



**The Parliament of Romania
Senate**

Bucharest, 5th December 2017

Courtesy translation

OPINION of the ROMANIAN SENATE

on the Reflection Paper on the future of EU finances

COM (2017) 358 final

The Romanian Senate, pursuant to art. 67, art. 148 (2) and (3) of the Romanian Constitution and the Protocol no.2 annexed to the Treaty of Lisbon amending the Treaty on European Union and the Treaty on the Functioning of the European Union, signed in Lisbon in 13rd December 2007, has examined the **Reflection Paper on the future of EU finances - COM (2017) 358 final**.

Having in view the report of the Committee for European Affairs from 23rd November 2017, **the Romanian Senate**, issued on 4th December 2017 an OPINION, as follows:

1. Considers that:

- only a reduction of the economic and social gaps both within and between member states can lead to a real convergence and prosperous stability of the European Union.
- reducing development gaps between regions or economic and social convergence should be included as evaluation criteria in the Commission's proposal.
- it is essential to have well-designed rules, a "single regulatory framework" for all processes and instruments, or the application of identical rules and conditions for the same type of project, to ensure that EU funds are properly spent and that taxpayers' money are protected.

2. Supports:

- maintaining grant-based funding, complementing with the financial instruments, and their use / combining must be at the discretion of the member states, in line with the internal reality of the financial markets and on the basis of an in-depth ex-ante evaluation. A custom mix between these tools is necessary, appropriate to national peculiarities, to maximize the effects of use;
- maintaining the 7 year duration of the post-2020 Multiannual Financial Framework, given the importance of preserving the strategic nature of the budget as a stable and predictable instrument supporting the achievement of the EU's medium and long-term objectives.

3. Points out that:

- a budgetary architecture with a separate euro area budget and the creation of any decision-making mechanisms in the euro area would mean a threat to traditional policies (Common Agricultural Policy and Cohesion Policy), thus widening the gaps between net contributing and net beneficiary states, namely the growth of economic and social divergences between EU member states.

- European funds should not be conditional on achieving the objectives of the Country Specific Recommendations, because democratic mechanisms cannot be undermined by bureaucratic mechanisms.

- the existing correction mechanisms on the revenue side of the EU budget do not meet the principles of transparency, simplicity, equity and efficiency. These mechanisms should gradually disappear, depending on the structure of expenditure in the next financial perspective.

- the new challenges related to migration, border control, terrorism, defense and security should not affect the two traditional policies, namely Cohesion Policy and the Common Agricultural Policy, which play an important role in mitigating the gaps between the member states.

4. Notes that Romania's interests would be better met in scenario 5. However, this scenario contains some unacceptable proposals, which is why the following approach **is proposed**, an improved scenario 5:

a) General trend and volume

- Significantly increase of the European budget in the MFF
- Increasing the own resources ceiling

b) Expenditure

- Higher amounts allocated to the Common Agricultural Policy, but concretized by increasing support for medium and small farms

- Economic, social and territorial cohesion:

i) Strengthening the social dimension (for example, children's guarantee)

ii) More emphasis on social inclusion, employment, skills, innovation, climate change, energy and environmental transition

iii) Strengthening the extent of territorial cooperation

iiii) Investments for disadvantaged regions and for cross-border cooperation

- New priorities and priorities with high added value:

a) Common security and defense (acceleration of joint research and interoperability of European armed forces, but shared funding of essential capabilities and public procurement done by intergovernmental sources)

- Structural reforms linked to the European Semester through positive incentives either through cohesion policy or through a special fund

- A venture capital financing mechanism

- An European Monetary Fund

- Strengthening external action; budgeting of the European Development Fund

- Create an instrument of euro area membership to provide technical and financial assistance to non-euro member states.

(c) Revenue

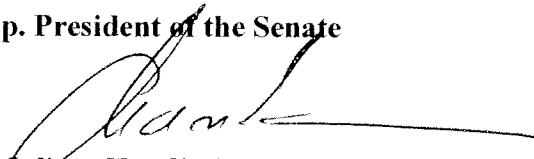
- Simplification of the current system: abrogation of all corrections, reformation or removal of own resource based on value added tax

- New own resources to finance part of the EU budget and contribute to the achievement of policy objectives (for example green tax, financial transaction tax, common consolidated corporate tax base)

- Introduce measures to combat avoidance practices for tax obligations and tax evasion (tax havens, aggressive tax planning methods, etc.) to stop the erosion of the tax base and transfer the profits of multinational companies

- Financing the EU budget from other sources of income or taxes.

p. President of the Senate

A handwritten signature in black ink, appearing to read 'Julian-Claudiu MANDA', with a long horizontal line extending to the right.

Julian-Claudiu MANDA