SENATE OF THE REPUBLIC

XVIth TERM

Doc. XVIII
No 165

RESOLUTION OF THE 14TH STANDING COMMITTEE
(European Union policies)

(*Rapporteurs*: FLERES and SIRCANA)

adopted at the meeting of 20 June 2012

ON COMMUNITY ACTS

PROPOSAL FOR A COUNCIL REGULATION LAYING DOWN THE MULTIANNUAL FINANCIAL FRAMEWORK FOR THE YEARS 2014-2020 COM(2011) 398 FINAL (NO 76)

DRAFT INTERINSTITUTIONAL AGREEMENT BETWEEN THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE COMMISSION ON COOPERATION IN BUDGETARY MATTERS AND ON SOUND FINANCIAL MANAGEMENT COM(2011) 403 FINAL (NO 77)

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PROPOSAL FOR A COUNCIL REGULATION ON THE METHODS AND PROCEDURE FOR MAKING AVAILABLE THE TRADITIONAL AND GNI-BASED OWN RESOURCES AND ON THE MEASURES TO MEET CASH REQUIREMENTS COM(2011) 512 FINAL (NO 81)

pursuant to Article 144(1) and (6) of the Rules of Procedure

Notified to the President's Office on 27 June 2012

The Committee,

Having examined the proposal for a Council regulation laying down the multiannual financial framework for the years 2014-2020 – COM(2011) 398 final; the draft interinstitutional agreement between the European Parliament, the Council and the Commission on cooperation in budgetary matters and on sound financial management – COM(2011) 403 final; the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions '*A Budget for Europe 2020'* – COM(2011) 500 final; the proposal for a Council decision on the system of own resources of the European Union – COM(2011) 510 final; the proposal for a Council regulation laying down implementing measures for the system of own resources of the European Union – COM(2011) 511 final; the proposal for a Council regulation on the methods and procedure for making available the traditional and GNI-based own resources and on the measures to meet cash requirements – COM(2011) 512 final;
Whereas these acts are to constitute the multiannual financial framework for the years 2014-2020, and contain significant innovations in the areas of both EU expenditure and EU revenue;
Whereas the proposals drafted by the European Commission make provision for a maximum total allocation for the European budget, for 2014-2020, of EUR 1 025 billion in commitments (equal to 1.05 % of the EU's total gross national income (GNI) and EUR 972 billion in payments (equal to 1 % of GNI), with a modest nominal increase of 5 % as compared with the financial framework 2007-2013. The budget is mainly unchanged, but nevertheless there is a new distribution of items of expenditure. They have been redirected to a significant extent to the chapters more directly linked to the implementation of the Europe 2020 strategy for sustainable growth (in particular technological research and development and major items of transport, telecommunications and energy infrastructure), at the expense of certain traditional chapters such as direct support for agriculture;
Whereas, as far as revenue is concerned, the Commission's proposals envisage a gradual shift from a budget dominated by GNI-based contributions to a European Union budget with a proportion of genuine 'own resources', to be implemented primarily through a restructuring of the VAT resource and a new tax on financial transactions. The Commission is also proposing a gradual reform of correction mechanisms in favour of certain Member States, established by the Fontainebleau European Council of 1984, and the introduction, from 2014, of temporary corrections in favour of Germany, the Netherlands, the United Kingdom and Sweden. These would take account, in particular, of the introduction of new own resources and developments in expenditure, would be simple and transparent, open to public and parliamentary scrutiny and predictable and efficient. These corrections will consist of a system of lump-sum repayments which will replace all pre-existing correction mechanisms;

In view of the elements for evaluation and the information obtained while examining these proposals, with particular reference to the conferences with the national parliaments organised by the European Commission in collaboration with the Council and the European Parliament, the hearings of Mr Lewandowski, European Commissioner for Financial Programming and Budget, of Italian Members of the European Parliament and of Mr Frattini, acting Minister for Foreign Affairs, Mr Fitto, acting Minister for Regional Affairs and Territorial Cohesion, Mr Romano, acting Minister for Agriculture, Mr Barca, Minister for Territorial Cohesion and Mr Moavero, Minister for European Affairs;

In view of developments in the negotiations on the multiannual financial framework, and specifically:

- the Negotiating Box drafted by the Danish Presidency of the European Union, based on the principle that nothing is agreed until everything is agreed, which is the foundation for debate within the General Affairs Council configuration;
- the non-paper presented by ‘Friends of Better Spending’ (Italy, Austria, Germany, Finland, France, the Netherlands and Sweden), which proposes a strengthening of the impact of European Union funds on sustainable growth and employment, and a guarantee that the funds should be programmed, monitored and assessed more efficiently, partly through a stepping up of macro-economic conditionality;
- the conclusions of the General Affairs Council of 29 May 2012, in which various doubts and strong conflicting views were expressed on many of the new elements introduced into the cohesion policy and common agricultural policy, as well as the revision of the system of revenue, the new VAT resource, the tax on financial transactions and the abolition of corrective mechanisms;

Having regard to the intensive and productive work carried out by the other standing committees of the Senate, which have made observations and comments on all the main chapters of expenditure included in the multiannual financial framework, and in particular the resolutions:

- of the 11th Standing Committee, on the European Globalisation Fund (Doc. XVIII, No 114);
- of the 11th Standing Committee, on the programme for social innovation (Doc. XVIII, No 115);
- of the 11th Standing Committee, on the European Social Fund (Doc. XVIII, No 116);
- of the 12th Standing Committee, on the Health for Growth programme (Doc. XVIII, No 120);
- of the 1st Standing Committee, on the Europe for Citizens programme (Doc. XVIII, No 121);
-of the 1st Standing Committee, on the Fundamental Rights and Citizenship programme (Doc. XVIII, No 122);
- of the 8th Standing Committee, on the EU guidelines for the development of the trans-European transport network (Doc. XVIII, No 125);
- of the 8th Standing Committee, on the guidelines for the development of the trans-European telecommunications networks (Doc. XVIII, No 126);
- of the 8th Standing Committee, on the guidelines for the development of the trans-European transport and energy networks (Doc. XVIII, No 127);

- of the 8th Standing Committee, on the proposal for a regulation establishing the Connecting Europe Facility (Doc. XVIII, No 128);
- of the 7th Standing Committee, on the Creative Europe programme (Doc. XVIII, No 130);
- of the 1st Standing Committee, on the instrument for financial support for external borders and visas (Doc. XVIII, No 134);
- of the 1st Standing Committee, on the Asylum and Migration Fund (Doc. XVIII, No 135);
- of the 1st Standing Committee, on the instrument for financial support for combating crime and crisis management (Doc. XVIII, No 136);
- of the 1st Standing Committee, on the security fund for crisis management (Doc. XVIII, No 137);
- of the 1st Standing Committee, on the European external border surveillance system (EUROSUR) (Doc. XVIII, No 138);
- of the 1st Standing Committee, on the establishment of a European Union Agency for Fundamental Rights (Doc. XVIII, No 139);
- of the 7th Standing Committee, on the Erasmus for All programme (Doc. XVIII, No 140);
- of the 1st Standing Committee, on a Union Civil Protection Mechanism (Doc. XVIII, No 142);
- of the 3rd Standing Committee, on the Instrument for Pre-accession Assistance (IPA II) (Doc. XVIII, No 146);
- of the 7th Standing Committee, on the Horizon 2020 EU Framework Programme for Research and Innovation (Doc. XVIII, No 147);
- of the 7th Standing Committee, on the European Institute of Innovation and Technology’s strategic innovation agenda (Doc. XVIII, No 150);
- of the 3rd Standing Committee, on the financing instrument for the promotion of democracy and human rights (Doc. XVIII, No 151);
- of the 7th Standing Committee, on the research programme of the European Atomic Energy Community (EAEC) complementing the Horizon 2020 programme (Doc. XVIII, No 152);
- of the 9th Standing Committee, on the common agricultural policy package (Doc. XVIII, No 154);
- of the 2nd Standing Committee, on the Justice programme (Doc. XVIII, No 159);
- of the 10th Standing Committee, on the trans-European energy networks (Doc. XVIII, No 161);

Having regard to its own resolutions on:
- the package of proposals on the structural funds and the cohesion policy (Doc. XVIII-*bis* No 65);
- the FISCUS programme for taxation and customs (Doc. XVIII-*bis*, No 66);
- the Hercule III programme for the protection of the European Union’s financial interests (Doc. XVIII-*bis*, No 68);

Having regard to the document on the multiannual financial framework adopted by Committees V and XIV of the Chamber of Deputies on 28 March 2012;

Having regard to the resolution by the Senate’s 6th Standing Committee on a common system of financial transaction tax (Doc. XVIII, No 144);

Having regard, furthermore, to the resolutions adopted by the regional legislative assemblies, the contents of which have been welcomed and endorsed by the committees responsible for those areas, and in particular the observations on the reform of the common agricultural policy, the cohesion policy and the Connecting Europe Facility;
Having regard, finally, to the observations forwarded by the 3rd Standing Committee on the proposals in question,

Expresses a generally favourable position on the proposals in question, and makes the following observations.

Firstly, the committee underlines the fact that, although Italy has for some time now, in particular since 2001, been a net contributor to the EU budget, with a difference between the amounts paid and the funding received equal, in 2010 alone, to EUR 4–4.5 billion, it is necessary to step back from any national self-interest and to work to achieve a budget which, in order to attain the ambitious targets set, over time must be much larger than even the Commission's proposals request. While noting that the ceiling suggested by the Commission, which is largely in line with the previous financial framework, is considered to be the maximum achievable under the current economic circumstances, the committee reaffirms that the European budget ought to increase significantly so that it can support and assist in the construction of a more cohesive Union and give renewed impetus to the sustainable growth targets in the Europe 2020 strategy, and first and foremost to development, job creation for European citizens, greater investment in the green economy and a better focus on combating poverty.
The committee welcomes, broadly speaking, the European Commission's wish to embark on a simplification of programmes and their procedures, so as to improve their consistency and integration with the European Union priorities as set out in the Europe 2020 strategy and to reduce, as far as possible, the risk of interventions becoming fragmented. The aim is to unify them into a limited number of strategic headings (smart and inclusive growth; sustainable growth: national resources, security and citizenship; global Europe; administration).
With particular reference to the 'smart and inclusive growth' heading, covering cohesion policy, trans-European infrastructure measures and research policies, the programmes under this heading should be considered as part of the debate currently in progress on the 'golden rule'. This rule is designed to identify specific sectors of public expenditure by Member States which, because they have an immediate and significant impact on growth and markedly affect the public debt/GDP ratio (a fundamental parameter in the new economic governance), may be decoupled from the measures and provisions in the Stability Pact.
The government, regions and local bodies which manage European funds need to improve spending capacity and the quality of programming, so that works in receipt of funding can be completed within the deadlines laid down and can meet the real development and growth needs of our country.

In detail, within the individual sectors and programmes, the committee makes the following observations.

With regard to cohesion policy, falling under the ‘smart and inclusive growth’ heading:

- firstly, the government needs to effectively pursue the actions already launched, with regard to the current programming cycle, in order to overcome the standstill in the amounts actually spent, which has put Italy in 26th place out of 27 EU Member States. The government also needs to follow up urgently on the Cohesion Action Plan presented to the European Commission on 15 November 2011, focusing more decisively on a plan which concentrates on a few, significant priorities;
- the committee has significant doubts regarding the new criteria for the allocation of funds, which have seen a comparative fall in the proportion earmarked for the convergence objective regions, mainly in favour of the new category of regions referred to as ‘in transition’. This includes four Italian regions, but its financial impact will create a strong advantage precisely for those large countries (France, the United Kingdom, Germany) which have shown the greatest resistance towards maintaining the cohesion policy and its funding at the levels of the previous multiannual cycle;
- the committee notes that the current wording of the new partnership contract instrument does not provide for appropriate involvement by the regional and local bodies, which are given the same role as the economic and social partners and civil society associations. This assimilates them in a way that does not correspond to the management responsibilities of the system of local authorities, and in particular the regions, within the framework of the cohesion policy;
- some detailed observations seem necessary regarding the provision of structural conditionality that must be complied with in order to access and use funds. Of course this is true for all interventions (such as the development of trans-European networks and the rural development programmes) where implementation involves Member State governments, directly or by way of regional and local structures. *Ex ante* conditionality ought to be made even stricter; when drafting the partnership contract provision should be made for the duty of countries receiving structural funds to make any amendments which guarantee the institutional capacity required in order to implement the programmes. On the other hand, *ex post* conditionality, which is linked to compliance with the commitments assumed in the Stability Pact and the strengthening of the coordination of economic governance, is at risk of becoming counter-productive, given that the aim of actions funded by the structural funds is to boost the economy and investments and to increase development opportunities. In that sense, while understanding the reasons why the government signed a non-paper proposing, *inter alia*, a strengthening of macroeconomic conditionality, the committee hopes that this strengthening will go hand in hand with an end to any punitive or mechanical way of thinking. To that end, the proposal contained in the Negotiating Box presented by the Danish Presidency should be carefully examined. Under this framework, macroeconomic conditionality may allow the Commission to ‘request a Member State to review and propose amendments to its Partnership Contract and the relevant programmes, where this is necessary to support the implementation of relevant Council

recommendations or to maximise the growth impact of CSF funds in Member States receiving financial assistance from the EU', and where this request is not complied with, payments may be suspended in full or in part.

With regard to infrastructure interventions in the sectors of transport, energy and information and communication technologies (ICT), the committee:

- notes the total amount of EUR 40 billion (of which EUR 10.1 billion is for the Cohesion Fund) identified in the Commission's proposals, as well as the decision to create a single Connecting Europe Facility with the task of financing priority infrastructure of interest to the European Union as a whole. On this point, with reference to the new project bond instrument, which will be greatly welcomed, the committee stresses the need, in view of the projects' transnational nature, to lay down common European rules and implementation systems;
- considers that the proposals revising the trans-European transport, energy and telecommunications networks overall are balanced and in line with the aim of building interconnected networks – and, in the transport sector, interoperable networks – to eliminate the bottlenecks and structural defects standing in the way of the single market. However, the committee notes that there is a certain lack of balance between the amounts allocated for physical networks and for intangible networks;
- urges, however, greater commitment by the European Union in preventing the most remote areas, which have the greatest need for links and cohesion programmes, from being jeopardised as a result of investments being concentrated in the more advanced areas of the EU. In Italy, the committee points to Sardinia in particular, which is excluded from the corridor routes despite its strategic position at the centre of the Mediterranean;
- stresses, finally, the risk that the decision to make access to funding for projects of general interest conditional on passing a preliminary cost/benefit analysis might create excessive difficulties for rail projects, in which investment in fixed capital is only repaid in the long term.

With regard to interventions for research, technological development and innovation, the committee:

- firstly welcomes the considerable increase in the overall financial allocation, of EUR 80 billion, together with significant support for research and innovation from the structural funds, and it strongly urges that the allocation of these funds should involve objective, transparent criteria. This should allow effective use, subject to the same conditions, by all the Member States;
- also welcomes the unification of funding within a single common strategic framework – incorporating the sectors currently covered by the Seventh Framework Research Programme, the innovation sectors of the Competitiveness and Innovation Framework Programme and the activities of the European Institute of Innovation and Technology and the Joint Research Centre – and the significant simplification of procedures for accessing funding;
- welcomes the attention paid to small and medium-sized enterprises (SMEs) and in particular the allocation to SMEs of 15 % of total allocations for all the specific objectives within the priority axis 'Societal challenges'. However, further debate could be useful on the role of the SMEs and their full

integration in the Horizon 2020 programme, partly through financial instruments and dedicated budget lines, in order to avoid the risk of their substantial exclusion in favour of enterprises which, as a result of their structure and size, are more obvious candidates for a transnational approach;

- with regard, finally, to the European Institute of Innovation and Technology’s strategic agenda, the proposal to establish the six new Knowledge and Innovation Communities (KICs) at two different times is confusing. The second of these is four years after the actual launch of the Horizon 2020 framework programme, and there is a significant risk that projects for basic areas such as urban mobility, security and, above all, added-value manufacturing, which is crucial for our country system, will be postponed to 2018 so as to coincide with the establishment of the relevant KIC, or given funding without being able to make full use of a valuable strategic resource for coordinating the work of different operators and acting as a draw for public and private capital.

With regard to the Creative Europe and Erasmus Mundus programmes, focused respectively on policies to promote culture and education and training:

- the committee notes that although there has been a 37 % increase in the funds earmarked for culture as compared with the former disaggregated allocations, they are still rather low in view of the time period involved, the high number of Member States and the ambitious range of initiatives to be promoted. The decision to abandon non-repayable contributions and to move completely to loans on favourable terms may also prove inadequate for activities whose added value cannot be assessed on a purely economic basis;
- on the Erasmus for All programme, the committee notes that the unification of the educational and vocational training interventions into a single instrument is an effective response to the need for greater, more targeted EU investment against the backdrop of the economic and financial crisis, since growth is strongly correlated with the availability of highly qualified workers. The committee also notes that Italy has a proportion of Erasmus students, both entering Italy and studying in other countries, which is low in comparison to its demographic and economic dimensions in the European Union, and hopes that a reinforced commitment will be made to strengthen an instrument which is highly effective in raising the level of and increasing human capital among young people. Finally, the committee has some doubts regarding the allocation of 25 % of the total funds on the basis of the provision parameter. More specifically, the criterion for allocating the first tranche of funds, based on the most recent available performance data, seems both vague and risky, in view of the fact that reference will need be made to programmes that until now have been kept separate, and are now to be unified into a single structure, with various changes to both the examination of cases and the methods of payment.

With regard to the common agricultural policy, which is the main item under the ‘sustainable growth: natural resources’ heading:

- in general, the committee observes that the redistribution of resources provided for the new financial framework would result in a reduction in the budget available to countries such as Italy, which would suffer a very substantial cut in direct payments. It therefore seems necessary to lay down a more phased transition from the current direct payments system to the system described in the Commission’s proposal, in order to avoid sudden reductions in transfers to producers, especially in countries such as Italy where there is considerable variation in the decoupled area payment;

- it should also be noted that, in redistributing funds among Member States, it would be appropriate to bear in mind not only the area parameter, but also other (and no less significant) parameters such as gross marketable production, added value, cost of living, land value, and the quantity and quality of labour used in agriculture;
- the committee also has some doubts regarding the share of 30 % of agricultural projects per Member State earmarked for ‘greening’, since this does not seem to take sufficient account, when identifying the parameters, of the specific regional features and the distinct production systems of the countries involved. Greater discretion should therefore be left to individual Member States to define the types and methods of intervention. In the case of Italy, these might usefully be extended to growing trees, which is essential for countries in the Mediterranean area;
- with regard to the new system planned for direct payments, the committee points out that the measures introduced seem to increase the administrative burden and red tape required to access the payments, and make the definition of ‘active farmer’ unexpectedly broad, while at the same time taking no account whatsoever of the national definitions of ‘farmer’ and ‘professional farmer’;
- finally, with reference to the second pillar of the common agricultural policy (CAP), the committee stresses that the use of area as the main parameter for distributing resources for rural development seems incongruous and reductive, particularly in view of the fact that this indicator is already widely used for the first pillar. On this point, taking into account the aims laid down for rural development (competitiveness of agricultural enterprises, respect for the environment and development of rural areas), more appropriate indicators should be sought, such as the number of firms, low numbers of young people, firm sizes that have shrunk, soil erosion, organic farming, the rural population and the number of agricultural operators.

With regard to programmes based on the third heading of the multiannual financial framework (Security and Citizenship):

- the committee points to the need to ensure that the simplification criterion adopted in converting six pre-existing programmes, relating in various degrees to the area of freedom, security and justice, into just two programmes, Rights and Citizenship and Justice, does not adversely affect the aims of protecting equal rights and non-discrimination and, more generally, ensuring that for each year of the Rights and Citizenship programme all the aims that previously formed part of the various measures continue to be pursued;
- the committee stresses the need to place increasing weight and emphasis on measures to promote the exchange of judges and legal practitioners between Member States. This is vital in supporting the

process of bringing the former third pillar within the EU domain, as laid down in full by the Treaty of Lisbon.

On the fourth heading of the financial framework, which focuses on the EU's external action, the committee expresses an overall positive position on the amount of the funds mobilised, while at the same time confirming how crucial neighbourhood policy issues are to Italy. On this point, the committee stresses the need to maintain the proportions currently in force, on the basis of which two thirds of the funds allocated to the neighbourhood instrument are earmarked for the EU's southern borders, and a third for its eastern borders.

With regard, finally, to revenue:

- the committee fully supports the possible establishment of a tax on financial transactions, and hopes that this will form part of a regulatory context not limited to the European Union alone, and calibrated on the basis of precise parameters that take into account, *inter alia*, the complexity of the transactions and their social aims. The committee calls upon the government to exercise greater caution and to think carefully about the methods of reorganising the VAT resource. More generally, the committee regards with interest and attention any initiative able to provide the EU budget with a better balance, reducing the GNI-based own resources;
- on the new correction mechanism, the committee stresses, firstly, that as a net contributor Italy is entitled to make use of this as the other Member States identified in the European Commission's proposal. The committee calls on the government to stress, at the negotiations, that a claim-based model should be replaced and that provision should be made for a more solidarity-based approach, supported by the knowledge that a cohesive Europe with an authoritative budget represents, in both the long term and the medium term, an asset for all Member States involved. To that end, laying down a temporary correction mechanism based on a lump sum and involving greater transparency may be seen as a first, significant step forward on the way towards replacing a system that inevitably feeds national self-interest.

EUR 1.00