditionality has proved to be a divisive one as it has brought to the fore tensions between net contributor and net recipient Member States. Poorer Member States suggest that it is essential that the EU does not lose sight of the original role and objectives of cohesion policy and its importance as an instrument for maintaining investment in Europe's regions, particularly in times of economic crisis and instability. The 7th Cohesion Report points out that, in general, the ***programmes*** financed through the ESI funds are very closely aligned with the country-specific recommendations made as part of the European Semester process. It states that the provisions linking these funds to sound economic governance, and to Member States responding to the recommendations, have given an incentive for national governments to comply with the budget targets. It also claims that the Commission review of Article 23 suggests that there is no need for any further legislation at this stage. Nevertheless, structural reforms may also be read more widely as reforms in the governance of cohesion policy. For instance, when it comes to 'ownership', Member States could receive more powers in managing funds and projects. Other ideas on the table suggest adopting differentiation management for each EU country that would take into account its own needs and specificities. In this respect, questions regarding the subsidiarity of the ESI funds may emerge. In theory, local and regional actors have seen their role enhanced through the legislation on the partnership agreements. These agreements are negotiated between the Commission and the national authorities, following consultations with various levels of governance, representatives from interest groups, civil society and local and regional representatives. However, various Member States are still not keen to explore this instrument fully. Flexibility: focus on new policy challenges A number of new policy challenges such as immigration may weigh heavily on the future priorities of cohesion policy. The white paper on the future of Europe claims that digital revolution, globalisation, demographic change, social cohesion, economic convergence and climate change are to remain high on the EU agenda. However, a key question is EPRS Challenges for EU cohesion policy Members' Research Service Page 4 of 12 whether any specific amounts will be clearly earmarked for all the above-mentioned challenges in the post-2020 cohesion policy. The 7th Cohesion Report states that an unallocated proportion of funding could make cohesion policy more flexible and able to respond to new challenges more quickly. As happens with any re-allocation of resources, the justification for their scope is not an easy task as it can only be achieved after reaching broad political consensus. Promoting resilient economies in a globalised era through digitalisation and innovation is another EU priority. In 2015, the Commission presented the Digital Single Market strategy, which aims to open up digital opportunities for people and businesses. According to this strategy, regions and cities can explore various ICT initiatives and become active in planning and pursuing their own digital strategies. However, there are still considerable differences in digital performance amongst EU Member States and regions, with many eastern and southern regions scoring low on the EU's Digital Agenda Scoreboard, which measures connectivity, human capital, use of internet, integration of digital technology and digital public spaces. Related to digital innovation is also smart specialisation, which provides a path for innovation-driven differentiation and economic transformation, building on local assets and comparative strengths. However, although having in place a research and innovation strategy for smart specialisation (RIS3) has become a prerequisite for receiving ERDF funding, not all EU regions have managed to explore smart specialisation opportunities successfully. The EU Regional Innovation Scoreboard suggests that innovation excellence continues to remain concentrated in only a small number of regions. Globalisation has various positive and negative aspects. On the positive side, economic opportunities may emerge. Exports may blossom, companies may find new global customers and trade may flourish, thus stimulating economic growth. However, globalisation may also have disadvantages which have to be addressed. For instance, various industries (e.g the coal, steel, iron, shipbuilding, automotive and textile industries) have been affected by global competition and had to downsize their activities in Europe. Cheap imports of non-EU manufacturing goods have led to the decline of various sectors of EU industries, relocations, closures and redundancies. In addition, globalisation has an environmental, demographic, technological and cultural dimension. The impact of globalisation therefore affects the development of regional and local entities within the EU. In order to address all of these issues, the Commission has presented its reflection paper on harnessing globalisation, which attributes a key role to local and regional authorities. In terms of funding, the European Globalisation Adjustment Fund is the only one that is clearly destined to tackle the negative impact of globalisation directly, although the ESI funds may also contribute to creating resilient regions. Nevertheless, according to a study prepared for the European Parliament, the reconversion of old industrialised areas has slipped down the list of EU policy priorities. The same study also suggests that focus on regional investments has gradually shifted from industrial regions to other areas that may offer more stable growth prospects. When it comes to demographic challenges, there is no specific EU fund that addresses issues of demographic importance. However, the EU's sparsely populated areas may benefit from a special status. Territorial areas that are affected by demographic issues will have to find ways of maintaining their populations and enhancing their opportunities in life. Childcare provisions are important in order to maintain the participation of women in the labour market. Teleworking, promoting work-life balance, and enhancing job opportunities for people with reduced mobility may also help to encourage sections of EPRS Challenges for EU cohesion policy Members' Research Service Page 5 of 12 the population to remain professionally active. In addition, maintaining the younger more vibrant elements of their population may prove challenging unless they offer them new opportunities. In this respect, synergies with the private sector and the adoption of new technologies may help. The integration of migrants in society may be another solution to the problem of demographic ageing and depopulation. Issues of immigration and depopulation may also be of importance to cross-border areas that could explore opportunities for cross-border cooperation with other neighbouring territories. While competencies regarding immigration lie primarily with the Member States, the EU can also support Member States, local authorities and civil society organisations in dealing with such issues. Various EU border and peripheral regions have been severely affected by immigration trends. Therefore, cohesion policy may be an important source of financial support for the effective integration of immigrants, as shown by the implementation of various schemes covering education, employment, housing and non-discrimination activities. The ESF and the ERDF can also provide support. Furthermore, financial support for emergency measures, such as setting up reception centres and mobile hospitals, or providing tents and containers, primarily falls under the scope of the Asylum, Migration and Integration Fund (AMIF) ***programmes***. Coordination mechanisms between funding sources such as the AMIF, the Internal Security Fund (ISF) and the ESI funds can be established in order to reinforce synergies. Social cohesion and economic convergence are very much interlinked with cohesion policy. The 2017 Commission reflection paper on the future of EU finances offers various scenarios for the post-2020 EU budget and refers to cohesion policy. It recognises that the current generation of ***programmes*** have incorporated important reforms. It claims that the overall economic, legal and institutional framework for investment has improved. It also recognises that the policy has established a close link between the investment co-financed and the broader economic governance agenda and structural reforms. Nevertheless, it claims that the resulting higher EU budget co-financing rates have reduced the overall investment effort. It also states that there is a need to review how cohesion policy can better prepare and react to unexpected developments, crises and societal changes. When it comes to the environment, the reflection paper on harnessing globalisation emphasises the need: 'to further strengthen the European transition towards a digital, decarbonised and more circular European economy'. The global deterioration of the climate will also have an impact on the number of natural disasters that affect EU territories. Physical disasters management will be an area in which LRAs will be called to assume a more active role. In this respect, the Commission adopted an EU adaptation strategy in April 2013. Adaptation means anticipating the adverse effects of climate change and taking appropriate action to prevent or minimise the damage they can cause, or taking advantage of opportunities that may arise. The varying severity and nature of climate impacts between regions in Europe means that most adaptation initiatives will have to be taken at regional or local level. Improving waste management could also deliver positive effects for the economy. As part of a shift towards a circular economy, the Commission has made four legislative proposals introducing new waste management targets regarding reuse, recycling and landfill, strengthening provisions on waste prevention and extended producer responsibility, and streamlining definitions, reporting obligations and calculation EPRS Challenges for EU cohesion policy Members' Research Service Page 6 of 12 methods for targets. Quite a lot of this legislation will affect the way LRAs collect and process waste. Networks of cities and regions can work together in order to learn from each other and to exchange good positive examples. They can form common initiatives, for instance, in order to protect the environment. Linked to the issue of the environment, the Energy Union strategy, which was launched in February 2015, set out the EU's main ambitions in the field of energy, involving a major shift towards renewable energy sources and sustainable energy use, among other things. Cohesion policy also plays a part in this scenario: over the 2014-2020 ***programming*** period, €38 billion will be available under the ERDF and the Cohesion Fund to support investment in the low-carbon economy. ERDF rules for the same period require mandatory minimum spending from Member States in this particular field. It remains to be seen whether more ambitious targets will be set in environmental protection through the use of the ESI funds. The 7th Cohesion Report highlights the priorities set out in the reflection paper on EU finances, according to which EU funding needs to focus on areas where the highest EU added value can be achieved. Social inclusion, employment, skills, research and innovation, climate change energy and environmental transition are identified as areas that cohesion policy needs to invest in. Addressing migration and globalisation are also mentioned in these two documents. Performance and simplification As mentioned by Commissioner Creţu in various speeches, the future of cohesion policy will depend on providing convincing arguments regarding the added value of the policy and its results. Therefore, performance is a key element in order to convince sceptics, and to safeguard the financial resources that the policy has obtained thus far. However, opinions on what cohesion policy should deliver vary from one policy actor to another. Some Member States would like to see cohesion policy closely linked to issues of economic objectives whereas others tend to emphasise the cohesion aspects of the policy. Already, cohesion policy has quite an ambitious role as it aims at addressing the cohesion gap, to contribute to macroeconomic stability and even to address new policy challenges such as immigration. Nevertheless, multiple conflicting priorities may overburden it. In addition, when it comes to more tangible effects, it is not always easy to measure the impact of cohesion policy on certain domains. The Commission provided figures regarding the positive impact of cohesion policy in various fields regarding the 2007-2013 period. However, few results can yet be reported from the 2014-2020 period due to the usual delay in the start of the ***programmes*** in the first ***programming*** ***years***. Nevertheless, the 7th Cohesion Report states that investment for the 2007-2013 period is estimated to have increased GDP in the EU-12 by nearly 3 % and by a similar amount for the (now EU-13) in the 2014- 2020 period. Various ideas such as focusing on the quality of implemented projects rather than on absorption of funds, and easing the administrative burden of the policy through simplification may enhance the performance of cohesion policy. Simplification Thematic concentration was an issue in the previous ***programming*** period (2007-2013) and led to the establishment of core thematic objectives that derived from the Europe 2020 strategy and linked to a set of headline targets. It may be the case that efforts to increase concentration in fewer thematic areas will persist in the post-2020 period. However, although thematic concentration may be seen as a way to increase the EPRS Challenges for EU cohesion policy Members' Research Service Page 7 of 12 effectiveness of funds, it also leads to re-allocation of resources, which always requires careful planning. Under the 2007-2013 ***programming*** period, separate sets of strategic guidelines coexisted for cohesion policy, rural development, and fisheries and maritime policy. Member States tried to simplify procedures by setting up the common strategic framework for the 2014-2020 period. The common strategic framework also represents the single European reference frame for better coordination between the European structural and investment funds and other EU instruments. However, receivers and managing authorities of EU funds tend to complain that handling them can be quite complicated as they are tied to burdensome bureaucratic requirements. EU funds are still bound to various EU and Member State rules, which occasionally makes their administration a cumbersome exercise. In order to tackle these issues, in 2015 the Commission set up a high-level group with the main task of advising the Commission on how to simplify and reduce the administrative burden for the beneficiaries of the five ESI funds. The group made recommendations on improving the implementation of simplification measures for the post-2020 period. With the omnibus regulation, the Commission proposes to roll out a single act for making a revision of the general financial rules, accompanied by corresponding changes to the sectorial financial rules set out in different legislative acts concerning multiannual ***programmes***. In simplifying and making EU financial rules more flexible, this proposal paves the way for the preparation of the next post-2020 generation of spending ***programmes***. Financial instruments and the European Fund for Strategic Investment Regulations provide flexibility for Member States and managing authorities when designing ***programmes***, both to choose between delivering investment through grants and financial instruments (FIs), and to select the most suitable financial instrument. Financial instruments provide support for investment by way of loans, guarantees, equity and other risk-bearing mechanisms, possibly combined with technical support, interestrate subsidies or guarantee-fee subsidies within the same operation. The 7th Cohesion Report states that financial instruments are also important in the context of several strategies or certain specific types of investment, such as improving energy efficiency. Although the Commission is highly supportive of using financial instruments, some academic sources are more reserved when it comes to the benefits they offer. For instance, an EPRC study points to the fact that these instruments can be burdensome and difficult for regional authorities to manage. According to the same study, these instruments are perceived as less useful in small projects and in certain areas (for instance, in sparsely populated areas). Furthermore, the potential of these instruments to leverage private-sector funding is also questioned. An EPRS briefing notes the various bureaucratic hurdles that need to be addressed so that FIs can be explored sufficiently by the Member States. In its reflection paper on the future of EU finances, the Commission suggests that financial instruments can play an important role in allowing the EU to 'do more with less'. It suggests that FIs are only appropriate for revenue-generating projects. It states that grants and subsidies will therefore continue to be needed for projects that do not generate revenues (e.g basic research, certain types of infrastructure, investment in the social domain, or people-based investments such as Erasmus+ or Marie Sklodowska-Curie grants). It recognises that the number of EU-level instruments and the rules applying to them is an obstacle to their efficient use. The 7th Report on economic, EPRS Challenges for EU cohesion policy Members' Research Service Page 8 of 12 social and territorial cohesion also points out that complementarity between financial instruments could be enhanced. The EFSI-ESI fund relationship Another related issue is the functioning of the European Fund for Strategic Investment (EFSI), which aims to mobilise €315 billion in additional investment in the real economy, and its relationship with the EU's regional policy. EFSI has been one of the main priorities of the Commission which proposed an extension of its duration until 31 December 2020. It provides funding based on a competitive selection procedure and does not have any pre-defined geographical allocations the way cohesion policy does. It is not a cohesion policy funding element, but rather, a Commission initiative for encouraging investment. Certain issues stemming from EFSI may cause a conflictual and competitive relationship with the ESI funds. Although in theory there are synergies between the ESI funds and ESIF, a lot remains to be done in practice to achieve further interoperability and complementarity. So far, the combination of ESI funds with EFSI has been minimal, owing to the technicalities involved, undermining their complementarity. In addition, EFSI's geographical and thematic concentration may run counter to the scope of the ESI funds and to the aim of territorial cohesion. The various priorities that characterise EFSI operations may also contradict the EU's regional policy objectives, as implemented through the ESI funds. In addition, the prioritisation of EFSI, and its high profile on the EU agenda, may further undermine the prestige of EU regional policy. The urban agenda for the EU, regions lagging behind and areas with special geographic characteristics The urban agenda Cities, towns and suburbs are home to more than 70 % of the EU's population, and constitute major hubs of economic growth. For this reason, at least 50 % of the ERDF resources for the 2014-2020 period will be invested in urban areas. Various policy innovations in this ***programming*** period also highlight the important role of urban areas for the EU. For instance, Article 7 of the ERDF Regulation provides that at least 5 % of ERDF resources allocated at national level under the investment for jobs and growth goal must be earmarked for integrated actions for sustainable urban development. Certain EU policy targets, such as the Europe 2020 ones for smart, green and inclusive growth, rely heavily on the involvement of urban areas in implementing them. In addition, the 7th Cohesion Report mentions urban areas in many of its policy recommendations. However, as there is no legal basis for urban policy in the EU Treaties, discussions on urban development at EU level have primarily taken place within the framework of intergovernmental cooperation. An agreement between the Member States led to the conclusion of the Pact of Amsterdam on the Urban Agenda for the EU in May 2016. The core objective of the Urban Agenda for the EU will be to improve the implementation of EU and national policies on the ground, by involving cities in the design and implementation of urban-related policies as a way of making them more effective, efficient and inexpensive. Momentum has been gathering for the implementation of such an agenda. The first pilot partnerships between the Commission, Member States, cities and stakeholders have been created as the key delivery mechanism for integrating cities into EU policy-making. The partnerships have to prepare and implement an action plan with concrete actions at EU, national and local level. Bridging the rural-urban divide is also a point of concern for various cohesion policy-makers. EPRS Challenges for EU cohesion policy Members' Research Service Page 9 of 12 Regions lagging behind So far, cohesion policy has benefited all EU regions, while offering additional support to regions with lower-than-EU-average gross domestic product rates. As such, it is a universal policy that covers – albeit to different degrees – all EU citizens. Most EU cohesion funding is addressed to less developed and transition regions. Nevertheless, some EU regions have not been able to fully grasp the advantages of the investment opportunities on account of effects of the economic crisis and structural problems. Regions that are lagging behind or suffering low growth are usually regions from eastern or southern European countries. The latter have lower than EU average GDP, despite benefiting from many ***years*** of European and national funding. Many of them have also been hard hit by austerity policies aimed at bringing the economies of their respective countries into shape. While increasing their funding allocations seems like a logical solution, it is not a panacea for all their problems. An analysis by Willem Molle (Erasmus Universiteit Rotterdam) suggests that southern European regions will have sluggish growth on account of a lack of proper governance, or their predominant investment choices (for instance, heavy investment in roads and/or infrastructure). The 7th Cohesion Report also stresses the impact of quality of government as an important determinant of regional growth. It also states that in many regions across the EU, public procurement is open to the risk of corruption. The Commission has launched an initiative to help these less-developed regions catch up. Its aim is to analyse what holds back growth in lessdeveloped regions and to provide recommendations and assistance on how to unlock their growth potential. Regions with special geographic characteristics The geographic characteristics of certain regions may prevent them from competing with other regions on an equal basis. Article 174 TFEU states that: 'among the regions concerned, particular attention shall be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps such as northernmost regions with very low population density and island, cross border and mountainous regions'. Some of these regions may thus require additional assistance. The Common Provisions Regulation (1303/2013), which sets out the rules for

the ESI funds, offers these regions various forms of assistance that have either not been put in place or have so far had limited application. Various European territorial associations (such as the CPMR and Euromontana) have criticised the limited provisions that cohesion policy offers these regions. EPRS has produced specialised briefings on the issue of islands of the EU as well as on that of sparsely populated and under-populated areas. Various Parliament resolutions on island territories and mountainous regions have meanwhile taken a positive view on special measures for such regions. In addition, Article 349 TFEU also addresses the issue of the EU's outermost regions, which are mentioned several times in the 7th Cohesion Report. Alternative indicators to GDP The use of indicators is of extreme importance as it determines who benefits from cohesion policy funding. Until now, cohesion policy funds have been allocated through a system of calculation of regional GDP per head rather than on the basis of other indicators capturing social progress. Figure 1 shows the EU NUTS regions according to GDP level. The NUTS classification is used for defining regional boundaries and determining geographic eligibility for structural and investment funds. Regional eligibility for ERDF and ESF funding during the 2014-2020 ***programming*** period was calculated on the basis of regional GDP per inhabitant (averaged over the 2007–2009 period). In addition, the EPRS Challenges for EU cohesion policy Members' Research Service Page 10 of 12 Cohesion Fund covers Member States whose gross national income (GNI) per inhabitant is less than 90 % of the EU average.3 NUTS 2 regions were ranked and split into three groups:  less developed regions (where GDP per inhabitant was less than 75 % of the EU-27 average); (yellow on the map)  transition regions (where GDP per inhabitant was between 75 % and 90 % of the EU-27 average); (light blue on the map), and  more developed regions (where GDP per inhabitant was more than 90 % of the EU-27 average (dark blue on the map). Changes in Member States' GDP levels have had a serious impact on the regions, some of which have suffered significantly.4 The recent changes in regional GDP levels may be another incentive to suggest that alternative indicators are necessary in order to depict the real issues and problems that European regions are facing. Various methods complementary to GDP have been presented. The draft version of the EU regional Social Progress Index (SPI), released in October 2016, aims to measure the social progress of 272 European regions as a complement to traditional measures of economic progress. Similarly, in a speech in February 2016, Commissioner Creţu supported the idea of including new indicators in cohesion policy, in addition to that of GDP. In particular, she mentioned the Europe 2020 index, the OECD indicators on wellbeing, those on regional competitiveness, as well as the Human Development Index (HDI). The 7th Cohesion Report also points out that the allocation of funds could be revised by adding criteria linked to the challenges the EU faces, from demographics and unemployment to social inclusion and migration, and from innovation to climate change. The view of the European Parliament In June 2017, the European Parliament adopted a resolution (2016/2326) on building blocks for a post-2020 EU cohesion policy (rapporteur: Kerstin Westphal, S&D, Germany). The Parliament considers it essential that cohesion policy should have an adequate budget and that the consequences of Brexit should not lead to its weakening. It strongly opposes any scenario that would scale down the EU's efforts in relation to cohesion policy. It stresses the importance of shared management under the partnership principle and regrets the late adoption of various operational ***programmes***. It notes that the current European territorial cooperation budget does not match the great challenges facing Interreg ***programmes***, nor does it effectively support cross-border cooperation. Parliament underlines that the current categorisation of regions demonstrates the value of cohesion policy. It considers the creation of a reserve to be an interesting option to address major unforeseen events. The importance of ex-ante conditionalities, such as Figure 1 – NUTS 2 regions by gross domestic product Source: Eurostat regional yearbook, 2015. EPRS Challenges for EU cohesion policy Members' Research Service Page 11 of 12 research and innovation strategies for smart specialisation, is also highlighted. Parliament opposes macro-economic conditionality and highlights that the link between cohesion policy and economic governance processes within the European Semester must be balanced. It mentions the need to simplify cohesion policy's overall management system. The EP believes that grants should remain the basis of the financing of cohesion policy and calls on the Commission to ensure better synergies and communication between and about the ESI funds and other Union funds and ***programmes***, including EFSI. In the resolution, Parliament also states that combating unemployment remains a priority. Cohesion policy should continue to care for the vulnerable and marginalised, addressing growing inequalities and building solidarity through investments in education, training and culture. Partnerships between rural and urban areas, RIS3 and climate change mitigation are also seen as issues that can be tackled through cohesion policy. The resolution welcomes the Pact of Amsterdam and the recognition accorded to cities in European policy-making. It considers that the reception of migrants and refugees, as well as their social and economic integration, should also be addressed through current and future EU cohesion policy. Lastly, Parliament calls on the Commission to start preparing the new legislative framework in good time so that it can be implemented at the start of the new ***programming*** period. Parliament is expected to adopt a resolution on the 7th Report on economic, social and territorial cohesion in 2018 on the basis of an own-initiative report prepared by its Committee on Regional Development (rapporteur: Marc Joulaud, EPP, France). The view of the Committee of the Regions In its 2017 opinion, the Committee of the Regions (CoR) points out that the policy for strengthening economic, social and territorial cohesion is one of the most important and comprehensive EU policies. The basic structure of cohesion policy with its three categories (most developed regions, transition regions and less developed regions) should be retained. It calls for cohesion policy to become more flexible in the next funding period and claims that it is important for it to have adequate funding. Therefore, the percentage share of budget allocated to it should remain the same. The opinion considers it essential to guarantee the functioning of multi-level governance and the bottom-up approach through shared management and in full compliance with the principle of subsidiarity. It calls for increasing the visibility of cohesion policy through appropriate communication tools. In a 2018 resolution, the CoR declared it would go to the European Court of Justice if Commission proposals to offer Member States the possibility to use EU cohesion funds for supporting structural reforms are agreed. The CoR argues that the Commission's plan contravenes the principles of subsidiarity, multi-level governance, co-financing and shared management. Outlook Some of the issues mentioned in this briefing require changes in the technical procedures of cohesion policy, whereas others are of a more political nature and may lead to intensive debates. Already, certain sceptical European actors question the utility of cohesion policy. The post-2020 MFF will show which will be the main priorities in the field of regional policy. For the time being, it is foreseen that cohesion policy will experience budgetary EPRS Challenges for EU cohesion policy Members' Research Service Page 12 of 12 reductions. In addition, the appearance of new political priorities means that further flexibility in funding may be required in cases of emergency – for instance, the adoption of urgent measures to deal with immigration flows that may lead to a quantitative change in the ESI funds. However, possible reallocations of funds through a re-prioritisation of policy targets may open up the debate between net contributing and net receiving Member States, or between different political agents who would like to defend their domains from a possible loss of funds. Furthermore, by allowing ***transfers*** of funds, cohesion policy may be seen as a flexible source of money that can easily be re-directed to new issues every time political priorities are altered. The question of simplifying access to funds will be of considerable importance. In addition, the use of new, complementary to GDP indicators for the allocation of those funds, is also an issue to be followed up. Main references Bachtler J., Mendez C. and Wishlade F., Evolution or revolution? Exploring new ideas for cohesion policy 2020+, EoRPA Paper 16/4, EPRC, 2016. Margaras V., EFSI and ESI funds – Complementarity or contradiction?, EPRS, 2017. McCann P., The Regional and Urban Policy of the European Union, Edward Elgar Publishing, 2015. Molle W., Cohesion and growth: The theory and practice of European policy making, Abingdon, Routledge, 2015. Endnotes 1 See: J. Bachtler, C. Mendez and F. Wishlade, Evolution or revolution? Exploring new ideas for cohesion policy 2020+, EoRPA Paper 16/4, EPRC, 2016 and J. Woolford, Implications of Brexit for UK ESI Fund ***programming*** and future regional policy, EStIF, No 3, 2016. 2 See for instance, an analysis by Vasilis Avdikos and Anastassios Chardas, 'European Union cohesion policy post 2014: More (place-based and conditional) growth – less redistribution and cohesion', Territory, Politics, Governance, Vol. 4, No 1, 2016, pp. 97-117. 3 It aims to reduce economic and social disparities and to promote sustainable development and funds projects in the field of transport and environmental infrastructure. The Member States covered by this particular fund are: Bulgaria, the Czech Republic, Estonia, Greece, Croatia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Portugal, Romania, Slovakia and Slovenia. 4 When it comes to cohesion policy, Article 7 of the Multiannual Financial Framework Regulation provided for an adjustment for the ***years*** 2017 to 2020, to be based on updated statistical data available in 2016. This led to a rebalancing of funding to the countries deemed to have suffered more from the crisis. Disclaimer and Copyright This document is prepared for, and addressed to, the Members and staff of the European Parliament as background material to assist them in their parliamentary work. The content of the document is the sole responsibility of its author(s) and any opinions expressed herein should not be taken to represent an official position of the Parliament. 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**Section:** CORPORATE PERFORMANCE; ADHOC-NEWS

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**Body**

Strong Growth Momentum and Raises Its Objectives for 2018

Regulatory News:

Eurofins Scientific SE (Paris:ERF):

\* Close to 6% organic growth10for the full ***year*** 2017 (FY 2017), above the Group's annual objective of 5%. Adjusted for public working days impact, sustained organic growth above 7% in Q4 and above 6.5% for the FY 2017.

\* Adjusted1EBITDA3of EUR 557m in FY 2017, above the Group's objectives (EUR 550m), resulting in a margin of 18.7%. On a pro-forma basis, the adjusted EBITDA margin stands at 18.8% thanks to accretive acquisitions in 2017.

\* Record M&A activity, with about 60 acquisitions closed during the ***year***, and representing annual revenues of ca. EUR 700m in 2017 with an annual EBITDA margin of ca. 19%, for a total investment of about EUR 1.5bn.

\* Massive acceleration of our laboratories start-up ***programme*** with a record 30 in the ***year*** 2017 alone, bringing the total number of start-ups opened since 2014 to 87 and to 130 since the ***year*** 2000. These start-ups had an accretive effect of more than 40bp on our organic growth in the FY 2017. In terms of profitability, the start-ups from the first two ***programmes*** (2002009, 2012013) were slightly above Group's average in FY 2017, while the 87 ones from our third ***programme*** (opened since 2014) were as a whole very dilutive. They represent significant investments for the future.

\* Strong increase of the net profit5in FY 2017 (+25% at EUR 217m) thanks to lower finance costs and reduced income tax expenses (following the US tax reform).

\* Free cash flow to equity9of EUR 147m, +17% vs. last ***year***, in line with the revenue growth for the ***year*** in spite of investment in start-ups and cost of extra cash on the balance sheet for future growth.

\* Strong uplift of 21% in basic earnings per share attributable to equity holders at EUR 10.49, despite these dilutive investments for the future and the equity and hybrid issuances of the last 18 months.

\* Strong balance sheet with a 2.14x pro-forma net debt/adjusted EBITDA leverage, well below the Group's covenant of 3.50x.

\* Proposal to increase the annual dividend for 2017 by 20%, (10thconsecutive ***yearly*** increase representing a +37.4% 1year CAGR), to EUR 2.40 per share.

\* Outlook: on the back of strong FY 2017 revenues (EUR 2.97bn, +17.1% vs. previous ***year***, EUR 3.44bn on a pro-forma basis), Eurofins' management is increasing its 2018 revenue objective to EUR 3.7bn, and setting a EUR 700m Adjusted EBITDA objective for 2018 (at 2017 currency exchange rates). Comments from Dr. Gilles Martin, CEO

"I am pleased to report another set of strong results for Eurofins in 2017, the second ***year*** of its 5 ***years*** growth acceleration ***programme***. In 2017 Eurofins made very good progress towards its operational objectives for 2020 of building an unmatched state-of-the-art global laboratory infrastructure in its markets. A record number of acquisitions were also completed throughout the ***year***. Thanks to this and continued strong organic growth above peers, Eurofins has exceeded its recently-upgraded 2017 objectives of delivering reported revenues in excess of EUR 2.9bn and EUR 3.35bn on a pro-forma basis.

2017 was a record ***year*** for Eurofins with about 60 acquisitions closed, representing annual revenues of ca. EUR 700m, and 30 start-up laboratories launched. We have substantially surpassed our annual M&A revenue objective of EUR 200m and our initial plan to open 20 laboratories in 2017. Overall the acquisitions closed in 2017 are margin accretive, contributing with a ca. 19% EBITDA margin to FY 2017 pro-forma consolidated accounts. The acceleration in the Group's M&A activity widens the portfolio of services we offer to our clients and should expand the margins of newly acquired firms that gain access to Eurofins' fast growing portfolio of competencies, logistics and clients.

Eurofins has achieved four new leadership positions in its markets in 2017. With the acquisitions of Villapharma and DiscoverX, Eurofins further enhanced its global leadership position in discovery pharmacology. Through the acquisition of GATC, one of Europe's specialists in DNA sequencing, Eurofins strengthened its market position as a global leader in genomics services. The acquisitions of JACC and Ecopro provided an entry into the Japanese agroscience market, which together with the takeover of EAG Laboratories, the largest acquisition in Eurofins' history, helped the Group achieve a global leadership position in agroscience services. Finally, the acquisition of LGC Forensics provided Eurofins with a European leadership position in forensics services.

Additionally, Eurofins has also created three new significant business lines in 2017. With the acquisitions of Advinus, Amatsigroup and Alphora, Eurofins entered the dynamic and growing contract development and manufacturing organization (CDMO) market. The acquisition of EAG Laboratories provided Eurofins with a strong entry in the growing advanced materials sciences market, where EAG is already a leader in its core markets. The acquisitions of Genoma and LifeCodexx, two pioneers of non-invasive prenatal testing (NIPT) in Europe, significantly reinforced Eurofins' position in the clinical genetics market.

This ***year***'s record investment of about EUR 1.5bn in acquisitions, demonstrates Eurofins' sustained commitment to expand its portfolio of state-of-the-art analytical services and its geographic reach by acquiring leading laboratories. During the ***year***, with about 60 acquisitions, Eurofins continued to increase the quality and breadth of services offered to its clients, and expanded into 5 new countries: Argentina, Estonia, Lithuania, Slovenia and South Korea. Strong FY 2017 performance, combined with increasing successful efforts to lead consolidation in our markets, make Eurofins' management confident of achieving its recently-upgraded mid-term objective of delivering EUR 4bn revenues by 2019.

In conjunction with the acceleration of the Group's M&A activity and its start-up ***programme***, we have made important progress towards optimizing our balance sheet position and ensuring that we maintain access to future funding at attractive conditions. In 2017, Eurofins issued a EUR 650m 7-***year*** senior bond and a PerpNC8 EUR 400m hybrid instrument, at the lowest ever coupons in Eurofins' history (2.125% and 3.25% respectively). Furthermore, November's EUR 400m hybrid issue was structured for optimum equity qualification by rating agencies should the company opt for a credit rating in the next 3 ***years***. As a result, the Group had a significant 21.7% reduction in finance costs vs. FY 2016, and enjoys significant headroom for future investments with EUR 820.4m cash and cash equivalents at ***year***-end. In spite of all its investments, the Group continues to maintain financial flexibility with a pro-forma net debt/adjusted EBITDA leverage of 2.14x (3.5x debt covenant limit), allowing Eurofins to continue to fund its growth opportunities above and beyond its EUR 4bn revenues objective for 2019."

Table 1: Full ***Year*** 2017 Results Highlights

FY 2017 FY 2016 +/- %

Adjusted

Results

In EUR m Separately Statutory Separately Statutory

except Adjusted1 disclosed Results Adjusted disclosed Results

otherwise Results items2 Results items

stated

Revenues - 2,971.4 - 2,536.6 17.1%

2,971.4 2,536.6

EBITDA3 -43.5 513.2 -18.5 461.1 16.1%

556.7 479.6

EBITDA Margin 17.3% 18.2%

(%) 18.7% 18.9%

EBITAS4 -62.0 337.5 -38.2 319.4 11.7%

399.6 357.6

EBITAS Margin 11.4% 12.6%

(%) 13.4% 14.1%

Net Profit5 -82.4 216.8 -47.6 174.0 35.0%

299.1 221.6

Basic EPS6 -4.82 12.68 -2.98 10.88 26.2%

(EUR) 17.49 13.86

+/- %

Reported

Results

Operating Cash 405.1 371.8 9.0%

Flow7

Free Cash Flow 192.5 177.7 8.3%

to the Firm8

Net capex 212.6 194.1 9.5%

Net capex as % 7.2% 7.7% -50 bp

of revenues

Net Debt 1,395.4 557.8

Leverage Ratio (net debt/adjusted 2.51x 1.16x

EBITDA)

Leverage Ratio (net debt/pro-forma 2.14x 1.13x

adjusted EBITDA)

N.B. H2 2017 results can be found in Table 3 below

Revenues

Revenues grew 20.6% (+24.6% at constant currency rates) to EUR 843.5m in the fourth quarter, bringing revenues for the full ***year*** 2017 to EUR 2,971.4m, representing a ***year***-on-***year*** increase of 17% (+18% at constant currency rates). Organic growth was close to 6% in 2017, adjusted for public working days impact, organic growth was above 7% in Q4 and above 6.5% for the FY 2017. Market share gains in most geographies, increased customer penetration, as well as continued growth in the markets where Eurofins operates support the robust growth across the Group. Currency translation had a limited impact on revenues of -0.8% during the ***year***. Taking the annualized revenues of all the acquisitions completed during the ***year***, 2017 pro-forma revenues would have been EUR 3.44bn. Thus, the Group has exceeded its latest 2017 objectives, upgraded on the 24thOctober 2017, to deliver EUR 2.9bn revenues and EUR 3.35bn revenues on a pro-forma basis.

Table 2: Geographical Revenue Breakdown

(EUR m) 2017 As % of total 2016 As % of total

North America 902.8 30.4% 803.6 31.7%

France 677.8 22.8% 625.9 24.7%

Germany 342.5 11.5% 279.4 11.0%

Benelux 214.8 7.2% 191.2 7.5%

Nordic Countries 212.4 7.1% 172.4 6.8%

UK & Ireland 161.6 5.4% 122.0 4.8%

Others 459.5 15.6% 342.1 13.5%

Total 2,971.4 100 % 2,536.6 100 %

Positive trends continue to drive the growth in Eurofins' businesses in North America, where revenues increased 12.3% to EUR 903m, amounting to over 30% of total Group revenues. Organic growth for FY 2017 in North America was above the Group average. In the US, Eurofins laboratories active in BioPharma services delivered outstanding organic growth during the ***year***. 2017 was a record ***year*** in the number of novel drug approvals by the US Food and Drug Administration (FDA). Eurofins Pharma Discovery Services launched a new website providing customers worldwide with a single fully integrated e-commerce platform that hosts its entire assay catalog. Regulatory catch-up remains a strong growth driver for the food testing market. The Food and Drug Administration's (FDA) Food Safety and Modernization Act (FSMA) continues to influence the food safety testing decisions of the largest US food manufacturers with increasingly stringent regulations. Eurofins' strong commitment towards expanding its technology portfolio through R&D and acquisitions, increasing the number and quality of analytical tests offered to its clients, should strengthen its position as a laboratory of choice for its customers. The Group continues to expand its presence in BioPharma services in the US, where Eurofins Central Laboratory had a record ***year*** of new bookings while improving the diversification of its client base. Eurofins Central Laboratory has also built new relationships with some of the largest players in the veterinary drug industry, significantly enlarging its testing portfolio for medicated animal feed assays.

In France, Eurofins' second largest market with nearly 23% of total Group sales, revenues increased 8.3% to EUR 678m. Organic growth was below Group average in France in 2017 mainly resulting from the French clinical diagnostics market where total laboratory spend is capped by healthcare authorities. However, despite this constraint, Eurofins has continued to improve its margin and significantly increased its revenues on prenatal diagnostics tests in France in 2017 reflecting successful cross-selling efforts following the acquisitions of Genoma and LifeCodexx. In 2017, Eurofins laboratories active in Food testing services were awarded a new European project focusing on testing and breeding for sustainability and resilience in crops. During the ***year***, Eurofins Microbiology testing France implemented its new real-time PCR Kit BACGene Listeria, the first multiplex assay for parallel detection of Listeria monocytogenes and Listeria spp., an effective new test for the quality assurance of food. Eurofins Environment testing laboratories in France have been selected as the main laboratory to conduct environmental analyses on waste materials for 9 out of the 11 main work packages that constitute the first testing phase of the EUR 30bn Grand Paris Project. They were also selected as the preferred analytical partner for most of the engineering firms working on the Grand Paris Project. Eurofins' genomics services business had robust organic growth above the Group's objectives.

Revenue contribution from Germany, which makes up 12% of Group revenues, was EUR 343m in 2017, representing robust growth of 23% with double-digit organic growth in Q4 2017. The food testing business continues its strong growth. In Germany, Eurofins laboratories active in BioPharma services delivered strong revenue growth during the ***year***, all of which was organic. In Genomics services, Eurofins achieved double digit organic growth during the ***year*** significantly developing its market position by expanding its technological portfolio and offering overnight sequencing services, leading to the acquisition of many new customers including contracts with five new hospitals.

The Group's laboratories in the Benelux achieved revenues of EUR 215m, representing 7% of total Group revenues, and an increase of 12% compared to 2016. In 2017, Eurofins' Carbohydrate Competence Centre (CCC) in The Netherlands announced availability of the analytical method necessary to conform to the national standard of the People's Republic of China for the determination of fructan in foods, CCC's test has received ISO 17025 accreditation. Eurofins' laboratories in the Nordic Region grew 23% to EUR 212m of revenues in 2017, making up 7.1% of total sales. Eurofins became in 2017 the market leader for environmental testing in Finland. Revenues from the UK & Ireland grew 32% to EUR 162m. In the first quarter of 2018, Eurofins Environment testing is implementing the Irish Water Framework for laboratories for potable water and waste water testing. Eurofins Clinical Diagnostics had a 100% success rate in the Irish National Health Service (HSE) and in private hospital procurement tenders during 2017, featuring a 5 ***year*** agreement with Ireland's largest private hospital group, to provide specialized testing to their hospitals, and a 7 ***year*** contract with one of the world's leading providers of renal care services. In Q3 2017, Eurofins Biomnis Ireland was awarded a flexible scope of accreditation according to ISO 15189 standard for its clinical diagnostics testing portfolio.

Eurofins continues to expand its operations and footprint in emerging markets and Asia Pacific, which contributed revenues of EUR 272m, an increase of 19% versus 2016. Eurofins' food testing laboratory in Bangalore obtained Export Inspection Council (EIC) approval opening up two major opportunities, sea food testing for exports and testing of milk products for exports. Eurofins Agroscience Services (EAS) expanded to Malaysia. Field activities in Malaysia will further strengthen Eurofins' Asian residue testing network in, for example, palm oil. In 2017, EAS hired a nematode specialist in Thailand. Nematodes affect many crops in the tropics, and in South East Asia, vegetables and sugarcane yields can be significantly reduced by the presence of nematodes. EAS Thailand can now offer high quality and reliable expertise for testing new solutions against this important pest complex. Consumer Product Testing in India started its operations in March 2017 and acquired ISO 17025 accreditation in November.

During the ***year***, Eurofins expanded its market presence into five new geographies, launching operations in Argentina, Estonia, Lithuania, Slovenia and South Korea. As a result, Eurofins has significantly strengthened its portfolio of services in Central and Eastern Europe, where government regulation is developing fast in with the objective to catch-up with the EU regulatory environment. It is also gradually expanding its footprint in Latin America and Asia Pacific.

Overall, the Group delivered strong revenue growth across all geographic areas and businesses, supported by the Group's investments to build the best laboratory network infrastructure in its markets through acquisitions and start-up laboratories. The strong results achieved in 2017 reflect Eurofins' commitment towards securing leadership and strengthening its market presence in each of its areas of competence.

Profitability

Group adjusted EBITDA increased 16% to EUR 557m thanks to a strong revenue growth from our mature businesses, our start-up laboratories, and the acquisitions made during the ***year*** (slightly above EUR 200m of revenues consolidated in 2017 representing a full ***year*** pro-forma basis of ca. EUR 700m). The slight margin contraction (-20bp vs. previous ***year***) is due to a small dilution impact from 2016 acquisitions. The mature businesses of the Group (excluding start-ups and acquisitions in significant restructuring) generated revenues of EUR 2,714m during the period with an EBITDA margin of 20.5%, slightly lower than the previous ***year*** due to a dilutive impact from the 2016 acquisitions. Start-ups and businesses in restructuring or reorganization generated EUR 258m of revenues, which means that these businesses now account for only 8.7% of the Group's total revenues, compared to 11.1% in the previous ***year***.

Start-up losses and restructuring costs as disclosed in the separately disclosed items2(SDI) amounted to EUR 43.5m, representing 7.8% of the total EBITDA generated by the mature businesses of the Group. These were mostly linked to the losses incurred via the massive acceleration of our start-up ***programme*** (30 new start-ups in 2017 alone), while restructuring and one-off costs linked to reorganization and discontinuations reduced slightly vs. the previous ***year***. Overall our reported EBITDA amounted to EUR 513m, a +11% increase vs. the previous ***year***.

Adjusted EBITAS4amounted to EUR 400m, +12% vs. the previous ***year***, despite an increase in depreciation and amortization (EUR 176m, 5.9% of our revenues) related to the elevated capital expenditures realized in recent ***years*** in order to build a hard to replicate global laboratories platform. Shared-based ***payment*** charges and net acquisition-related expenses decreased by 10bp vs. our revenues to 1.4% and EUR 41m, enabling us to generate a reported EBIT of EUR 297m.

Finance costs decreased by 22% to EUR 55m, thanks to the early repayment of expensive debt instruments in the previous ***year*** and the issuance of a EUR 650m 7-***year*** senior bond in July 2017 at the lowest coupon in the Group's history (2.125%).

The income tax expense for the FY 2017 is particularly low at EUR 31m, namely 12.5% of the profit before tax, mostly thanks to the one-time effect of fiscal reforms in the US and France, which created one-time adjustments on deferred tax liabilities. Income tax paid was EUR 79m in 2017, a ***year***-on-***year*** increase of 8%. The reduction of income tax rates in the US and France should also be beneficial to Eurofins' cash paid taxes in the future.

Net profit5increased by ca. 25% to EUR 217m in the FY 2017. As a consequence, the basic reported earnings per share6(EPS) increased to EUR 12.68, a +16.5% ***year***-on-***year*** increase, and the basic reported EPS attributable to equity holders increased by over 21% to EUR 10.49.

Cash Flow and Financing

Operating cash flow7in the ***year*** 2017 grew by 9% to EUR 405m. Our net working capital represented 4.4% of the 2017 revenues, an increase of 70bp vs. the previous ***year***, due to higher net working capital of companies acquired in 2017. On a like-for-like basis, our net working capital improved to 3.3% of our revenues in 2017.

Capital expenditures for 2017 amounted to EUR 213m, whereas net capex/sales ratio has decreased by 50bp to 7.2% of 2017 revenues due to the sale of one unneeded building obtained from an acquisition in prior ***years***. Overall the Group objective remains to bring down its capex ratio to 6% of sales by 2020 after it completes its 2016-2020 global growth plan. Capital expenditures during the ***year*** were, among others, related to over 53,000m2of additional state-of-the-art laboratory surface, the launch of 30 new start-up laboratories, as well as continued development and deployment of the Group's new generation of IT solutions. The Group's high levels of capital spending in recent ***years*** are consistent with its commitment to strengthen its long-term competitive advantage by building a global state-of-the-art laboratory network and bespoke IT solutions.

Strong revenue and profit growth offset the increase in net capex, allowing Eurofins to generate robust cash flows in 2017, with free cash flow to the firm8(before interest paid) increasing by 8.3% to EUR 192m, and free cash flow to equity (after interest paid) increasing by 16.6% to EUR 147m.

The Group significantly strengthened its capital structure in 2017 with the issuance of EUR 299m new shares at a zero discount vs the 1-month volume weighted average price (VWAP) in early November at EUR 543 per share and the issuance of a EUR 400m Hybrid instrument, structured for optimum equity qualification by rating agencies, bearing the lowest-ever hybrid coupon achieved by Eurofins (3.25%), shortly there-after.

At the end of December 2017, the Group's leverage ratio stood at 2.14x net debt/pro-forma adjusted EBITDA, with a net debt of EUR 1,395m, well below its debt covenant limit of 3.5x. The Group closed the ***year*** with a strong liquidity position, with EUR 820m of cash and cash equivalents on its balance sheet, and significant undrawn credit facilities, providing Eurofins with ample financial flexibility to respond to future attractive M&A opportunities, even above and beyond those included in its objectives to reach EUR 4bn revenues by 2019.

Business Developments

Acquisitions & Outsourcing

In 2017, Eurofins completed about 60 acquisitions to strengthen its leadership in existing markets, to further develop the Group's footprint in new geographies, and to enter new market segments within the Group's areas of competency. Some of Eurofins' acquisitions during the ***year*** are discussed below.

In February, Eurofins acquired Ahma Ymparisto Oy, the second-largest environment testing laboratory in Finland.In the same month, Eurofins closed the acquisition of Villapharma in Spain, a provider of organic synthesis and medicinal chemistry services for the discovery and optimization of potential new drug candidates, reinforcing the Group's footprint in discovery pharmacology.

In March, Eurofins acquired Mechem Laboratories in Singapore, expanding the Group's food and environment testing footprints in Asia Pacific. In the same month, Eurofins acquired VBM Laboratoriet A/S, one of the leading laboratories for testing for the environment and construction materials sectors in Denmark, strengthening Eurofins' leadership in the Danish environmental testing market. Also, Eurofins acquired Gözlem Gýda Kontrol ve Araþtýrma Laboratuvarlarý ("Gözlem"), one of the leading food testing laboratories in Turkey. Gözlem provided Eurofins with a strong platform to accelerate the roll-out of its capabilities to serve the thriving food and beverage industry in Turkey.

In April, Eurofins acquired the analytical laboratory business of Ramboll Group, the environment testing market leader in Finland, comprising 5 laboratories specialized in environment testing. In May, Eurofins acquired Nab Labs Group Oy, one of the largest independent environment testing laboratories in Finland. As a result, together with the prior acquisitions of Ahma and the analytical businesses of Ramboll Group, Eurofins achieved a solid market leadership position in environment testing in Finland.

In June, Eurofins acquired Alphora Research Inc., a full service contract research, development and manufacturing organization (CRDMO) for complex and niche small molecule active pharmaceutical ingredients (APIs), based in Ontario, Canada. This transaction provided Eurofins with an entry into the dynamic and growing CDMO market and expanded Eurofins' leadership in biopharmaceutical services. In July, Eurofins acquired MVZ für Laboratoriumsmedizin am Hygiene-Institut GmbH, one of the largest clinical diagnostic providers in North Rhine-Westphalia, Germany. This acquisition provided Eurofins with an entry into the clinical diagnostic testing market in Germany. In the same month, Eurofins acquired Genoma Group Srl, one of the leading clinical genetics testing providers in Italy, strengthening Eurofins' specialty clinical diagnostics footprint. Moreover, Eurofins acquired GATC Biotech AG, one of Europe's main specialists in DNA sequencing. This transaction included the acquisition of the shares owned by GATC in LifeCodexx AG, Europe's first non-invasive prenatal testing (NIPT) provider. The acquisitions of Genoma and LifeCodexx, two pioneers of NIPT in Europe, reinforced Eurofins' significant emerging global market position in Clinical Genetics.

In August, Eurofins acquired DiscoverX, a leader in drug discovery products and services across all stages of discovery from target identification and lead discovery to preclinical and beyond. Together with the acquisition of Villapharma in February, DiscoverX helped Eurofins achieve a leadership position in Discovery Pharmacology, a market that is experiencing a growing outsourcing trend.

In September, Eurofins completed the acquisition of Amatsigroup, a leading international contract development and manufacturing organization (CDMO) providing preclinical and clinical phase services for the development of human and veterinary drugs. The acquisition of Amatsigroup further expanded Eurofins' leadership in biopharmaceutical services.

In October, Eurofins acquired Advinus, a leading preclinical and clinical phase contract research company serving diverse industries including Biotech, Pharmaceuticals, Biologics, Agrochemicals, Nutraceuticals and Cosmetics. This transaction provides Eurofins with an entry into the Pharma and Agroscience testing markets in India. The acquisitions of Alphora in June, Amatsigroup in September and Advinus in October, led to the creation of a new business line for Eurofins: Pharma Contract Development and Manufacturing Organization (CDMO). Also in October, Eurofins acquired the Forensics and Security division of LGC ("LGC Forensics"), the largest player in the UK forensics market. LGC Forensics provides the most comprehensive range of forensic science services including casework, DNA testing, digital forensics, drugs and toxicology and firearms. As a result of this transaction, Eurofins achieved a leadership position in the European forensics market.

In November, Eurofins acquired Spectro Analytical Labs Ltd. ("Spectro"), a leading environment, analytical product testing and inspection company in India. The acquisition of Spectro provided Eurofins with a strong entry into the environment testing market in India.

In December, Eurofins successfully completed the acquisition of EAG Laboratories ("EAG") for USD 780m, the largest acquisition in Eurofins' history. EAG believes it is the largest independent US-centric platform in the testing, inspection and certification (TIC) market, and is a highly differentiated player in high-science analytical testing and consulting solutions. EAG serves three main markets, namely Material and Engineering Sciences, Agroscience and Biopharmaceuticals. The acquisition of EAG provides Eurofins an entry into the dynamic and growing Materials Sciences market, where EAG is number one in its core markets. Eurofins and EAG have almost no geographic overlap, and EAG has an EBITDA margin close to 30%. Therefore, the transaction is margin accretive for Eurofins.

End of December, Eurofins acquired Selcia Limited, a contract research provider of radiolabeling services in the UK and MET Laboratories, Inc., an independent National Recognized Testing Laboratory (NTRL) providing electrical testing, certifications, listing and labeling mark in the US (Baltimore, Santa Clara, Austin, Union City), China (Shenzhen), Taiwan (Taipei) and Korea (Seoul).

Total acquisition spend in 2017 was about EUR 1.5bn for combined total annualized revenues of ca. EUR 700m, with an annual EBITDA margin of ca. 19%.

As stated above, all acquisitions completed in 2017 taken as a whole should be immediately accretive to the Group's EBITDA margin.

Post-closing events

In January 2018, Eurofins completed 3 further acquisitions: Tsing Hua, one of the leading players in environment testing in Taiwan, Food Analytica, a leading group of food testing laboratories in Hungary, and Craft Technologies, a leading contract laboratory providing analysis of nutrients, vitamins, carotenoids, bioflavonoids and phytochemicals in the US.

In February 2018, Eurofins completed 3 further acquisitions: Labo Van Poucke, a leading Belgian laboratory performing human medical testing covering all branches of clinical biology, City Analysts Ltd., a leading provider of accredited water chemistry and microbiological testing in Ireland, and NMDL-LCPL, a specialized medical testing business providing molecular diagnostics and pathology laboratory services in the Netherlands.

Infrastructure

Between 2005 and 2017, Eurofins has added or brought to the most modern standards over 430,000m2 of laboratory space. In 2017 only, Eurofins delivered over 53,000m2 of new state-of-the-art laboratory surface, exceeding its objective to deliver 49,000m2. This is a clear demonstration of Eurofins' commitment to continue to invest significantly in new buildings, extensions and renovations to build the largest and most efficient state-of-the-art laboratory network in its industry. Eurofins has planned an additional ca. 99,000m2 of expansion and modernization of its laboratory network for 2018 and another ca. 90,000m² in 2019. This should finalize the upgrade/extension of its historic perimeter.

In-line with the positive outlook in the US Biopharmaceutical testing market, plans to further expand Eurofins' laboratory campus in Lancaster are well underway. A new building with 15,500m2 of surface area is expected to be completed by November 2018. A strategic expansion of Eurofins' global network of data centres is underway with two additional US locations planned to come on line in Atlanta, Georgia. These new data centers will bring better connectivity, enhanced scalability and capacity to accommodate the network demands of Eurofins American businesses. Additionally, in 2017, two Eurofins Microbiology sites were opened in Dallas (Texas) and North Kingstown (Rhode Island), Eurofins Food Microbiology expanded to Quebec (Canada), construction commenced for Eurofins Microbiology laboratories in Atlanta (Georgia), Fresno (California) and Colorado (Denver), and for a new dairy and contaminants laboratory in Fresno (California).

Eurofins Agroscience Services opened a new field base facility in the O'Higgins region of Chile; the new facility is located in a prime position to offer trials on the region's most significant ***agricultural*** crops. Expansion is underway to build a service delivery centre in San Jose, Costa Rica, to deliver offshore IT services for North and South America. This will be Eurofins' third service delivery centre, following one in Bangalore (India) and one in Penang (Malaysia).

Following the acquisition of Gözlem in March, all of Eurofins' operations in Turkey were ***transferred*** to Gözlem's food control laboratory in Istanbul. This move to consolidate several small sites in Turkey has united all of Eurofins Turkey sales capabilities under one roof, with the objective to increase Eurofins' penetration into the Turkish food testing market.

Eurofins successfully completed the relocation of its main Chinese food testing laboratory in Suzhou to a new site with over 3,600m2 ofsurface area. The new laboratory was designed using the Group's lean concepts which are applied across its modernized laboratory network. Moreover, Eurofins also completed the expansion of its product testing laboratory in Hangzhou, China.

In India, Eurofins Advinus has ambitious expansion plans, planning a new bio-analysis laboratory of 1,400m2to double their existing capacity, as well as an expansion of its chemistry and manufacturing control services laboratory and an expansion of its agro chemical services analytical R&D laboratory.

In Australia and New Zealand, Eurofins successfully opened an air toxics laboratory to expand the Group's portfolio of environment testing services in this geography by ***transferring*** proprietary technologies from its US operations. Eurofins also opened a new Asbestos testing laboratory in Q4 2017 in Christchurch, New Zealand. In October 2017, Eurofins has begun the construction project of a new laboratory in Melbourne, Australia, which will become Eurofins' largest campus in Australia and New Zealand. In Q4 2018, this new 6,000m2 laboratory will consolidate, under one roof, all of Eurofins' food and environment testing businesses in Melbourne. The campus can potentially be expanded to 12,500m2. Eurofins Agrotesting in New Zealand is undergoing redesign efforts of its laboratories in Katikati and Te Puke. Three water testing satellite laboratories were opened in New Zealand, in Auckland, Christchurch and Dunedin. Finally, all of Eurofins' animal health businesses in the region were consolidated into one single entity in Australia, becoming the premier contract research organization (CRO) entirely dedicated to veterinary projects.

In the UK & Ireland, Eurofins opened a new pharmaceutical chemistry, microbiology and water microbiology facility in Livingston, Scotland, following a GBP 4m investment. The testing capacity and capabilities of Eurofins' Grimsby food facility, acquired from Exova in 2016, underwent a significant expansion in 2017. Furthermore, Eurofins York, acquired earlier this ***year*** in July, officially opened in December its brand new state-of-the-art testing laboratory in Castleford near Leeds. Eurofins Biomnis expanded its clinical diagnostics operations in the UK, with the development of a new laboratory that will be located in the existing Eurofins site in Camberley. Finally, consolidation efforts led to Eurofins' Birmingham activities being ***transferred*** to the large site in Wolverhampton.

In Belgium, Ghent forensics activities have been successfully ***transferred*** to our main forensics laboratory in Bruges. In France, Eurofins inaugurated a 9,500m2extension to its first-ever laboratory in Nantes, bringing total size of the campus to 23,640m2 making it the largest independent food testing laboratory site in Europe and one of the largest worldwide alongside Eurofins Hamburg. The new laboratory layout is expected to significantly improve efficiency, scalability and turn-around-times, as well as increase the breadth of service offerings in Nantes.

Start-ups

Start-ups or green-field laboratories are generally undertaken in new markets, and in particular emerging markets, where there are often limited viable options for acquisitions or in developed markets when Eurofins ***transfers*** technology developed by its R&D and Competence Centers abroad or expands geographically.

Eurofins made record investments in 2017 in its laboratories start-up ***programme*** with 30 new start-ups launched in the ***year*** 2017 alone, bringing the total number of start-up laboratories opened since 2014 to 87 and to 130 since the ***year*** 2000.

These start-up laboratories had a strong accretive effect of more than 40bp on Eurofins' organic growth in 2017, representing a revenue contribution of almost EUR 190m ie. more than 6% of the Group's consolidated revenue.

During their ramp-up phase, start-up activities go through various stages of development before reaching optimal efficiency levels. On average, start-up periods last for 2 to 3 ***years*** in mature markets and 2 to 5 ***years*** in emerging markets in order to reach breakeven before they become profitable. The development process includes the creation or construction of the laboratory, hiring the appropriate staff, obtaining relevant accreditations and clients' approval, deployment of the Group's proprietary IT infrastructure and dedicated IT solutions, developing the sales and marketing channels, and building up volumes and the revenue base.

Consequently, in terms of profitability, the start-ups from the first two ***programmes*** (2002009, 2012013) were slightly above the Group's average in 2017, while the ones from our third ***programme*** (2014-2017) were very dilutive.

From Eurofins third start-up ***programme***, out of the 87 start-up laboratories opened since 2014:

\* 24 were opened in Asia Pacific (Australia, China, India, New Zealand, Singapore, Taiwan to name a few), 40 in Europe (France, Belgium, Netherlands, Hungary, Poland, Turkey, Ukraine etc.), 4 in Latin America (Brazil, Chile, Argentina) and 19 in North America (US, Canada);

\* 35 were opened to enhance Eurofins Food testing capabilities across all geographies, 27 in Environment testing, 12 in Biopharma, Agroscience and Genomics services and 13 in other business lines such as Clinical diagnostics and Consumer Product testing services. Eurofins start-up ***programme*** represents a significant investment for the future and has a short-term dilutive impact on the Group's margins and cash flows. However these long-term oriented investments complement the Group's acquisition strategy in high-growth markets or where acquisition prices are too high for acquisitions to provide appropriate returns.

Outlook

Eurofins' management raises once again its objectives for 2018, which were already raised once in October 2017, from annual revenues of EUR 3.6bn to EUR 3.7bn, and sets its adjusted EBITDA objective to EUR 700m in 2018, at 2017 currency exchange rates, assuming the Group reaches its objectives of generating 5% organic growth and EUR 200m annual revenues from new acquisitions (on an annual pro-forma basis, only partially consolidated in 2018, at mid-***year*** on average).

Underlying trends remain positive across the Group's businesses, and Eurofins' management believes that the Group is on track to achieve its recently-upgraded mid-term objective of reaching EUR 4bn revenues by 2019. Should this be achieved, Eurofins would have doubled in size once again in only 4 ***years***.

Table 3: H2 2017 Results Highlights

H2 2017 H2 2016 +/- %

Adjusted

Results

In EUR m Separately Statutory Separately Statutory

except Adjusted1 disclosed Results Adjusted disclosed Results

otherwise Results items2 Results items

stated

Revenues - 1,574.5 - 1,328.2 18.5%

1,574.5 1,328.2

EBITDA3 -12.4 294.2 -13.0 250.1 16.6%

306.6 263.0

EBITDA 18.7% 18.8%

Margin 19.5% 19.8%

(%)

EBITAS4 -17.9 202.5 -24.0 175.5 10.5%

220.4 199.5

EBITAS 12.9% 13.2%

Margin 14.0% 15.0%

(%)

Net -42.7 142.3 -15.1 113.2 44.2%

Profit5 185.0 128.2

Basic -2.48 8.29 7.80 -0.87 6.93 38.0%

EPS6 10.76

Table 4: Separately disclosed items

FY & HY Separately H1 H2 2017 FY 2017 H1 H2 2016 FY 2016

disclosed items2: 2017 2016

One-off costs from 10.9 1.4 12.4 5.4 9.3 14.7

integrations,

reorganizations and

discontinued

operations, and other

non-recurring costs

Temporary losses 20.1 11.0 31.1 0.2 3.6 3.8

related to network

expansion, Start-ups

and new acquisitions

in significant

restructuring

EBITDA3impact 31.0 12.4 43.5 5.6 13.0 18.5

Depreciation costs 13.1 5.5 18.6 8.7 11.0 19.7

specific to start-ups

and new acquisitions

in significant

restructuring

EBITAS4impact 44.1 17.9 62.0 14.2 24.0 38.2

Share-based ***payment*** 14.3 26.4 40.7 17.6 19.8 37.4

charge and

acquisition-related

expenses

Net finance costs -8.2 12.2 4.0 6.0 -15.4 -9.4

related to borrowing

and investing excess

cash and one-off

financial effects

(net of finance

income)

Tax effect from the -9.5 -13.7 -23.2 -4.6 -11.7 -16.3

adjustment of all

separately disclosed

items

Non controlling -1.0 -0.1 -1.1 -0.7 -1.6 -2.3

interest on

separately disclosed

items

Total impact on Net 39.7 42.7 82.4 32.6 15.1 47.6

Profit attributable

to equity holders5

Impact on Basic EPS6 2.34 2.48 4.82 2.11 0.87 2.98

1Adjusted - reflects the ongoing performance of the mature and recurring activities excluding "separately disclosed items". 2Separately disclosed items - includes one-off costs from integration, reorganisation, discontinued operations and other non-recurring income and costs, temporary losses and other costs related to network expansion, start-ups and new acquisitions undergoing significant restructuring, share-based ***payment*** charge, impairment of goodwill, amortisation of acquired intangible assets, negative goodwill, discontinued activities, loss/gain on disposal and transaction costs related to acquisitions as well as income from reversal of such costs and from unused amounts due for business acquisitions, net finance costs related to borrowing and investing excess cash and one-off financial effects and the related tax effects. (Details in Note 2.3 of the 2017 Consolidated Financial Statements). 3EBITDA - Earnings before interest, taxes, depreciation and amortisation, share-based ***payment*** charge, impairment of goodwill, amortisation of acquired intangible assets, negative goodwill, discontinued activities, loss/gain on disposal and transaction costs related to acquisitions as well as income from reversal of such costs and from unused amounts due for business acquisitions. 4EBITAS - Earnings before interest, taxes, share-based ***payment*** charge, impairment of goodwill, amortisation of acquired intangible assets, negative goodwill, discontinued activities, loss/gain on disposal and transaction costs related to acquisitions as well as income from reversal of such costs and from unused amounts due for business acquisitions. 5Net Profit - Net profit for equity holders after non-controlling interests but before ***payment*** to Hybrid capital holders 6Basic EPS - earnings per share (basic) total (to equity holders before ***payment*** of dividends to Hybrid capital holders) 7Operating Cash Flow - Net cash provided by operating activities (after tax) 8Free Cash Flow to the Firm -Operating Cash Flow, less Net capex 9Free Cash Flow to equity - Free Cash Flow to the Firm, less Change in investments and financial assets, net and, interest paid net of interest received 10Organic growth for a given period (Q1, Q2, Q3, Half ***Year***, Nine Months or Full ***Year***) - non-IFRS measure calculating the growth in revenues during that period between 2 successive ***years*** for the same scope of businesses using the same exchange rates but excluding discontinued activities. For the purpose of organic growth calculation for ***year*** Y, the relevant scope used is the scope of businesses that have been consolidated in the Group's income statement of the previous financial ***year*** (Y-1). Revenue contribution from companies acquired in the course of Y-1 but not consolidated for the full ***year*** are adjusted as if they had been consolidated as from 1st January Y-1. All revenues from businesses acquired since 1st January Y are excluded from the calculation.

For details of the FY 2017 results, including consolidated financial statements and related notes, please visit: [*https://www.eurofins.com/investor-relations/reports-presentations/*](https://www.eurofins.com/investor-relations/reports-presentations/)

For more information, please visit [*www.eurofins.com*](http://www.eurofins.com)

Notes for the editor:

Eurofins - a global leader in bio-analysis Eurofins Scientific through its subsidiaries (hereinafter sometimes "Eurofins" or "the Group") believes it is the world leader in food, environment and pharmaceutical products testing and in agroscience CRO services. It is also one of the global independent market leaders in certain testing and laboratory services for genomics, discovery pharmacology, forensics, CDMO, advanced material sciences and for supporting clinical studies. In addition, Eurofins is one of the key emerging players in specialty clinical diagnostic testing in Europe and the USA. With over 35,000 staff in more than 400 laboratories across 44 countries, Eurofins offers a portfolio of over 150,000 analytical methods for evaluating the safety, identity, composition, authenticity, origin and purity of biological substances and products, as well as for innovative clinical diagnostic. The Group objective is to provide its customers with high-quality services, accurate results on time and expert advice by its highly qualified staff.

Eurofins is committed to pursuing its dynamic growth strategy by expanding both its technology portfolio and its geographic reach. Through R&D and acquisitions, the Group draws on the latest developments in the field of biotechnology and analytical chemistry to offer its clients unique analytical solutions and the most comprehensive range of testing methods.

As one of the most innovative and quality oriented international players in its industry, Eurofins is ideally positioned to support its clients' increasingly stringent quality and safety standards and the expanding demands of regulatory authorities around the world.

The shares of Eurofins Scientific are listed on the Euronext Paris Stock Exchange (ISIN FR0000038259, Reuters EUFI.PA, Bloomberg ERF FP).

Important disclaimer:

This press release contains forward-looking statements and estimates that involve risks and uncertainties. The forward-looking statements and estimates contained herein represent the judgment of Eurofins Scientific's management as of the date of this release. These forward-looking statements are not guarantees for future performance, and the forward-looking events discussed in this release may not occur. Eurofins Scientific disclaims any intent or obligation to update any of these forward-looking statements and estimates. All statements and estimates are made based on the information available to the Company's management as of the date of publication, but no guarantee can be made as to their validity.

Eurofins provides in the Income Statement certain alternative performance measures (non-IFRS information such as "Adjusted Results and Separately Disclosed Items") that exclude certain items because of the nature of these items and the impact they have on the analysis of underlying business performance and trends. (Refer to description of Separately Disclosed Items).

In addition, Eurofins shows the following two earnings measures in the Income Statement with the objective to be close and consistent with the information used in internal Group reporting to measure the performance of Group companies and information published by other companies in the sector: EBITDA3& EBITAS4 and provides as non-IFRS measure the Organic growth10, the Free cash flow to the Firm8, the Free cash flow to equity9for a given period.

Management believes that providing these alternative performance measures enhances investors' understanding of the company's core operating results and future prospects, consistent with how management measures and forecasts the company's performance, especially when comparing such results to previous periods or forecasts and to the performance of our competitors. This information should be considered in addition to, but not in lieu of, information prepared in accordance with IFRS.

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[***Moldova: Dniester region media highlights 10-16 Nov 18***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TTC-2F91-DYRV-34BW-00000-00&context=1516831)

BBC Monitoring Kiev Unit

Supplied by BBC Worldwide Monitoring

November 24, 2018 Saturday

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**Length:** 783 words

**Body**

The following are media highlights from the Dniester region's Pridnestrovye, Pravda Pridnestrovya, Dobryy Den and Chelovek i Yego Prava newspapers, Channel One TV, TSV and Dnestr TV, the Novosti Pridnestrovya and Pridnestrovye news agencies, Facebook, PolitTiras, Ispirr, Free Dniester Forum, the foreign ministry's, the president's, the state security committee's, justice ministry's and parliamentary websites for 10-16 November 2018:

Political

The state secretary of the Ministry of Foreign and European Affairs of Slovakia, Lukas Parizek, has visited Chisinau and Tiraspol to prepare for the country's OSCE chairmanship next ***year***, the official daily Pridnestrovye has reported. Dniester region foreign minister Vitaliy Ignatyev said that interests of people should be a priority in the conflict settlement. "I am convinced that we should lift any restrictions, sanctions and other negative aspects that hamper normal life of people in all areas: economy, freedom of movement and education," Ignatyev said.

He complained about Moldova's reluctance to solve problems in the telecom sector. Lukas Parizek said he saw the Moldovan-Dniester relations as an example for solving other conflicts. "It seems that there is a big potential for a breakthrough as the concrete steps that have already been taken could serve as an example for other regions," Parizek reportedly said. (Pridnestrovye newspaper, Tiraspol, 13 Nov 18, p 2)

As the parliamentary election campaign has already started in Moldova, various political forces there have been trying to play the Dniester region card, local pundit Sergey Shirokov has said on government-funded Channel One TV. "They will try to drag us in the patterns of communication between Moldova and Russia, Moldova and the USA, and Moldova and the EU. Our task is to stick to our position, see the red lines and not let them drag the Dniester region in their own political games," Shirokov said. At the same time, Tiraspol was ready to continue talks "provided that there is a constructive agenda", he said. (TV Channel One, Tiraspol, 1830 gmt 12 Nov 18)

Economic

Russia has halted its financial assistance to Dniester region pensioners because of questions arising on the use of this money, the pro-Russian website PMRF has reported. It quoted blogger Konstantin Yenchin as saying that "the central bank of the Dniester region sent the Russian roubles to Sheriff's Agroprombank, which exchanged for the Dniester roubles and ***transferred*** to the local pension fund". Moscow learnt about this scheme and halted the ***programme***, the website said. However, media had reported that the money would arrive soon to calm down the population, it noted. Russia supports the 145,000 pensioners of the region by a monthly ***payment*** of around 10 dollars. (PMRF website, pmrf2.ru, 13 Nov 18)

In 2018, the Dniester region's farming companies harvested 315,000 tonnes of wheat, over 114,000 tons of sunflower. It also bred 18 per cent more of cattle and poultry than in the previous ***year***, the official news agency Novosti Pridnestrovya has reported. It quoted the minister of ***agriculture***, Yefimiy Koval, as saying that the government made effort to revive the farming sector to ensure the region's food security. (Novosti Pridnestrovya news agency website, novostipmr.com, 16 Nov 18)

Military

The Moldovan Defence Ministry has hired Nato officers to train Moldovan servicemen "who need to learn from the experience of the countries that had participated in armed conflicts", the Free Dniester Forum website has quoted Defence Minister Eugen Sturza as saying. "It is a rhetorical question why Moldova needs this experience," the website pointed out. It said a Nato training base is located 30 km away from Tiraspol, which is very close to the security zone of the Dniester-Moldovan conflict. "It's not hard to figure out that they are training subversion agents at this base and Moldovan special-task forces in case the Dniester conflict becomes hot," the website said. It added that an open armed conflict is unlikely thanks to the presence of Russian peacekeepers in the region, but "acts of provocation on the border are possible". (Dniester Free Forum, forum-pridnestrovie.info, 13 Nov 18)

The Dniester region's defence ministry has staged an artillery show at the Tiraspol shooting range to mark Artillery Day, the ministry's website has reported. It included a large-scale firing exercise with the use of all types of artillery and tanks of the Dniester armed forces, the website said. Defence minister Oleg Obruchkov said he was satisfied with the desplayed skills of servecemen. (Defence ministry website, mopmr.org, 16 Nov 18)

Source: Dniester region media highlights in Russian 16 Nov 18

**Load-Date:** November 24, 2018

**End of Document**



[***Raiffeisen Bank Aval - Ukraine, Monthly Economic Review, November 2017***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5R4N-1331-F19S-P1VY-00000-00&context=1516831)

Emerging Markets Brokers Reports - Russia

December 8, 2017 Friday 9:02 PM EEST

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**Body**

Highlights

In October, Ukraine's government conducted a "reprofiling" of government bonds owned by the National Bank, i.e. the exchange of old bonds for new ones with a longer maturity. This in essence leads to smoothing of the public debt ***payment*** schedule. Nevertheless, ***payments*** in domestic and external public debt still remain notably high in 2018/19, posing external financing risks.

(To view the original document, please click on the link below:

[*http://reports.aiidatapro.com/brokers/Aval/Ukraine\_MER\_Nov17\_En.pdf*](http://reports.aiidatapro.com/brokers/Aval/Ukraine_MER_Nov17_En.pdf))

The parliamentary and presidential elections looming in 2019 cast uncertainty over the implementation of reforms and rising populism closer to the election dates. With some progress, Ukraine should be able to receive the next IMF tranche in spring 2018, but there are risks of further delay.

Ukraine's economy has been showing strong growth in 2017, and we improved our 2017 GDP growth estimate by 0.4 pp to 1.9% yoy. Though, given the pending reforms and growing political uncertainty, we decided to decrease our GDP forecast for 2018 from 3% yoy to 2.5% yoy.

In Jan-Oct industrial production index fell by 0.2% yoy and retail sales sharply decelerated - from 8.1% yoy to 4.2% yoy. Consumer price inflation decelerated from 16.4% yoy to 14.6% yoy in October. Given the unexpectedly high CPI rate in September, we change our estimate for 2017 ***year***-end to 13.2% yoy above the inflation target of maximum 10% yoy.

The USD/UAH exchange rate has been on a roller-coaster ride in November crossing the level of 27.00. In our view, the traditional spike of budget spending by the end of the ***year*** will cause a gradual UAH devaluation in December and January.

On 14 December, the NBU will hold the last Monetary Committee meeting this ***year***. We believe that the regulator will keep the key policy rate at the current level.

Ukraine

Economic Policy

In October, Ukraine conducted a reprofiling operation of government bonds owned by the National Bank. Given that the National Bank holds about 50% of domestic bonds and the peak ***payments***

occur in 2018-2019, the Ministry of Finance and the regulator agreed to implement a so-called "reprofiling", i.e. the exchange old bonds for new ones with a longer maturity. Consequently, UAH 219.6 bn of bonds (60.9% in the NBU portfolio and 31.5% of total outstanding domestic bonds) were exchanged for two types of new securities - one with a fixed interest rate and another linked to inflation (interest rate for each coupon ***payment*** is calculated by adding 2.2 pp to annual CPI rate released no longer than 2 months before the interest ***payment*** date). The maturities of the new bonds are spread across the period from 2025 to 2047. Interestingly, about 2/3 of exchanged securities are linked to the CPI rate, which should help to diversify risks (interest rate risk). Moreover, this could ease debt ***payments*** for the government, in case we see a slowdown in inflation. It is expected that the inflation rate will fall during the next 1-2 ***years*** from currently elevated levels. Finally, the NBU now has long-term instruments with various maturities that can be used in its monetary policy. Of course, given the fact that the regulator returns the lion's share of its profit to the Ministry of Finance, the reprofiling looks more like just a formal technical operation. However, the smoothed debt ***payment*** schedule will be beneficial for monetary policy and specifically for inflation targeting, as it will reduce the volatility in the UAH liquidity.

Debt repayment of the new domestic bonds is evenly distributed in such a way that principal ***payments*** to the NBU amounts to about UAH 12 bn every ***year*** from 2025 to 2047. Nevertheless, if we look to the total domestic debt, we still see two notable peaks in principal ***payments*** during 2018-2019 and in 2031. A significant amount of FCY domestic bonds (issued in 2016-2017) matures in 2018-2019. In our view, though, the Ministry of Finance will be able to refinance the bonds and markets will be happy to buy them given still sufficiently attractive yield levels. The second peak, significant debt ***payments*** in 2031 originate from index bonds placed for the capitalization of state banks, but in case of stronger UAH (which is not our base case scenario), it may be much lower.

Moreover, the local debt operation somewhat tackles one of the macrofinancial risks of Ukraine - rising external public debt redemptions in the upcoming ***years*** - as lower domestic public debt ***payments*** also decrease the overall public debt servicing burden. That said the external debt burden in 2018-2019 remains tough. After a successful placement this ***year***, Ukraine will likely issue another Eurobond next ***year***, but in order to get a significant amount of "cheap money", continued cooperation with international creditors is needed. Unfortunately, after receiving tranches from

IMF and EU this spring, both ***programs*** have become stuck again. Despite the fact, that Ukraine has adopted the pension reform, the IMF still waits for an acceleration of the privatization process (specifically, a new law on privatization), the creation of an anticorruption court, the adoption of a state budget for 2018 consistent with the parameters of the IMF ***program*** (which was recently approved, but still has to be evaluated by the IMF) and the adjustment of domestic gas prices (a recently appeared hot issue between the IMF and Ukrainian authorities).

Parliamentary and Presidential elections are looming in 2019 and will make the decisions and the implementation of reforms more difficult the closer the election dates approaches. We do not rule out the growth of political turbulence and growing populism that may pose a threat to economic and financial stability. Thus, we see only a limited window of opportunity - say in H1 2018 - to reengage with the reform process. With some progress, Ukraine should be able to receive the next tranche in spring 2018, but there are risks of further delay.

The Macro-Financial Assistance (MFA) ***program*** by the EU of three tranches of each EUR 600 mn expires in January 2018. As the EU Commission announced on 1 December, Ukraine will not receive the undisbursed third tranche, as several conditions have not been met. Nevertheless, a new MFA ***program*** with EU is still possible. However, the details for a new ***program*** would have yet to be worked out and approved by the respective EU bodies. Thus, we do not expect additional loan tranches from the EU in the nearest future.

Real Sector

Ukraine's economy has been showing moderately strong growth in 2017 on the back of a revival of business activity and improvements in social wellbeing. Nevertheless, the GDP growth rate is gradually decelerating owing to base effect - from 2.5% yoy in Q1 to 2.3% yoy in Q2, and to 2.1% yoy in Q3. Given the hike in minimum wage and relatively stable prices, real wage jumped by 18.8% yoy in Jan-Sep and consumption showed elevated dynamics as well. Moreover, the urgent need to upgrade equipment after several ***years*** of crisis facilitated growth in investments. Conversely, economic growth in Ukraine is generally linked to the growing trade deficit. Thus, we expect a negative contribution to GDP from net exports. In our view, GDP growth will notably decelerate in Q4 on the back of a strong base effect (***agriculture*** propelled GDP upwards by 4.8% yoy back in Q4 2016). Nevertheless, we improve our conservative 2017 GDP growth estimate by 0.4 pp to 1.9% yoy. Though, given the pending reforms and growing political uncertainty, we decrease our GDP forecast for 2018 from 3% yoy to 2.5% yoy.

In October, industrial production showed a minor growth - by 0.4% yoy (after declining by 0.3% yoy in the previous month). Nevertheless, compared to September (adjusting for seasonality), industrial output fell by 0.1% mom. In the mining industry we still see a reflection of economic blockade of Donbas, i.e. a reduction by 8.1% yoy (-1.4% mom). Decline in coal mining deepened

from 24.2% yoy in September to 25.1% yoy. Iron ore mining and oil/gas extraction fell by 6.4% yoy and by 0.5% yoy respectively. Meantime, manufacturing has been still a growth driver as an increase in production by 5.7% yoy and by 1.2% mom has been observed in October. The positive results were attributed to chemical (+38.9% yoy), light (+8.7% yoy) and food (+3.8% yoy) industries as well as machinery (+3.8% yoy). Moreover, high global prices supported the metallurgical production (+3.3% yoy). By contrast, coke production dropped by 10.3% yoy. There was a decline in the energy sector by 7.6% yoy and by 2.8% mom. Overall, in Jan-Oct industrial production index fell by 0.2% yoy. Given the base effect (there was a notable growth in November-December last ***year***) the cumulative decline may deepen by ***year***-end.

In October, retail sales sharply decelerated - from 8.1% yoy to 4.2% yoy. We do not have a clear explanation for this stark change and have to see in coming months if this has been only a temporary change or something more. In cumulative terms, sales growth rate slowed down from 8.8% yoy to 8.2% yoy.

Inflation

In October, consumer price inflation decelerated from 16.4% yoy to 14.6% yoy on the back of strong base effect (12 months ago there was a hike in tariffs for heating and hot water). With respect to September, consumer prices grew by 1.2% mom in October. Food prices went up by 1.1% mom. Only a few food products showed price cut in October - sugar (-5.5% mom), fruits (-4.6% mom), vegetables (-0.8% mom) and sunflower oil (-0.1% mom). Such dynamics was attributed to increased production and decline in global prices. On the other hand, reduced supply led to an increase in prices for other food products. For instance, egg prices kept growing fast (+14.9% mom) due to growth in exports. In additions, milk prices jumped by 5.5% mom. As of non-food products, alcohol and tobacco prices increased by 1.3% mom in October. Prices for clothes also increased (+2.4% mom) on the back of seasonality and UAH devaluation. There were no significant changes in communal tariffs - growth by 0.5% mom. Local currency weakening and growth in oil prices pushed gasoline costs up by 4.4% mom. Given the unexpectedly high CPI rate in September, we change our estimate for the ***year***-end to 13.2% yoy, which means that inflation will show a much stronger deviation from the target range (6-10% yoy) in 2017. However, we believe that inflation can return to the NBU's goal next ***year*** on the back of prudent monetary policy and the fading negative shocks of this ***year*** i.e. return below 8% yoy by December 2018. As of risks, we see a threat for the price stability from the side of sharp increase in social standards (minimum wage, pensions, etc.), which is partly motivated by the upcoming elections.

Producer prices growth rate decelerated as well owing to base effect - from 22.4% yoy in September to 18.8% yoy in October. In mom terms, prices went up by 2.3%. Main growth was in mining industry (+2.8% mom) that created a price pressure in manufacturing (+3.1% mom). Prices in iron ores mining jumped by 5.7% mom, in oil/gas extraction - by 0.8% mom, and in coal mining - by 0.6% mom. As a result, prices in coke production and metallurgy elevated by 16.5% mom and by 6.5% mom respectively. In energy sector prices declined by 0.1% mom.

Balance of ***Payments***

As was expected, the Current Account (C/A) improved in October compared to the previous month, but looking 12-months backward, we see some deterioration. In October, the C/A posted a deficit of USD 408 mn, which is almost USD 500 mn lower the September deficit when were held the interest ***payments*** on the restructured Eurobonds. However, compared to October 2016, we see a two times deeper deficit this ***year***. Goods' exports grew fast, albeit slightly decelerated - from 18.3% yoy to 16.7% yoy. Given the lower corn harvest and decline in sugar price, exports growth rate of food products slowed down from 22.5% yoy to 11.6% yoy. On the other hand, favourable global price dynamics pushed metallurgical exports from +7.6% yoy in September to +23.4% yoy. Merchandise imports' growth accelerated from 20.6% yoy to 22.4% yoy. Growth of households' incomes and high investment demand from the side of ***agriculture*** pushed machinery imports up by 33% yoy (+30.6% yoy in September). ***Agricultural*** sector also supported the significant growth of chemical imports (+29.4% yoy). On the back of coal deficit in the domestic market due to economic blockade of Donbas, imports of mineral products jumped by 30.3% yoy in October (+37.6% yoy in the previous month). On the positive note, the primary income account was

virtually balanced, secondary income account showed a surplus of USD 312 mn owing to growing ***transfers*** to Ukraine, while trade balance of services was traditionally positive (USD 245 mn) on the back of significant transportation exports.

In October, the Financial Account recorded a surplus of USD 563 mn. Due to still weak interest from foreign investors, FDI inflow amounted to only USD 65 mn, but it was directed to the real sector. The banks bought about USD 170.3 mn of government bonds denominated in foreign currency. Growing devaluation expectations caused only a minor reduction of FCY outside the

banks - USD 8 mn (while during the previous 9 months of this ***year*** it shrunk by more than USD 2 bn).

In Jan-Oct, the C/A showed a deficit of USD 3.3 bn (USD 0.4 bn higher than last ***year***). Due to elevated global prices and revival business activity, goods' exports and imports grew fast - by 20.3% yoy and by 22% yoy respectively. Financial account accumulated a surplus of USD 5.3 bn. As a result, balance of ***payments*** (excluding changes in reserves) recorded a positive amount of USD 2.1 bn in Jan-Oct.

Monetary Policy and Exchange Rate

USD/UAH rate on a roller-coaster ride in November. The month started with the pressure in the FX market on the back of the beginning of a new period of dividend repatriation, but when the major FCY demand was satisfied, UAH strengthened again. Moreover, the significant quarterly tax ***payments*** (with a deadline of 17 November) supported UAH in the middle of the month as the FX demand was lowered. However, sharp VAT reimbursement (by UAH 9 bn) crushed the equilibrium, and USD/UAH rate moved up again. By the end of November, USD/UAH crossed the level of 27.00, and in early December it reached 27.20/27.23 owing to another period of dividend ***payments***. In our view, the traditional spike of budget spending by the end of the ***year*** will cause a gradual UAH devaluation in December and January. However, the National Bank has enough resources to diminish excessive volatility.

Gross international reserves keep growing. In October, FX reserves boosted by USD 98 mn to USD 18.7 bn. There were two major growth drivers - placement of domestic FCY bonds (USD 170.3 mn) and swap operations with an authorized bank in the domestic market (USD 100 mn). On the other hand, growing FX market volatility forced the regulator to conduct interventions and FX auctions; as a result, the NBU injected USD 147.2 mn to the market. Also, USD 30.9 mn was spent on servicing and repayment of state debt. We do not expect a significant growth of reserves by the ***year***-end owing to the elevated FX market pressure.

The National Bank keeps relaxing its administrative controls. Recently, the regulator allowed the repatriation of dividends accrued before 2013 with a limit of USD 2 mn per month. Thus, every month a company can repatriate 2014-2016 dividends in the amount up to USD 5 mn and additionally USD 2 mn of 2013 and earlier dividends.

Banking sector liquidity dwelled by the mid-November on the back of quarterly tax ***payments***, but later it returned to the previous level thanks to significant VAT reimbursement mentioned above. On average, the liquidity was only UAH 0.9 bn lower than in October. Correspondent accounts fluctuated in a range of UAH 36-59 bn, while Certificates of Deposit (CDs) laid between UAH

20-39 bn. As in previous month, banks increased their correspondent accounts by the beginning of a new reservation period, but in a few weeks shifted part of UAH liquidity to CDs. Money market rates were quite volatile as well - index of interbank rates (overnight) fluctuated in a range of 11.4-13.3%. On 14 December, the NBU will hold the last Monetary Committee meeting this ***year***. We believe that the regulator will keep the key policy rate at the current level given slightly lowered but still high risks for price stability from the one side and the need to support economic

growth from the other (as a reason for no further hike). In our view, the NBU will return to monetary policy easing in H2'18 after the end of seasonal FX market volatility and the return of CPI rate to the targeted trajectory.

Banking Sector

The deposits showed mixed dynamics in October. From the one side, corporate sector (CO) increased their savings in local currency (LCY) by 0.7% mom. On the other hand, CO FCY deposits dropped by 4.4% mom. Meanwhile, private individuals' deposit portfolio slightly shrunk in October - by 0.1% mom both in LCY and FCY which may be related to relatively high devaluation expectations.

The lending kept recovering. In October, CO UAH loans went up by 0.4% mom, while in FCY jumped by 1.8% mom. Moreover, households continued to borrow in LCY (+3% mom) owing to the growth in incomes and the restructuring of FCY debts (PI FCY loans dropped by 1.2% mom). In Jan-Oct, the operating banks were profitable (UAH 2.2 bn) due to lower costs of provisions and high interest incomes.

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[***Meeting with Government members***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5TD8-THY1-F19S-P1B1-00000-00&context=1516831)

Russian Government News

October 2, 2018 Tuesday 12:00 AM EEST

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**Length:** 2891 words

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**Body**

Vladimir Putin held a regular meeting with Government members.

President of Russia Vladimir Putin: Good afternoon, colleagues.

Today's agenda includes some issues, including fundamental ones, that determine the planning of our work for the next few ***years***.

As we agreed, the main areas of activity for the Government of the Russian Federation have been elaborated based on the May Executive Order that set out the national goals and strategic tasks until 2024. I would like Mr Medevev to speak about this after I finish my opening remarks.

National projects and ***programmes*** on key areas of the country's development have also been drafted.

I would like to emphasise the need to reach the goals set forth in the Executive Order, to achieve the targets in the economy, healthcare, education, culture and infrastructure, and to make fundamental changes in all areas that determine the welfare and quality of life and Russia's sustainable development.

We must use our competitive edge to the utmost and create all conditions for the self-fulfillment of citizens and the implementation of their initiatives.

And, of course, we must carefully calculate our resources. We spent much time on this. Over the past two ***years***, we have been making these calculations practically all the time. Of course, I am referring primarily to our financial potential.

Mr Medvedev, you have the floor, please.

Prime Minister Dmitry Medvedev: Mr President, colleagues,

As you have just mentioned, pursuant to your May Executive Order, we have prepared Guidelines for the Government. This work began immediately after the new Government was formed, and involved all ministries and departments, as well as our colleagues from the regions.

Indeed, we are talking about decisions that are critical for our country that will affect the lives of millions of people. We believe we managed to draft a realistic - from the perspective of the current situation - and at the same time a reasonably ambitious action plan.

Last week, we reviewed the draft plan at a Government meeting once again. It was approved, as you instructed, before October 1.

First of all, as we worked on the plan and the Guidelines, we focused on the national development goals outlined in your Executive Order and the need to implement 12 national projects. Their descriptions have already been submitted to the Presidential Council for Strategic Development and National Projects, led by you, Mr President, and were reviewed by the Council Presidium, which I moderate.

At the same time, there is an idea to formulate an additional number of national projects. Perhaps this needs to be discussed separately; there are reasonable arguments to do so, but this will, of course, require further critical evaluation.

We will focus on the Guidelines and the national projects in the near future, as they are, indeed, the mechanisms and tools that we need to achieve national goals.

According to the draft federal budget, national projects and infrastructure development will receive 5.63 trillion rubles over the next three ***years***. The Government has already sent the draft to the State Duma. This is a very substantial amount of money.

As you mentioned, developing the social sphere and improving the quality of life is the most significant spending item. Primarily, these are projects in demographics, education, healthcare, science, the environment, culture, housing and a comfortable urban environment, as well as the creation of a modern transport and energy infrastructure, including motorways. Considerable investment will go into all of the above areas.

I would also like to note that 845 billion rubles are being channeled into developing the digital economy, supporting small and medium-size business and expanding non-energy exports. Maybe Mr Siluanov will also say a few words about this, in terms of the budget.

As the Executive Order reads, the social area is a top priority for the Government. All we are planning for the next few ***years*** in the development of the economy, support of small businesses and infrastructure is primarily done to make people, citizens of our country feel real changes for the better in incomes, quality of housing and roads and let them take their child to a kindergarten or a sports club without much fuss.

There are specific areas there that concern all items - the demography package and measures to reduce the mortality rate and develop medical services, including primary medical care, medical stations and mobile medical complexes.

As you know, we are planning to raise to a new level our efforts to fight oncological diseases, which is also stated in your Executive Order, primarily through the early detection of the disease.

Issues of overcoming poverty and raising incomes are a separate area. I am referring to the adjustment of social ***payments*** and different forms of support for low-income families.

One of the main tasks set forth by the Executive Order is to make sure pensions grow above inflation. All money coming from decisions pertaining to pension legislation will be used for this purpose. In addition, we are laying emphasis on active longevity ***programmes*** and protection of pre-pension age employees.

Our projects also deal with support for housing construction, relocating from dilapidated housing, upgrading management of residential buildings, developing the transport network and improving the environment.

As for the economy, the main Guidelines naturally provide for encouraging investment activities with an emphasis on private investment, boosting competition and creating favourable conditions for business, including the expansion of digital technology use, as was already mentioned, and the creation of the infrastructure for its advance.

Of course, special attention should be paid to upgrading state administration.

The industrial policy will focus on developing basic industries, increasing the share of high-tech industries, including by reorienting them to civilian production, expanding cooperation with the country's leading research centres and supporting Russian companies that are exploring international markets.

This concerns not only industrial policy, but ***agriculture*** as well, because the policy of developing the export potential of ***agriculture*** is also outlined in your Executive Order and the Guidelines for the Government.

The solution to these and many other issues outlined in the Guidelines depends on what the regions will think about the federal initiatives. We plan to allocate significant amounts to support them as well: the volume of subsidies will amount to almost 1.5 trillion rubles next ***year*** alone. This will create the proper environment for the sustainable development of the regions, but they should, of course, rely on their own development sources, because they need to take care of their own revenue base, which is obvious.

In some cases, we will use special incentives in our plans to develop individual territories and federal districts that need special attention. I am referring, of course, to the Russian Far East, the Caucasus region, Crimea, Kaliningrad and Russia's Arctic zone.

Benchmarks, key tools, mechanisms and targets to be achieved by 2024 were defined for each area. Each national target has an implementation model that must be tied in with other areas of the Government's activities.

Of course, the choice of assessment criteria to be used by the leadership matters. The Government must control all these areas. We will evaluate our progress on each national target, and report to the President about the effectiveness of budget spending. If need be (these Guidelines are, as was once said, not a dogma, but a guide to action), we will come up with additional solutions for your consideration, Mr President.

Shortly, we plan to sum up some of the current developments. We will review the solutions that are already being implemented just to see how these mechanisms work and what might have to be changed.

I am sure that all the Government members are fully aware of their responsibility and will do their best to achieve the outlined goals.

Vladimir Putin: Colleagues, we are facing very complicated, large-scale challenges. We are well aware of it, we know it. To solve them conditions must be created for economic development and for attracting investment, and the funding sources and levels to address the most urgent issues have to be determined carefully. It is impossible to do so without effective budget planning and strict observance of financial discipline in the course of implementing our strategic plans.

Therefore, I ask you with your colleagues in the parliament of the Russian Federation to make a detailed analysis of the priorities and specific funding levels in the budget, and to cross-reference that information with the benchmarks set in the national projects.

Mr Medvedev has already referred to the areas of focus. For example, fighting various types of cancer requires priority attention in healthcare, as we have discussed a number of times. All the scheduled activities in this vital sphere must be carried out consistently and professionally both from a financial and practical standpoint, in keeping with the very specific decisions that need to be taken here: how much should be allocated to which areas, in what amounts, at what rate. No mishaps can be permitted, especially since the funds we are allocating are quite substantial. From the submitted documents, I see that 470.6 billion rubles are earmarked from the federal budget to fight cancer in 2019-2021. These are significant resources, they must be properly handled.

The funding of infrastructure development projects should also be closely monitored. Investments in modern roads and railways, airports, expanding the capacity of strategic transport corridors - this is definitely a major factor in economic growth, a crucial condition for balanced territorial development and for increasing the quality of life of our citizens.

Special focus should also go to developing social infrastructure as well as resolving the backlog of environmental problems including, of course, the elimination of dumping sites across the country.

Housing construction also requires constant monitoring, of course. This also concerns resettling people from dilapidated housing. Let me remind you that in the past six ***years*** 677,000 people were given new housing and were relocated from over 10 million square metres of dilapidated housing. These numbers are not insignificant, but the task has not been completed.

Every ***year*** about two million square metres of housing is classified as dilapidated. The total amount in the country is over 13 million square metres. We have relocated people from 10 million, and have another 13 million to go. But the key is not to let that number grow, as I said a number of times, and major repairs and current maintenance should be done on time.

We have to set up an effective continuous mechanism for resolving this problem, while also ensuring that citizens' housing rights are protected. We spoke a lot about that, we spoke about protecting the interests of the people who lost out during the construction of their housing - they invested their money but they have neither money nor housing. The issue is very urgent and must be resolved shortly.

In this connection, I would like to hear from the Finance Minister. Please, go ahead, Mr Siluanov.

First Deputy Prime Minister and Finance Minister Anton Siluanov: Thank you, Mr President.

The Government of the Russian Federation has prepared and submitted to the State Duma a draft budget for the next three ***years***. This draft has some innovations and special features.

To begin with, we have adopted new tax legislation specifically to support the implementation of the new tasks that you set forth in your May Executive Order, while also promoting economic development.

What are these decisions? We have cancelled a tax on movables, the so-called modernisation tax.

Secondly, we have planned additional tax rules starting next ***year***, such as a tax on additional income in the oil sector that will provide greater impetus for the development of deposits.

We are also introducing a new tax for self-employed people that will allow them to work legally and pay taxes to the state. This is also an innovation for small businesses.

Tax rules will be codified in the next six ***years*** and will not be changed.

What budget parameters have we considered? We will have a budget surplus in the next three ***years***. In 2019, the surplus will amount to 1.8 percent of the GDP. Why do we need this? Primarily to have predictable and stable macro-economic conditions and to be able to fulfil our commitments regardless of external factors, such as a change in oil prices or the foreign sanctions that we are now facing. This will also give additional support to boosting economic growth rates.

The project approach was used for a considerable share of the resources in the budget, which is a special feature of this budget. These are national projects. Some eight trillion rubles have been allocated in the budget for these purposes for the next six ***years***. Considering that part of the excises on petroleum products will be ***transferred*** to the regions of the Russian Federation, this sum will increase to nine trillion rubles.

Total funds allocated for national projects during the next six ***years*** will amount to 14 trillion rubles. As Mr Medvedev said, we will allocate 5.6 trillion rubles for implementing national projects in the next three ***years***. The budget accounts for both the implementation of national projects and the development goals set forth in the May Executive Order. This is above all the task of ensuring high economic growth rates, increasing these rates and, certainly, improving the welfare of our citizens, the growth of wages and pensions.

Speaking about the task of accelerating economic growth, 2.3 trillion rubles will be allocated for the purpose within three ***years*** from the national projects alone. This includes about 400 billion rubles allocated for the Digital Economy project, 272 billion rubles to support exports, 136 billion rubles for small and medium-sized businesses, and labour productivity. Besides, a considerable sum of 1.4 trillion rubles will be allocated for road construction and infrastructure over the three ***years***. These projects include the West-East and North-South transport corridors, enhancing the economic connectedness of the territories of the Russian Federation, and providing affordable power to a number of our regions.

Vladimir Putin: What will that amount to?

Anton Siluanov: 1.4 trillion rubles in the three ***years*** alone.

A Development Fund is being set up to support development goals. The total assets of the fund amount to 3.5 trillion rubles within the six-***year*** period. This is the money that will go to implement both infrastructure projects related to economic development, and to investments, as we say, in human capital. The resources will come from borrowing more on the market.

The social sphere. A number of national projects have been designed, as Mr Medvedev has already said. I will give you some numbers.

Demographics and healthcare. In the coming three ***years*** a total of 2.2 trillion rubles of additional funds, all funds, will be allocated to this end. We already have a number of social ***programmes*** underway such as maternity capital - funds are earmarked for indexing amounts in 2020, childbirth ***payments***, ***payments*** to families with children, mortgage benefits, creating more spaces in kindergartens. These are the ***programmes*** that are already being implemented but there are some new ones as well. They include disease prevention, opportunities for doing sport, and treatment of cardiovascular and oncological diseases. A ***programme*** to upgrade oncology centres will be launched, as you mentioned, Mr President, and new modern clinical recommendations and new treatment protocols will be introduced.

Also, funds are earmarked for resolving environmental problems under the national projects. These include the elimination of dumping sites, purification of water reservoirs, and reduction of atmospheric pollution. 241 billion rubles have been set aside for these objectives in the coming three ***years***.

Education. We have been set the task of making Russia one of the top five leading nations in science and technology. We have a corresponding national project, with 350 billion rubles set aside for the three ***years***. The funding goes toward early child development, supporting talented youth, and introducing new methods of teaching and educating.

Housing construction is also an important goal, as you just said, Mr President. We have a national project for it. The goal is to improve housing conditions for at least five million families by 2024. To reach these objectives, 106 billion rubles have been set aside plus another 19 billion from regional budgets.

To be continued.

\* \* \* \* \*

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**End of Document**



[***Top news from Polish politics, economy, business & financial markets - 18:30; BUSINESS & EQUITY MARKET NEWS***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:64R9-6WP1-JCG5-H4GF-00000-00&context=1516831)

PAP Market Insider

April 12, 2018 Thursday 6:36 PM CET

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**Length:** 1893 words

**Byline:** Bokszczanin Marcin

**Highlight:** Following is a digest of the day's top news as compiled by PAP Market Insider.

**Body**

BUSINESS & EQUITY MARKET NEWS

HOUSEBUILDING / FINANCING / IPO - Prefabricated home builder Danwood has set the maximum price for retail investors in its IPO of up to 24 mln existing shares at PLN 15.0 putting the offering's max. value at PLN 360 mln, the company wrote in its issue prospectus.

REAL ESTATE / FINANCING / GRIFFIN - Real estate company Griffin Premium RE will sell EUR 120-150 mln worth of new shares constituting less than 30% of diluted share capital to South African real estate investment holding Growthpoint Properties under a planned private placement, Griffin said in a market filing of a commitment letter signed by the two companies on April 12.

BANKING / MBANK - Listed lender mBank shareholders approved a PLN 5.15 dividend per share or a total of PLN 217.9 mln taken from 2017 profits, in line with the management recommendation.

TELECOM / DIVIDEND / PLAY COMMUNICATIONS - Telco Play Communications wants to pay out PLN 2.57 gross interim dividend per share, the company said in a market filing of a management resolution passed on April 11.

INVESTMENT FUNDS - Polish mutual funds sold net PLN 372 mln worth of Polish equities in March and PLN 14 mln worth of foreign stocks, Haitong Bank analysts said of their estimates.

INVESTMENT FUNDS/ QUERCUS - The Quercus TFI investment fund group, which had to move early April to protect clients from a troubled corporate debt investment, may have suffered net outflows of PLN 237 mln in the month prior to the move, the Haitong brokerage estimates following publication of end-month asset figures.

HOUSEBUILDING / DIVIDEND / DANWOOD - Prefabricated home builder Danwood wants to recommend allocating 50-100% of annual net earnings to dividend starting with 2019 profit, the company said in its issue prospectus.

HOUSEBUILDING / DANWOOD - WSE-bound builder of prefabricated timber houses Danwood targets improving its EBITDA and EBITDA margin while also lowering the net debt to adjusted EBIDTA ratio, along with further expansion on foreign markets, according to the group's IPO prospectus published early Thursday.

INVESTMENT FUNDS - Polish investment funds enjoyed PLN 1.7 bln net inflows in March, above the February level of PLN 1.6 bln, with the positive result driven by inflows to money market funds, researcher Analizy Online said in a report.

INSURANCE / PZU - Insurer PZU's mutual insurance unit TUW PZUW expects written premium to stay roughly flat in 2018 after rising to PLN 384 mln last ***year***, CEO Rafal Kilinski told a conference.

PENSION FUNDS - Poland's private pension funds OFE ***transferred*** PLN 683.4 mln to the social insurance board ZUS under the pre-retirement asset shift in April, ZUS press office informed PAP.

PENSION FUNDS - Poland's Social Insurance Board (ZUS) ***transferred*** PLN 38.9 mln to open pension funds OFE this week, ZUS said in a statement.

BANKING/ PEKAO - Blue-chip bank Pekao will extend the period of free lease of ***payment*** terminals to entrepreneurs by 6 months to a total of 18 months with an eye to support non-cash transaction development, the bank said Thursday.

REAL ESTATE / DEKPOL - Listed real estate developer Dekpol sold 223 apartments in Q1 2018 vs 229 a ***year*** ago, including developer contracts, preliminary sale contracts and paid reservations, the company said in a market filing.

MANUFACTURING / URSUS - Listed tractor manufacturer Ursus inked a general deal on cooperation with the Chinese company Guangdong Jianglong ***Agricultural*** Machinery Technology concerning sales, assembly and production of tractors and ***agricultural*** machinery, as well as importing part and components from China, the company said in a market filing late Wednesday. Ursus and the Chinese firm also signed a general importer's deal, tractor assembly deal and component delivery deal, the filing specified.

FOOD / DIVIDEND / KRUSZWICA - Cooking oil maker Kruszwica recommends a PLN 1.33 DPS from 2017 earnings translating into a dividend payout of PLN 30.6 mln and 75.17% payout ratio, the company said in a filing.

FINANCIALS / GETBACK - Listed debt collector GetBack saw pension fund Nationale Nederlanden decrease its stake in the company to 4.45% of its share capital, representing 4.45% of votes at GM, from 5% held before following a transaction of GetBack shares sales settled on April 5, 2018, GetBack said in a market filing.

CLOTHING / PROCHNIK - Listed clothing company Prochnik saw MetLife pension fund reduce its stake in the firm to 4.98% of votes at GM from 5.06% held before, Prochnik said in a market filing.

IT / CD PROJEKT - Game developer CD Projekt seeks to purchase up to 21,105 of own shares, representing up to 0.022% of the company's share capital, for up to PLN 3.6 mln in order to settle part of the transaction to buy a Wroclaw-based development studio Strange New Things, according to draft regulations for CD Projekt's upcoming GM. The shares will be bought at PLN 70-170 apiece, according to the document.

BEVERAGES/ ZYWIEC - Listed brewer Zywiec, a unit of Heineken, saw its shareholders pass PLN 26 total DPS from 2017 profit, counting in PLN 11 advanace DPS paid in November, the company said in a filing.

BIOTECH/ SELVITA - Listed biotech company Selvita secured a building permit for construction of its ca. PLN 77 mln research and development center in Krakow, Selvita said in a market filing. Selvita expects to complete the construction process and launch works in the centre's first laboratories in H2 2019, according to the filing. Part of the cost of building the center will be co-financed by EU and the government, Selvita reminded.

FURNISHINGS / DIVIDEND/ ES-SYSTEM - Lighting solutions provider ES-System's supervisory board recommended a PLN 0.35 DPS from 2017 profit and retained earnings from prior ***years***, translating into an over PLN 15 mln dividend payout, ES-system said in a market filing. Earlier on Thursday, the company informed of the management board's recommendation to pay a PLN 0.25 DPS, bringing the total payout to over PLN 10.7 mln.

FURNISHINGS / FORTE - Listed furniture producer Forte plans to open its fifth plant in Suwalki by 2020, the company said in a press statement.

TRANSPORT/ ENTER AIR - Listed charter flight operator Enter Air signed a EUR 24.7 mln deal with Airconsulting on charter flights in the summer 2018 - winter 2019 season, the company said in a market filing. Earlier, Enter Air signed similar deals with TUI, Itaka and Rainbow Tours.

BEVERAGES/ ZYWIEC - Listed brewer Zywiec, a unit of Heineken, saw its shareholders pass PLN 26 total DPS from 2017 profit, counting in PLN 11 advanace DPS paid in November, the company said in a filing.

RUBBER/ DEBICA - Listed tire producer Debica decided to make adjustments to its deterred tax accounting that will reduce the 2017 profit by PLN 4.7 mln to PLN 120.2 mln, the company said in a market filing.

MACHINERY/ KOPEX - Listed machinery producer Kopex saw its shareholders approve splitting the company by ***transferring*** production assets to majority shareholder Famur, Kopex said in a market filing.

CONSTRUCTION/ MOSTOSTAL ZABRZE - Listed builder Mostostal zabrze saw a PLN 98.7 mln bid filed by its unit selected as the best in a tender for building a pediatry center for the Zielona Gora university hospital, Mostostal said in a market filing.

ECONOMIC & FINANCIAL NEWS

GENERAL GOVERNMENT DEFICIT - Poland's general government deficit declined to PLN 44.08 bln in 2017 versus PLN 45.87 bln in 2016, stats office GUS said in a statement.

INVESTMENTS, ENVIRONMENT - Poland wants to spend PLN 25-30 bln over 10 ***years*** on housing insulation as part of its efforts to improve air quality, PM Mateusz Morawiecki announced during a meeting of the board of the Polish air quality improvement ***program***.

INFLATION, FOOD - Poland may see declining prices of basic food products in coming months as the overall slowdown in annual growth of food prices should continue, food and ***agricultural*** market researcher IERiGZ predicts in its monthly report.

MONETARY POLICY - Polish interest rates will likely stay flat until end-2018 before going up by 100 bps in 2019, market researcher Capital Economics predicts in a revised forecast out Wednesday. The previous forecast spoke of a total rate hike by 75 bps in 2018.

ECONOMIC INDICATORS - Poland's industrial output adjusted for working days grew by 7.5% y/y in February after a 6.3% y/y increase in January, EU stats office Eurostat said of the recent data.

EU LEGISLATION - EU member state ambassadors approved the final wording for the European directive on posting of workers on Wednesday despite objections from Poland and Hungary, an unspecified told PAP. Poland considers the directive harmful to Polish companies operating abroad.

CHEMICALS, FERTILIZERS - Poland will likely see shrinking demand for mineral fertilizers in coming months potentially leading to price declines, food and ***agricultural*** market researcher IERiGZ predicts in A report.

FINANCIALS - Poland seeks to shorten the licence process for would-be capital market participants under the ministry of finance's capital market development ***program***, currently worked on by the ministry, EBRD and consultancy BTA Consulting, deputy finance minister Leszek Skiba wrote in a reply to an MP inquiry.

FINANCIAL MARKETS

FX, FI - The Polish zloty is facing the risk of depreciation towards EUR/PLN 4.20, while T-bonds should consolidate close to the recent strong levels, according to local players.

FX & FI SPOT MARKET PRICES

|  |  |  |  |
| --- | --- | --- | --- |
| Thu | Thu | Wed |  |
| 16:13 | 09:36 | 17:00 |  |
| EUR/PLN | 4.178 | 4.181 | 4.187 |
| USD/PLN | 3.395 | 3.382 | 3.382 |
| PS0420 | 1.48 | 1.48 | 1.48 |
| PS0123 | 2.23 | 2.22 | 2.24 |
| WS0428 | 2.97 | 2.97 | 2.97 |

EQUITY MARKET

Warsaw stocks enjoyed solid gains Thursday among improved global sentiment, with the large-cap WIG20 index up by 1.52% to 2,306 pts at market. Financial sector heavyweights PZU and PKO BP led gains with some 3-4% share price increases. Core European markets gained.

WSE INDEXES

|  |  |  |
| --- | --- | --- |
| Index | Value | Change |
| WIG | 60 393,23 | 1,09 |
| WIG20 | 2 306,44 | 1,52 |
| WIG30 | 2 668,79 | 1,41 |
| mWIG40 | 4 650,82 | 0,42 |
| sWIG80 | 14 328,26 | 0,07 |

MOST ACTIVES

|  |  |  |  |
| --- | --- | --- | --- |
| Company | Price | Change | Turnover |
| PLN | (%) | PLN mln |  |
| PZU | 42,67 | 4,07 | 122,6 |
| PKOBP | 41,25 | 3,15 | 103,8 |
| PEKAO | 124,00 | 0,12 | 67,9 |
| KGHM | 92,00 | 0,11 | 56,2 |
| PKNORLEN | 91,30 | 2,10 | 49,3 |
| JSW | 87,10 | 0,69 | 34,0 |
| CDPROJEKT | 123,70 | -0,80 | 32,1 |
| PGNIG | 6,01 | -0,50 | 28,3 |

POLITICAL & GOVERNMENT NEWS

INTERNAL AFFAIRS - Poland detained seven people, including four former management board members of listed utility PGE's unit PGE Energia Odnawialna, in connection with irregularities concerning the purchase of a heating plant in the southern town of Przeworsk, PAP found out at the communications department of Central Anti-Corruption Bureau CBA.

INTERNATIONAL RELATIONS - Poland has no intention of blocking testimonies of Holocaust witnesses and survivors, President Andrzej Duda said of the country's much-debated anti-defamation law following a meeting with president of Israel Reuven Riwlin. Poland believes that the meeting of the two countries' leaders will strengthen mutual cooperation, also in the field of security, Duda added.

PARTIES/ PIS - Ruling party PiS leader Jaroslaw Kaczynski will mark the start of the planned nationwide tour this Sunday with a visit to Trzcianka in Wielkopolskie region, a top PiS politician told PAP.

PROSPERITY - The majority of Poles (53%) see their living conditions as average, shows the survey conducted by pollster CBOS. The share of respondents declaring good or very good living conditions has hit a record high, CBOS also said.

maf/ kd/ fbe/ mie/ mbn

**Load-Date:** February 25, 2022

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[***OECD Report: Call for higher tax rate on vacant city properties***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RTW-1X11-JCW9-22J7-00000-00&context=1516831)

Irish Examiner

March 9, 2018 Friday

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**Section:** IRELAND

**Length:** 2694 words

**Body**

The OECD survey also recommends a land tax levied on site value.

The report outlined the fall in housing supply between 2006 and 2013 and referred to the recovery in supply in recent ***years*** as tepid . With underlying housing demand outpacing supply, it has resulted in rising rents and housing prices, particularly in Dublin.

This has elevated housing affordability concerns and contributed to the number of homeless people in Ireland doubling between the start of 2015 and mid-2017, it said.

At the same time, rising housing costs for professionals may have dissuaded further foreign direct investment and return migration of Irish nationals living abroad.

It said Ireland could need as many as 50,000 new dwellings or more per ***year*** by 2036, when last ***year*** only around 19,000 were added to existing stock.

The report refers to state efforts such as Help to Buy and increased Housing Assistance ***Payment*** limits, as well as limits on rent reviews, but said: While all of these measures may improve affordability in the short-term, they will do little for affordability over a longer horizon if they feed into rising dwelling prices or dissuade investment in rental housing.

"For a longer-term solution, policymakers must focus on measures that encourage greater housing supply.

It said construction costs are significantly higher in Ireland than in other European countries, with stringent regulations on home building likely to be one contributing factor .

It referred to regulations required self-certification of dwellings by a registered architect, which it contrasted with the approach in other countries where local authorities are responsible for inspections and building certification.

It said self-certification requirements inflated the cost of housing developments and added: The Government should also eliminate the self-certification process for multi-dwelling projects. It said local authorities would need more money so they could undertake more inspections.

The survey also cited regulations which may have stifled the scale of new home building , such as the allowed minimum dwelling size in Dublin one of the highest in Europe, at 45sq m for a one bedroom apartment and a ban on north facing apartments, as well as a height limitation of seven floors in some areas.

In Dublin, there are multi-acre sites in valuable locations that house army barracks, bus depots and industrial estates that are vacant or no longer used at full capacity, it said.

Some of these sites could be rezoned by local councils for mixed use, including residential. Coupled with this, there may be scope for a land tax to be introduced in order to promote more efficient land use.

"While Ireland currently has various taxes on property, such as commercial rates, a local property tax, a vacant site levy and stamp duty (all levied on the market property value), there is no pure land tax levied on site value.

It said there were challenges over resolving the stubbornly high stock of non-performing loans , which also meant the banking sector was vulnerable to possible shocks in the future.

It said social housing provision was vital along with improving case management of repossession proceedings, which could mean a court-mandated solution at an early stage.

It said Ireland should consider standardising the suspended possession order, which would grant lenders a collateral possession order at a future date with the suspension of possession only conditional on well-defined criteria .

Survey paints bleak picture of a two-tier health service

Catherine Shanahan

The health system is failing in terms of cost, patient satisfaction, and waiting times and the likelihood of improvement is poor as an ageing and growing population puts further pressure on services.

The latest OECD economic survey of Ireland paints a bleak picture of our two-tier health service, particularly for those who can t afford health insurance, yet remain ineligible for free services because their earnings, though low, push them outside qualification thresholds.

In addition to high costs, access to healthcare is impeded by a congested hospital system that results in very high waiting times , the report says.

It found the inequality in the level of care available to those who can pay, compared to those who cannot, is high, with hospital consultants giving priority to private patients.

Those without insurance may find it particularly difficult to get adequate care, given that private health insurance patients get faster access to care within the public system in some cases, the report says.

Furthermore, medical consultants in public hospitals may focus disproportionately on those with insurance as they are paid on a fee per service basis for treating such patients , rather than on a salaried basis for public patients.

The report says reform is needed to reduce the financial attractiveness of treating private patients with a move away from fee-for-service ***payments*** to remuneration that is neutral to the volume of care or the mix of public and private patients .

However, this needed to be done in a manner that does not jeopardise the retention of medical consultants .

The report also highlights the absence of universal coverage for primary healthcare (eg, free GP care for all) contributing to poor access and high health costs for some households that cannot afford private insurance .

To address inequities, the Government should strongly consider the recommendations of SláinteCare, the cross-party report on The Future of Healthcare , published last May, the report says.

These included the provision of a new health card [Carta Sláinte] to all... that would give access to publicly funded health and social services .

In addition, there should be a rise in investment in health infrastructure and staffing in the order of at least 7% extra each ***year*** for the next five ***years***, as well as an additional 3bn in transitional funding.

The report says citizen satisfaction with healthcare has been shown to be lower than in most OECD countries. The percentage satisfied with the availability of quality healthcare is down from 70% in 2007 to 60%.

Finance Minister Paschal Donohoe said Ireland s spend on health is among the highest in the OECD. He said since 2015, the Government had significantly increased resources into health and was committed to increasing resources to take account of population change.

Study: Increase property tax, revalue homes

Elaine Loughlin

Property taxes should be increased and reassessed on a more regular basis to come into line with other countries, the Organisation for Economic Cooperation and Development (OECD) says.

In its latest report on Ireland, the OECD has also suggested that special tax rates for the hospitality sector as well as on diesel should be phased out, claiming these types of preferential tax have little economic, social or environmental rationale .

The Paris-based agency has found there is scope to increase revenues from property taxation, first introduced in 2013, by more regularly updating market values.

Ireland lags significantly behind other countries in the amount it takes in through this levy and the share of property tax in total taxation remains around half that of countries such as Britain and Canada.

Arguing for increasing property taxes the OECD said: Such taxes are one of the least distortive in terms of reducing long-run GDP per capita.

However, the agency also warned that homeowners could face a sharp cliff when homes are revalued next ***year*** after a planned valuation update was proposed in 2016.

The authors of the report noted: This has meant households in locations where house prices have grown particularly fast face a sharp cliff in their property tax bill in 2019.

However, Fianna Fáil finance spokesman Michael McGrath said given that property prices have significantly increased since houses were last assessed for the tax, the Government will have to ensure that people do not see massive increases in their bills: We think it is important to avoid spikes in the local property tax (LPT).

There could be a jump of a number of bands up the LPT for some homes if there isn t any change in the way Government assess and people could be looking at increases of several hundred euro.

He said these types of increases should be avoided to ensure the amount of revenue collected from the tax remains constant.

The OECD was critical of preferential tax rates, such as the 9% Vat rate for the hospitality sector, and says these exemptions should be gradually eliminated to move towards a more uniform Vat rate.

The report suggested that the five current Vat rates be cut to three, which could raise significantly more revenue for the Government: While reduced Vat rates on some household products may be an attempt to make the tax more progressive, lower rates for items such as purchases at restaurants, hotels and cinemas likely work in the opposite direction.

Furthermore, preferential Vat rates are very ineffective at targeting support to poor households compared with means-tested benefits.

The OECD has taken a similar view on the lower rate of excise paid on diesel compared to petrol: This excise gap has broadened since the financial crisis, contributing to a notable increase in the number of kilometres driven in diesel cars.

Given air pollutant emissions are higher for diesel than petrol vehicles, this preferential treatment also has negative environmental and health consequences.

Social welfare disincentivises low-paid from getting jobs

Noel Baker

Aspects of the social welfare system are disincentivising some people from getting jobs, particularly low-paid workers, according to the OECD Economic Survey on Ireland.

It also said the definition of a suitable job offer regarding those on unemployment benefit is too rigorous to be operational in practice and should be defined more clearly in terms of the boundary of occupational mobility and previous salaries of the jobseeker .

The report said some aspects of the benefits system were functioning well and had helped to reduce high market income inequality (income before taxes and social ***transfers***) and poverty.

However, the report said: Some aspects of the social welfare system may disincentivise labour market participation for unemployed persons with a spouse and children.

It also said that because unemployment benefits are paid at flat rates here, the disincentive to take up a job may be particularly high for low-paid workers .

The report holds a generally positive view of the housing assistance ***payment*** (HAP) and the family income supplement (FIS), although on the latter it said the Government should reduce FIS ***payments*** more gradually as income rises.

It also said more active engagement with the labour market may also be promoted through well-enforced job search requirements attached to social benefits .

That includes the criticism of the suitable job offer , given that regulations stipulate that unemployment benefit recipients must accept all job offers that they are capable of performing regardless of previous salary or occupation .

It says direct job creation should be strictly targeted to those who are at high risk of social exclusion .

It also gave credit to the Government for the single affordable childcare scheme, although it noted the participation tax rate will remain relatively high for low-skilled women in a couple, partly reflecting weak wage-earning potential and the fact the family income supplement is withdrawn at steep rates when the second member of a couple moves into work .

More funds urged for training and study

Niall Murray

Ireland s poor record on lifelong learning needs to be rectified with more funding for training and study for workers, the OECD recommends.

It said that relatively poor managerial skills in Ireland are impeding local firms capacity to absorb and implement new technologies.

Those weak skills reflect low lifelong participation by employees, according to the OECD economic survey of Ireland.

The 6.5% of people aged 25 to 64 taking part in education and training in 2015 compares poorly to a 10% rate in Spain, and 16% and 29% in Britain and Sweden, respectively.

Irish-owned firms in most sectors have reduced the proportion of payroll spending on formal training since 2000, but the report said employers need to be encouraged to fund more training for employees.

Training ***programmes*** that focus on enhancing managerial skills are likely to be particularly beneficial for promoting the effective adoption of new technologies and processes, and hence productivity spillovers, it said.

A first step should be to increase the prominence of evaluations, highlighting those ***programmes*** with the greatest benefits in terms of firm performance, it said.

The OECD said it is encouraging that the Department of Education is investing resources in data collection and ***programme*** evaluation.

It also acknowledged the effectiveness of skill-development ***programmes*** like Springboard+ and Momentum.

The survey report said a greater share of funding under the National Training Fund, which should be boosted by increased employer contributions from this ***year***, could be allocated to training for people in employment.

This may go towards unwinding the past funding cuts to the Skillnets ***programmes***, which were heavily work-based training courses designed in collaboration with firms, it said.

Broadening financial support to students undertaking part-time and postgraduate courses could also encourage lifelong learning, the report said.

Warnings economy may shrink 4.5% after Brexit

Geoff Percival

The economy could shrink up to 4.5%, in the long-term, due to exports being severely dented as a direct consequence of the UK leaving the EU, the OECD has warned.

In its latest economic survey of Ireland, the Paris-based thinktank has warned that Brexit poses a serious risk to its overall positive outlook for the economy.

That outlook suggests ongoing economic growth here though at a more realistic pace than currently, of 2.9% and 2.4% this ***year*** and next. Brexit though, could lead to Irish GDP falling by 2.5% to 4.5%, it said.

An EU-UK trade arrangement, governed by World Trade Organisation (WTO) most favoured nation rules, could reduce exports 20% in sectors such as ***agriculture*** and food, the OECD warned.

The negative economic impacts of Brexit may be much larger for Ireland than for the average of all other EU countries. The most severe contraction in exports is for the Irish ***agriculture*** and food industries, which experience a fall in gross exports of around 20%.

This mostly reflects a reduction in trade with the UK, but there is also a decline in exports to the other remaining EU countries, the OECD said.

A lowering of ***agriculture***, food and manufacturing exports could also heavily hit rural employment levels, the OECD warned.

The fact that the latter has experienced the slowest post-crisis labour market recovery of any region suggests that the realisation of the illustrative Brexit scenario could be accompanied by rising poverty in this region and expanding aggregate income inequality.

"In response, the Government should be prepared to deploy or reorient targeted social policies accordingly.

It said while not as large in value terms, Brexit will also dent Irish exports in other key sectors such as pharmaceuticals, business services, insurance and machinery.

The OECD has forecast that the economic benefit from any additional inward-bound foreign direct investment as a result of UK-based companies looking for new EU homes after Brexit is likely to be modest , with the negative costs of Brexit far outweighing any benefits for the Irish economy in net terms .

However, not all exports will be negatively affected, the OECD said. It said Irish exports from the financial sector could increase as a result of Brexit.

UK financial services exports to the EU-26 countries are simulated to decline notably, resulting in Irish financial services exports picking up to fill some of the void.

The results suggest that financial services exports from Ireland to the EU-26 would rise by around 6% following the shock, the OECD said.

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**End of Document**



[***Fiscal reforms and new programmes driving Jordan's progress***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5WS6-C4X1-DXYV-74YG-00000-00&context=1516831)

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**Body**

Regulatory reforms aimed at implementing international best practices across banks, capital markets and the insurance industry have been undertaken in Jordan's financial services sector, which already benefits from stable, well-capitalised and profitable lenders, and rapid growth and diversification in Islamic financial services.

Yet, there remains room for improvement. The majority of the population is still unbanked and overall financial inclusion is low. Meanwhile, many businesses have difficulty accessing credit, despite growing concerns over excess liquidity, although rising government and donor investment in new lending ***programmes*** could see financing to small and medium-sized enterprises (SMEs) improve considerably in 2018.

The insurance sector is also experiencing growth challenges. Motor third-party liability (MTPL) tariffs have been capped by the government, and the market is crowded, leading to issues with underwriting and deteriorating profit margins. Moves to shift regulatory responsibilities for the sector to the Central Bank of Jordan (CBJ) have also been delayed.

In capital markets, performance on the Amman Stock Exchange (ASE) has slipped in recent ***years***, with limited liquidity, declining trade values and volumes, and regional volatility weighing on development. This situation is set to change, however, with authorities recording steady progress in the exchange's long-awaited privatisation, as part of an expansive reform ***programme*** aimed at seeing the country upgraded once again to "emerging market" status.

**Banking**

Amman's status in regional banking dates back to the formation of the modern state of Jordan in 1948, when Arab Bank moved its headquarters from Jerusalem to the Jordanian capital, Amman.

Over the intervening 60 ***years*** the domestic banking industry developed rapidly, kick-started by a tripling of the population between 1948 and 1950 as displaced groups from the troubled region arrived in Jordan. The new arrivals brought with them their savings and an entrepreneurial spirit, and banks such as the Egyptian Arab Land Bank and Jordan Ahli Bank entered the market to claim a share of the increasing amount of activity.

During the 1950s and 1960s, a booming construction sector helped to drive Jordan's GDP growth to a constant level of between 8% and 9%, a trend which attracted significant players such as Bank of Jordan and Standard Chartered Bank. In 1964 the CBJ was established to oversee the financial services sector.

Regional conflict in 1967 and a civil war during 1970 and 1971 resulted in a pause in economic expansion, but by the mid-1970s the nation was experiencing the strongest growth rates in its history, reaching a peak of 24% in 1976, according to the World Bank. The 1980s brought new challenges to the sector, as Jordanian workers flooded back from the Gulf at the end of the region's oil boom, and the high-profile collapse of Petra Bank in 1989 undermined confidence in the entire financial industry. A period of austerity and fiscal restructuring followed, and a second wave of economic reforms carried out in the 1990s succeeded in setting the economy on a path to steady growth.

**Brancing Out**

Since 2000 the industry has steadily expanded: in 2003, 20 banks were licensed by the CBJ, operating 443 branches between them. By 2017 there were 25 licensed banks operating in Jordan, 16 local and nine foreign. Four - three Jordanian and one foreign - are licensed Islamic banks. The total number of bank branches in the kingdom rose from 714 in 2012 to 805 in 2016. However, bank expansions have not kept pace with population growth, and the number of people per branch rose from 8900 in 2012 to 12,200 in 2016.

Commercial banks had the largest share of capital in the sector, at JD2.5bn ($3.5bn) in 2016, up 3.3% on 2015. Islamic and foreign bank capital was stable, at JD400m ($564.3m) in 2015 and JD411.4m ($580.4m) in 2016, according to the Association of Banks in Jordan (ABJ).

The largest bank by number of branches is the Housing Bank for Trade and Finance (HBTF) with 117 locations. Established in 1973 as a public shareholding, the HBTF's total assets stood at JD7.8bn ($11bn) in 2016, or 18.2% of domestic banking assets. BLOM Bank and Bank Audi have the largest foreign branch networks with 14 each, while Jordan Islamic Bank (JIB) leads the sharia-compliant segment with 74 branches.

Arab Bank, which was established in 1930, is the largest private conventional bank, holding a 19.3% share of total banking assets, 19.7% of deposits, and 13.8% of direct credit facilities in 2016, according to the company's most recent annual report. Arab Bank Group's global presence spans 15 countries including China, Egypt, the UAE, the US and Singapore.

**Economic Impact**

The financial services sector is the second-largest in the Jordanian economy, accounting for JD1.3bn ($1.8bn) of economic production in the first quarter of 2017, equivalent to 19.9% of GDP at current prices. Only government services generate a larger share, accounting for JD1.4bn ($2bn) over the same period. The banking effective tax rate fell from 32.5% in 2015 to 30.5% in 2016, with JD228.9m ($322.9m) of taxes paid in 2016, against JD280m ($395m) in 2015 (see Economy chapter). Despite this dip, banks remain an important source of government revenue, and the ABJ reports that the sector generated JD261.3m ($368.3m) of income tax revenues in 2016. There are 15 banks listed on the ASE, with financial services accounting for 51.6% of trading by value in 2016 and 53.2% in 2017. In the former ***year***, banks comprised 82.5% of the financial sector index, with the banking index rising by 3% , supporting 0.9% financial index growth. This compared favourably with a 0.4% increase, 7.2% contraction and 11.2% decrease in the insurance, diversified financial services and real estate indices, respectively.

**Strengths**

Jordanian banks are well capitalised with sound liquidity. The system's capital-to-assets ratio was 12.7% at the end of 2015, a strong showing against regional peers, and offering a buffer against shocks or unexpected losses. Jordan's banks are almost exclusively funded by customer deposits, with wholesale funding very limited. The CBJ imposes an additional capital charge for institutions that it deems systemically important, to further reduce system-wide risks.

Bank liquid assets are equivalent to 42% of overall holdings, and the sector's total foreign assets have recovered from a low of JD4.7bn ($6.6bn) in 2014 to reach JD5.4bn ($7.6bn) in 2016, according to the CBJ. Total domestic assets have increased steadily from JD32.9bn ($46.4bn) in 2012 to JD42.9bn ($60.5bn) in 2016, while private sector deposits from resident companies and individuals rose from JD20.4bn ($28.8bn) to JD27bn ($38.1) over the same period.

Capital adequacy ratios ranged between 18.4% and 19.1% between 2012 and 2016, while the banking sector's ratio of non-performing loans (NPLs) has shown considerable improvement, dropping from 7.7% in 2012 to a five-***year*** low of 4.4% in 2016.

Although liquidity ratios fell from a high of 152.2% in 2014 to a five-***year*** low of 138.1% in 2016, the sector remains profitable, with net profits after taxes rising from JD414m ($584m) in 2012 to JD521.4m ($735.5m) in 2016. Credit growth fell from 12.5% in 2012 to 5.2% in 2014, before recovering to 9.6% in 2015 and 8.7% in 2016. Deposit growth contracted in 2016, however, having fallen steadily from 10.5% in 2013 to 0.9% in 2016.

**Challenges**

In January 2017 the ratings agency Moody's projected bank profitability would remain "stable" over the ***year*** as a result of improving margins, with the sector's sound capital and liquidity levels continuing to provide a buffer to downside risks. The sector's greatest strengths - its size and cross-border operations - also raise the risk of systemic and contagion effects in the event of shocks. "The decrease in the banking sector in 2016 was caused by high competition in the retail segment, while corporate banking has been heavily affected by the regional turmoil," Adnan Shaher Al'Araj, general manager of BLOM Bank, told OBG.

Asset risks for local banks are elevated as a result of credit concentration, which includes high levels of exposure to the government and household debt. However, interest rate increases are forecast to dampen credit demand going forward, especially for household credit. The CBJ has hiked key interest rates four times since December 2016 by a cumulative 1.25%. Moody's expects domestic credit growth to be in the range of 6-7% in 2017, down from 8% in 2016.

Bank total consolidated assets, including loan portfolios, stood at 278% of GDP at the end of 2015. Moody's forecasts that the sector's return on assets would be 1.4-1.5% in 2017, with any rise in provisions for NPLs expected to be offset by improved net interest margins, supported by the CBJ's rate hikes. The agency praised the country for implementing Basel III capital requirements in 2016, and for a planned amendment of the Deposit Insurance Corporation Law, which will bring it in line with international best practices, and create a more robust bank recovery and resolution framework.

**Financial Inclusion**

Credit concentration, low levels of financial inclusion and limited access to business credit remain some of the biggest obstacles to long-term growth. The kingdom is behind many of its regional peers in reducing its unbanked population. In an August 2017 report examining financial inclusion, private sector think-tank Jordan Strategy Forum (JSF) stated that the financial inclusion rate - meaning the proportion of citizens over 15 ***years*** old that have a bank account - stands at 24.6%. Financial inclusion for females was just 15.5%, compared to 33.3% for males. By comparison, in Bahrain the rate is 81.9%, Saudi Arabia is 69.4% and Turkey is 56.7%. The situation in Jordan is more comparable to Palestine and Egypt, which recorded rates of 24.2% and 13.2%, respectively.

**Electronic *Payments***

In September 2016 the CBJ created six dedicated teams to monitor and follow the achievement of the main priorities set by the National Financial Inclusion Strategy 2018-20. These cover electronic ***payment*** systems, microfinance, SME financing, financial literacy, financial customer protection, and collection and analysis of data and performance indicators.

To enhance the offer of electronic and mobile ***payment*** solutions, the CBJ encouraged banks and start-ups to work together to develop services based on new technologies, with the aim of increasing financial inclusion. Mobile penetration stands at 149%, while 85% of the population was counted as actively using the internet in the first quarter of 2016, according to the Telecommunications Regulatory Agency. Cashless transactions through smartphones and mobile devices, e-***payments***, and online lending have therefore progressed, and the initial reluctance of clients is easing.

JoMoPay and eFawateer are examples of mobile and e-***payment*** platforms created recently by local start-ups in collaboration with the CBJ to develop cashless bill ***payment*** and electronic inquiries. E-wallets and prepaid credit cards have also become popular among the unbanked population, presenting an opportunity to attract new clients to the banking system. As part of the financial inclusion strategy, the Cabinet approved an e-***payment*** bylaw in October 2017, which aims to clarify regulations for e-***payment*** systems licences, transactions and conflict procedures. "Jordan has established a sophisticated environment for enhancing financial inclusion, with successful e-***payments*** ***programmes*** and a comprehensive regulatory framework," Kamal Al Bakri, general manager at Cairo Amman Bank, told OBG.

**Access to Credit**

More inclusive access to financial services has had a positive impact on bank credit growth. On average, banks that lend more to individuals earn a higher return on assets and have a wider net interest margin, according to JSF data. However, access to credit remains one of the largest single constraints to investors and business expansion, with the kingdom placing 185th out of 190 economies surveyed in the getting credit indicator on the World Bank's "Doing Business 2018" report, a ranking that has been unchanged since 2015 (see Economy chapter).

This is perplexing given the reduction of NPLs and rising concerns over excess liquidity. The January 2017 Capital Market Development Strategy and Roadmap for Jordan (CMDSR) found that in 2015, 12 local banks had a total of JD24bn ($33.9bn) in excess liquidity. The plan noted that even with government securities purchases taken into account, excess liquidity stood at 21.2% of total available lending funds, or JD13bn ($18.3bn).

Limited credit access for SMEs is especially problematic, with JSF reporting that the proportion of total lending at 13 major commercial banks in Jordan that went to SMEs was 9.3% between 2008 and 2015, compared to 19.2% for retail lending and 46.2% for corporate lending, even though 94% of businesses in Jordan are SMEs, according to the European Investment Bank (EIB).

**SME Support**

Recognising the challenges, the CBJ unveiled several policy interventions aimed at improving credit access as part of its financial inclusion strategy in the Jordan Economic Growth Plan 2018-22. The strategy emphasises enhanced credit options for SMEs, including microfinance services, financial literacy training and consumer protections. In September 2016 the bank also announced a subsidised 10-***year***, 1% interest rate for extended advances to targeted economic sectors, including industry, tourism, ***agriculture*** and IT. This rate is available to projects located outside of Amman, with an emphasis on SMEs. According to the World Bank, credit extended to SMEs via the CBJ's financing ***programme*** rose by 29% in value terms in 2016, with 76% more projects benefitting from the scheme.

In March 2017 the CBJ announced plans to establish two new investment companies: the Trade Banks Company for Investment, with JD100m ($141.1m) in capital, and the Islamic Investment Company, with JD25m ($35.3m) in capital. Both will focus on financing medium-sized enterprises. The funds are part of an initiative involving all but one Jordanian commercial banks, all three Jordanian Islamic banks and three foreign banks, supported by the CBJ. The new firms have been incorporated and are set to begin operations imminently.

The CBJ also announced plans to establish an export credit ***programme*** operated by the Jordan Loan Guarantee Corporation, which would allow it to boost export credit and support SME efforts to access global markets. The ***programme*** will have a JD100m ($141.1m) allocation to be disbursed in two JD50m ($70.5m) instalments. It is supported and partially financed by the CBJ and a World Bank loan to the government.

The CBJ has secured $440m in funding from international and regional institutions, which has been injected into the local banking system to facilitate SME financing. This saw private sector credit grow by 10% in 2016, up from 4.6% in 2015, the bank reported.

Donor financing has also played an increasingly important role in expanding SME access, with major international lenders such as the European Bank for Reconstruction and Development (EBRD) and the World Bank recently rolling out SME lending ***programmes***. In May 2017, for example, the EBRD announced plans to provide $10m to Jordan Ahli Bank for micro-, small and medium-sized enterprises. The facility will be used for underserved enterprises, and includes $1m in technical assistance for the lender's efforts to facilitate international best practices and support lending to women.

"SMEs are the key for steady growth in the long term, which is why it is crucial that the CBJ, and both Islamic and conventional banks, keep on creating new tools and ***programmes*** to facilitate access to credit across sectors and governorates," Iyad Asali, general manager at Islamic International Arab Bank, told OBG.

**Expanding Credit**

Islamic banks could offer important support for financing to the SME sector, as well as helping to finance large-scale infrastructure projects via Islamic bond issues (see analysis). JIB, which has a 60% market share, has been providing SME credit since 1994. In May 2015 the bank announced a partnership with the Jordan Loan Guarantee Corporation to offer SME loans backed by guarantees from the latter.

Nonetheless, Islamic SME financing in the country is currently limited and holds considerable potential for future progress, according to a 2015 report published by the Islamic Financial Services Board and the University of New Orleans. Of all MENA countries, Jordan and Saudi Arabia have the highest "enabling environments" for Islamic SME finance growth, with Jordan having "limited" SME offerings and "very low" Islamic offerings. The report also found that Jordan's depository potential for Islamic SMEs is between $900m and $1.3bn, the fourth-highest level among the nine countries surveyed, behind Egypt, Pakistan and Saudi Arabia, but ahead of Morocco, Tunisia, Yemen, Iraq and Lebanon.

**Supporting Start-Ups**

The CBJ has unveiled plans to launch a $100m fund for entrepreneurship, the Innovative Start-ups and SME Fund (ISSF), backed by $50m of World Bank financing. On officially launching the ISSF in June 2017, the World Bank committed its support for early-stage SMEs with the goal of providing finance to over 200 innovative start-ups across the kingdom. The ISSF also targets remote regions, underserved industries and female entrepreneurs. The fund will provide an additional $3.5m in support to partner investors. Investments will be split between three high-risk enterprise stages, including seed, early-stage and venture capital. Technology, media, telecommunications, services, agribusiness, pharmaceuticals, water and green energy sectors will be prioritised.

**Microfinance**

Microfinance, too, has offered a boost to SME lending. The 1990s saw the widespread adoption of microlending through the launch of public entities, such as the MicroFund for Women, Ahli Microfinance Company, the Middle East Microfinance Company and the Jordan Micro Credit Company (Tamweelcom). The kingdom's microfinance segment is now one of the fastest-growing areas of the banking industry, with 300,000 borrowers and a gross loan portfolio of $254.2m, or 0.5% of GDP, as of 2013. Jordan's micro-finance assets are of high quality, with only 1.8% of loans overdue by more than 30 days, per EIB figures.

There are four types of providers offering microlending for SMEs: private microfinance institutions (MFIs), commercial banks, NGOs and public institutions. In February 2016 the EIB reported that private MFIs held an 85% market share, with 121 branches concentrated mainly in urban areas. Tamweelcom has reported similarly strong growth, announcing in March 2017 that it had served 622,464 clients since launching in 1999, of which 93% were women, providing 420,982 loans valued at JD303.6m ($428.3m).

**Pent-up Demand**

Despite the strong growth in microfinance in recent ***years***, there is still considerable pent-up demand for credit. In a February 2016 report analysing data from its MENA Enterprise Survey, the EIB found that just 20% of Jordanian businesses reported no difficulty in obtaining finance, compared to the regional average of 40%, while 43% of local firms reported major or severe constraints to accessing finance, against the regional average of 33%. Internal sources account for some 80% of working capital for Jordanian companies and over 60% of fixed investment in kingdom, with banks contributing 26% of total investment finance and 9% of working capital finance.

Respondents to the survey reported substantial unmet demand for credit; 51% said they needed a loan, and 71% of firms reported being discouraged from applying, compared to the regional average of 48%. Overall, 73% of companies in need of a loan and 36% of all businesses are considered credit constrained.

**Credit Bureau**

Improving risk management at private sector banks is a step in the right direction to expanding access to credit. The kingdom's credit information system covered less than 5% of the adult population as of early 2016, according to EIB figures, and the limited availability of financial statements among SMEs has also dampened banks' appetite for lending.

This is set to change, however, following the launch of Jordan's first credit bureau in October 2016. Prior to the bureau's establishment, MFIs operated their own credit information-sharing platform as the public credit registry had previously been available only to banks and had a $30,000 threshold, and therefore did relatively little to ease obstacles to MFI growth.

The new private CBJ-licensed bureau, owned by Italy's CRIF, is open to lending institutions, banks and MFIs, which will now be able to obtain a predictive score for clients based on their credit histories. The bureau reports that 75% of Jordanian banks are members, and that contributed data covers 94% of subjects and active contracts, significantly improving the ability of private banks to manage SME lending risk. "Centralising all credit information from banks and MFIs in one database will contribute to reducing the length of procedures and tackle the issue of access to information for both credit providers and applicants," Ahmad Amoudi, general manager of CRIF Jordan, told OBG.

**Insurance**

Jordan's modern insurance sector arose from the need to provide cover for the flow of trade through the port of Aqaba, which rapidly increased after the nation gained independence. In 1951 a group of local businessmen founded the Jordan Insurance Company (JIC), the market's first domestic insurer.

Over the following decades the market grew rapidly, supported by the Association of Jordanian Insurance Companies, which played an important role in increasing technical competence and introducing the principles of good governance to the sector.

By the 1980s the sector was saturated, with 33 insurers and 23 agencies and branches competing for a relatively modest aggregated premium of JD33m ($46.6m). The economic recession of that decade prompted the government to freeze the issuance of new insurance licences and introduce the Insurance Practice Monitoring Act, which significantly raised capital requirements for providers. As a result, by 1987 the number of domestic underwriters in the market had fallen to 17.

In 1995 the government began to issue insurance licences once again, raising capital requirements still further to ensure the stability of the sector. By the turn of the century the number of insurance companies in the market had rebounded to 27, a high number in relation to the size of the domestic market, but one supported by a greater degree of technical probity than had previously been applied to the sector.

**Current Climate**

Jordan's insurance sector has recorded moderate growth in recent ***years***, despite deteriorating domestic and external conditions. There are 24 providers, including 15 firms offering life and non-life coverage, seven dedicated non-life and medical insurance companies, one dedicated life insurance company and one dedicated non-life insurance company. Industry gross written premiums (GWPs) rose sharply from JD291m ($410.5m) in 2007 to JD583m ($822.4m) in 2016, according to the Jordan Insurance Federation (JIF). Total paid claims have also been rising, however, from JD207m ($299m) in 2007 to a 10-***year*** high of JD447m ($630m) in 2016. The industry's total paid-in capital has trended downwards since its high of JD304m ($428.9m) in 2008, falling steadily to JD267m ($376.7) in 2016. Asset growth has followed the opposite trajectory, with industry assets rising from JD627m ($884.5m) in 2007 to a 10-***year*** high of JD916m ($1.2bn) in 2016.

**Earnings & Losses**

Although the industry recorded accumulated annual losses of JD1m ($1.4m), JD11m ($15.5m), JD13m ($18.3m), JD18m ($25.4m), and JD12m ($16.9m) from 2009 to 2013, respectively, it recorded JD14m ($19.7m) of retained earnings in 2014, JD16m ($22.6m) in 2015, and a 10-***year*** high of JD32m ($45.1m) in 2016. Net profits before taxes also grew, from JD9m ($12.7m) in 2012 to JD33m ($46.6m) in 2016.

General, non-life GWPs accounted for 87.9% of total GWPs, at JD512.4m ($722.8m) in 2016, with life GWPs coming in at JD70.6m ($99.6m). Motor insurance amounted to JD225.2m ($317.7m) of industry GWPs in 2016, or 38.6% of the total, followed by medical with 29.4%, fire (12.8%), maritime (3.8%), general accident (3.1%) and credit insurance (0.2%).

Motor insurance represented 46.4% of all paid claims in the sector in 2016, or JD207.3m ($292.4m). This was followed by medical claims (32.6%), fire (10.5%), general accident (1%) and maritime (0.9%). Total paid life insurance claims rose by 35% in 2016 to hit JD36.72m ($51.8m), accounting for 8.2% of overall paid claims.

**Challenges**

Although it has recorded steady growth in recent ***years***, the insurance sector is crowded, with the Jordan Investment Trust (JIT) reporting in October 2016 that the sector is concentrated at the top and fragmented at the bottom. According to JIT data, the top-five insurers in Jordan - Arab Orient Insurance, Jordan Insurance, Middle East Insurance Company, First Insurance Company and Al Nisr Al Arabi Insurance Company - held a collective 47.3% of industry GWP in 2015, while 20 other companies held the remaining 52.7%. This has caused excessive competition and significantly reduced profitability. Low levels of disposable income, rising unemployment and lack of awareness about the importance of insurance has also kept penetration limited to 2.1%, compared to the global average of 6.2%.

"All insurance companies are competing for the same slice of the cake, and this slice isn't growing. So prices are going down and some companies are losing money and struggling to keep their market shares," said Rashid Habbab, general manager of Arabia Insurance Company.

**Motor Dilemma**

Motor insurance makes up the largest tranche of premiums, so insurers are inclined to write motor business if they aim to build robust portfolios. However, MTPL coverage is mandatory in Jordan, which has negatively affected the line's profitability. While regulators have debated liberalising MTPL tariffs for many ***years***, annual premiums remain capped at JD63 ($89), meaning the segment is often subsidised by underwriters' comprehensive motor insurance policies.

"There is a gap between the tariff rate for MTPL cover set by the regulator and the cost of providing this coverage. The industry maintains that freedom of pricing and underwriting of risks would be the best approach, but I believe neither this nor the suggested alternative of an across-the-board rate increase would be acceptable to the government, as it would add pressure in the current poor economic environment," Raja'ei Noursi, deputy general manager of Delta Insurance, told OBG.

Authorities have introduced gradual reforms, including raising MTPL tariffs by 25% for drivers involved in an accident within the previous insured ***year***, and by up to 100% for accidents resulting in death or complete disability. However, because of the risks associated with the motor insurance segment, it has become increasingly unpopular with companies in recent ***years***, with Gerasa Insurance Company, Arab German Insurance Company and Al Barakah Takaful Company relinquishing their motor insurance licences in the early 2010s.

**Supervisory & Regulatory Changes**

In 2012 the government dissolved the sector's independent regulator, the Jordan Insurance Commission, shifting the responsibilities to a dedicated directorate operating under the Ministry of Industry and Trade (MIT) - a move some saw as having a negative impact on the industry.

The Council of Ministers (CoM) announced that it had decided to move regulatory responsibilities to the CBJ in February 2016, promising to implement the change within two ***years*** and that it would include sweeping reforms. "We expect that CBJ supervision will increase scrutiny and enforcement, as it has within the banking sector," Noursi told OBG.The CBJ reports that its insurance reform agenda will include improvements to financial adequacy, upgrades to corporate governance, regulations stipulating the separation of life and general insurance activities, prudential regulatory requirements concerning investment policies, and clarifications to the roles and responsibilities of supervisory agencies.

Headed by the deputy governor, a committee including the acting director of the MIT's Department of Insurance will be established to oversee reforms. The CBJ is expected to assume its supervisory role before 2019. "In the last 20 ***years*** banks have become much more financially stable and recorded major improvements under the CBJ's supervision," said Noursi. "We're hoping for the same in insurance. The other expectation is that the CBJ will push for consolidation."

**Capital Markets**

Equity trading commenced in the 1930s, when Jordanians began to buy and sell shares in companies such as Arab Bank, Jordan Tobacco and Cigarettes, and Jordan Electric Power. Trading took place across a number of non-specialised offices rather than a centralised exchange, but in the 1970s the CBJ responded to the rapid growth of the informal market by examining the potential for a formal platform. The Amman Financial Market (AFM) opened its doors to the investment community in 1978.

In 1997 legislation resulted in restructuring of the financial market, dividing the AFM into three new bodies: the ASE; the Securities Depository Centre (SDC); and the Jordan Securities Commission (JSC), which assumed a regulatory role. In 2016 there were 224 companies listed on the ASE, offering securities trading for instruments including stock, bonds, rights issues and unlisted shares, Treasury bonds and bills, and public and private institution bonds.

As the kingdom's capital markets regulator, the JSC is responsible for detailed monitoring of all trading operations, as well as managing listings, issuances, disclosures and related financial service activities. The SDC acts as a clearance and settlement house for ASE transactions and is responsible for registration, deposits, ownership ***transfers*** and for safekeeping listed securities.

Following structural reforms in 2016, ASE listings are classified under a two-tier system. On April 16, 2017 the third market was cancelled. Companies that were listed on the third market and met the conditions of the second market were ***transferred*** there. Those that did not meet these requirements or did not submit their audited annual financial statements for 2016 on time were moved to the over-the-counter (OTC) market.

Listing regulations stipulate that first-market companies must have positive pre-tax earnings for two of three consecutive ***years*** at a minimum of 5% of paid-in capital, minimum paid-in capital of JD5m ($7.1m) and offer a minimum 10% free float stake if total paid-in capital is less than JD50m ($70.5m). On the second market, companies must have net shareholders' equity of at least 50% of paid-in capital. The JSC also requires a minimum 5% free float for second-market companies with less than JD10m ($14.1m) in paid-in capital. New listings must spend one ***year*** on the second market before being eligible to move to the first market.

**Recent Performance**

The ASE has dealt with external volatility and diminished appetite in recent ***years***, with total market capitalisation falling from JD19.1bn ($26.9bn) in 2012 to JD17.3bn ($24.4bn) by end-2016, before recovering slightly to JD17.9bn ($25.3bn) by February 2018. According to the ASE's 2016 Annual Report, the value of secondary trading, which includes securities in the first and second markets, as well as the right issues, bonds, transactions excluded from trading and the OTC market, fell by 9.9% from JD3.5bn ($4.9bn) in 2015 to JD3.2bn ($4.5bn) in 2016. The value of stocks traded through the ASE amounted to 73.9% of total secondary market trading in 2016. Stock prices for 87 of 224 traded companies rose in 2016, while 116 listed firms fell and nine remained unchanged.

The total value of trading declined by 31.8% in 2016, while the volume of traded shares dropped by 29%. The ASE reports that the total number of executed transactions fell by 12.6% in 2016, with trading values - including block trades - hitting JD506m ($713.8m). The ASE's average daily trading value declined by 31.6%, from JD13.9m ($19.6m) in 2015 to JD9.5m ($13.4m).

After financial services, the industrial sector accounted for the highest amount of ASE trading by value in 2016, at 30.2% of the total, followed by services with 18.2%. Real estate trading accounted for 20.3%, followed by banks with 18.5%, diversified financial services (12.5%), tobacco and cigarette companies (12.1%), transportation (7%) and mining (5.2%).

**Foreign Investment**

Benefitting from high levels of foreign participation, the ASE reported that the value of shares purchased by non-Jordanian investors was JD938.6m ($1.3bn) in the first nine months of 2017, or 36.4% of total trading values. However, this is a JD339.9m ($479.5m) contraction, against a JD119.9m ($169.1m) increase during the same period in 2016. The shrinkage has been contributed to Lebanon's Oger Middle East Holding selling its 20% stake in Arab Bank in February 2017, a block trade valued at JD794.4m ($1.1bn).

Purchases from Arab investors from January to September 2017 stood at 63.8% of total foreign trading, or JD599.1m ($845.2m). Non-Jordanian investor ownership of ASE-listed companies stood at 48.8% of the total market value at the end of September 2017, including 36.2% for Arab investors and 12.6% for other foreigners.

**Structural Reforms**

Jordan ranks as a "frontier market", following a 2008 downgrade from "emerging market" status by Morgan Stanley Capital International (MSCI). The MSCI market classification system uses four criteria, including openness to foreign ownership, ease of inflows and outflows to foreign investors, operational framework efficiency and institutional framework stability. Because having frontier market status can deter foreign investors, authorities and international partners were prompted to roll out an expansive reform ***programme*** aimed at seeing the kingdom regain emerging market status in the medium term.

In January 2017 the JSC, in partnership with the EBRD, launched the CMDSR. According to the EBRD, Jordan is well positioned to operate a healthy capital market, though regulatory upgrades are required. The range of available instruments should be broadened to encourage the use of domestic investable funds and attract new foreign investors. The EBRD also strongly encouraged the government to move forward with long-standing plans to convert the ASE from a public institution into a public shareholding company*.*

The CMDSR includes a host of recommended reforms: better access to government securities; development of investment funds; the enabling of exchange-traded funds, including commodity and bond index funds; strengthening the JSC's authority and effectiveness; and increasing involvement and participation of private sector entities, including investment firms, asset and fund managers, and investment bankers.

**Steady Progress**

The ASE has already been active in implementing a series of changes targeted at modernising the exchange, attracting new liquidity, supporting privatisation and improving transparency.

For example, in August 2016 the exchange launched OTC trading for the first time, offering shareholders of unlisted and suspended companies the opportunity to sell stocks through a market on the exchange's electronic trading system. Shares from 20 companies were traded, with 17,000 transactions valued at a total of JD9.4m ($13.3m) recorded in 2016.

In September 2016 the Economic Policies Council also issued a set of recommendations for the ASE's transformation into a public shareholding company, using provisions from Securities Law No. 76 of 2002. In February 2017 the ASE was officially registered as the ASE Company - a state-owned public shareholding firm governed by a seven-member board of directors appointed directly by the CoM.

The CoM formed two committees; one tasked with drafting bylaws and articles of association for ASE Company, and another with evaluating the assets and liabilities of the exchange, and determining its total capital. Although an initial public offering (IPO) is also planned, the government will likely wait until domestic and external conditions develop prior to launching. "It's not the right time for an IPO given the current situation with revenues and cash flows for listed companies, so we won't do it until liquidity and activity improve," Nader Azar, CEO of the ASE, told OBG. "This gives us time, however, to develop a comprehensive plan for how to deliver the best possible IPO, including bringing a strategic partner on board."

**Outlook**

Although it faces external and domestic challenges, Jordan's financial services sector is well positioned to continue driving economic progress in 2018. With the insurance and banking sectors both on steady growth trajectories - bolstered by ongoing reforms and new SME lending ***programmes*** - extended insurance coverage and improved access to credit will further strengthen a robust and well-developed financial services sector. Meanwhile, the ASE's planned privatisation, coupled with ongoing regulatory modifications, should see it begin expanding over the medium term.

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