

Addendum to the Italian position document “Multiannual Financial Framework: a strategic tool for meeting the goals of the European union”

With a non paper released in spring 2017 Italy anticipated its general position on the next Multiannual Financial Framework (MFF), a position mainly hinging on the concept of “European public goods”, namely EU political priorities the European budget shall pursue.

With the adoption of the “Bringing the EU forward in 2018” Declaration in Rome on January 10, 2018, Italy, together with the Southern European Union Countries committed to “a new approach on European public goods, which should be supplied within the EU budget in the new Multi-Annual Financial Framework (MFF). [...] to provide: co-management and co-financing of migration policy at European borders; a fully implemented European Defence strategy based on joint financing, shared ambitions and a common strategy; scaled up internal and external security capabilities; a permanent investment plan focused on innovation, with relevant externalities across Member States, which include the completion of the Single Market, especially as concerns the Innovation Union, the Digital Union, the Energy Union and the Capital Market Union”. Italy also deems that such intangible assets as the “European we-feeling” and the sense of belonging to a common cultural and societal space count among the prominent European public goods and need to be financed accordingly.

The present document further elaborates on the Italian position and sets the following negotiation guidelines.

1) New challenges

a) Migration

- Common external borders represent a European public good. A fair sharing of responsibility and financial support by both the EU and the EU agencies (through the reinforcement of their mandates) is needed to ensure an adequate level of solidarity, cohesion, integration, intercultural dialogue and compliance with international obligations on human rights.
- Significant resources are needed to finance policies related to migration in a more predictable, transparent and stable framework. In particular, the current mechanism based on pledges should be overcome and replaced by a predictable source of financing.
- The possibility of establishing horizontal migration instrument(s) to be funded through ad hoc budget lines should be explored, in order to provide adequate resources to effectively face the migration challenge both in its internal and external dimension, including emergency situations and first reception.
- Irrespective of the choice on lines, cross-cutting coordination should be assured between internal and external action instruments.

b) Security and resilience

- Prevention, protection against catastrophes and dramatic events and adaptation to consequences of climate change are clearly European common goods that need adequate financing. Appropriate investments and tools should be set for enhancing the resilience of communities and cultural heritage, tangible and intangible, in case of disasters.
- More generally, the EU budget should support actions aimed at strengthening the resilience of territories and communities as well as stimulating their economic, social, environmental and

cultural potential. Special attention should be paid to risks that might affect the natural systems and ecosystems, human health, economic development, agriculture production and infrastructures.

- Security also ranks very high among European Public goods. Adequate resources should be made available in order to foster a EU-wide approach to security that helps prevent and tackle common threats. Particular attention should be paid to keeping pace with technological and international developments (spread of new technologies, globalization of communications and financial infrastructures, etc.). Also, a new EU wide approach is needed, that integrates prevention, investigation and mitigation capabilities in fighting terrorism and organized crime in all its forms (e.g. trafficking in human beings, weapons, drugs, hazardous materials, waste, wildlife, cultural goods, cybercrime). Strengthening the EU integrated border management at the external borders as well as improving the coordination of the internal and external aspects of the EU security policies remains crucial to guarantee an effective and genuine Security Union.

c) Defence

- New challenges call for a strengthened cooperation in the field of European Union's defence and appropriate resources.
- A growing cooperation among Member States to develop and acquire key defence equipment is expected to ensure value for money and a more efficient defence spending thanks to economies of scale.
- To this end, great importance should be attached to the full implementation of the European Defence Fund (EDF), in the size currently proposed by the Commission, and to the development of a related, proper and flexible, financial toolbox to support investment in joint research and the joint development of defence equipment, technologies and infrastructures.

d) External action

- External action has to be strengthened and reshaped to adequately face new challenges, as defined by the UE Global Strategy and the European Consensus on Development. To this aim, Italy is open to consider a partial review of the instruments for external action, aimed at better serving our common policy priorities, migration in the first place. Any review shall, anyhow, preserve the *acquis*, the financial capacity and the leverage of specific instruments for pre-accession Countries and for the Neighborhood.
- Heading 4 should continue to consistently contribute to the collective effort the EU and Member States have undertaken to devote 0,7% of their GNI to official development assistance (ODA), as defined by the OECD Development Assistance Committee.
- In this framework, Africa represents a priority. Adequate resources should be provided to the cooperation with African partners, aimed at coping with the particular challenges faced by developing Countries in the Continent recognized by the EU.
- The role of international cooperation for the protection of cultural heritage should be strengthened through appropriate investments and tools.

e) Fiscal capacity

- Economic stabilization in the EU is a primary European public good.
- A common stabilization mechanism to smooth the fluctuations of the economic cycle would ensure that countries under fiscal constraints do not have to cut automatic stabilizers and/or investment during severe crises when they are most warranted.
- As the current budget structure does not fully serve this function, an ad hoc budget line should be introduced as a first step in this direction.

2) Economic, social and territorial cohesion

a) Cohesion

- Supporting regional convergence and boosting growth potential are among the prominent European public goods to be financed at EU level. Therefore, cohesion policy will have to keep on playing a crucial role, including through an adequate financing.
- Italy is ready to consider additional allocation criteria and a progressive convergence of co-financing level, while ensuring that national co-financing falls outside deficit calculations.
- Cohesion resources pre-allocated to Member States must be preserved as this help improve investment planning.
- As far as the functioning is concerned, links and synergies between different funds have to be improved; managing rules should be further harmonized.
- Cohesion funds can be linked to structural reforms through appropriate incentive measures consistently with the time needed for the reforms to be implemented.

b) Social Policy

- Full implementation of the Social Pillar is key for the future of the EU. Social policies should be financed accordingly in the MFF.
- Italy is open to consider the creation of a Human Capital Fund to enhance consistency and promote synergies to deliver rights and principles of the social pillar, without prejudice to the framework of Structural Funds.
- Current instruments should be reshaped in order to buffer social effects of globalization while fostering competitiveness.
- Public health is a fundamental public good contributing to well-being and productivity. Therefore, adequate funds should continue to be budgeted in order to promote protection against danger to physical and mental health.

3) Exploiting the full potential of the Union

a) Competitiveness, investments and strategic infrastructures

- Reaping the full potential of the single market is essential for EU competitiveness. Adequate EU investments in tangible and non-tangible infrastructures, including implementing the Digital Agenda, are vital to reach this goal.
- Transport, energy and telecommunication infrastructures deliver strategic EU added value through enhancing integration, connectivity and sustainable growth in the Union while increasing the effectiveness of the internal market. Therefore, specific funding instruments must be reinforced accordingly.
- Specific instruments should support European industry, and in particular small and medium enterprises. Important projects of European interest have significant positive spill-overs to tackle present and future challenges and to maximize the benefits of investments in research and development, uptake of innovation and transformation to safe and sustainable technologies. Therefore, co-financing by the Union should be envisaged.
- Additional resources should be allocated for cultural and creative industries to unlock the full potential of a strategic sector in terms of revenue and jobs.
- Investments are needed to make administrative interoperability effectively work and ensure compliance and enforcement within the single market.

b) Education and culture/European citizenship

- EU programmes investing into young future generations and culture are key to reinforce integration across Member States.

- Additional resources should be mobilized to promote and enhance European mobility. Erasmus programme funds should be increased tenfold for a Union which multiplies opportunities for youth and for a more socially inclusive mobility. New transnational cultural initiatives, contributing to the development of a true sense of European citizenship and identity should be launched.
- Furthermore, all the needy European children should be entitled to a Europe-wide, basic income, showing the commitment of EU institutions towards future generations; for example, each child would receive a certain fraction of the country's median income to support her/his study and living standards, thus ensuring that no European child is left behind.
- Additional resources should be mobilized to unlock the full potential of cultural heritage, both tangible and intangible, as valuable resource for reflective citizenship and socio-economic growth, employment, innovation and cohesion.
- Measures to strengthen a coherent legal and financial framework to develop culture, arts and creativity and to support the mobility of professionals of the cultural sector should be adopted.

c) Research and Innovation

- Italian authorities have recently adopted a position statement and a vision document on the Interim Evaluation of Horizon 2020 and the Next Framework Programme for the European research, which is duly circulating. Key priorities of the Italian position concern human resources for research, stable framework, adequate Financial Resources, promotion of excellent research, crucial role of the Joint Programming Process, wider European R&I landscape and international dimension, synergies and simplification.
- Widening participation and spreading excellence are beneficial to bolster the role of EU as a global actor. Therefore, Italy is open to discuss the conditions for associated countries to join research programmes.

4) Promoting a sustainable growth and a consistent use of natural resources

a) CAP

- CAP provides a clear European Added Value to the extent that it reflects a higher level of environmental and climate ambition and a higher attention to citizens' concerns regarding the improvement of food quality and food safety. Therefore, Italy concurs that a future-proof CAP should promote employment, sustainable growth, competitiveness, food safety and quality, Green-House Gas emission reduction, through adequate financing.
- Assigning resources on the basis of the external convergence mechanism, taking uniquely into account the agricultural area criterion, runs counter this approach, leading to discrimination between farmers in different Member States and to distortion in the functioning of the Single Market. Alternative allocation criteria, more consistent with the CAP objectives, should be based on the agriculture standard output, the gross value added in agriculture, the different cost of production factors (in particular cost of labour and cost of land) and the unequal level of the purchasing power parities.
- Furthermore, Italy is open to consider a decrease of the EU co-financing level for Rural Development. Indeed, bringing the EU co-financing level at a maximum of 50% for all Member States would allow the EU to combine the need to reduce the burden on the MFF with an increase of total public expenditures for Rural Development

b) Environment and landscape

- While most EU environmental policies are basically regulatory, further thinking is needed on how EU budget can better serve European goals in the field of environment and landscape.
- In particular, EU resources should: encourage the sustainable management of land and soil, as well as of sea and water; promote the reduction of climate-changing emissions; counter the impacts of

air pollution on health and on all environmental matrix, with particular regard to biodiversity and natural capital; further strengthen the European commitments on Climate Change, the Paris Agreement, the Agenda 2030, the Circular Economy and Efficiency use of resources with adequate budget resources.

Tools

a) Flexibility

- In addition to forms of flexibility already mentioned in the 2017 position document (e.g., special instruments, carrying unspent amounts over the years, responsiveness to unexpected events and evolving priorities), Italy also suggests to include flexibility instruments allowing to switch resources between headings where needed.

b) Simplification of rules

- A uniform framework of managing rules for different types of funds should be envisaged.

c) Conditionality

- Conditionalities should be viewed as an ancillary tool aimed at pursuing the very same goals of the policies they are attached to. They should therefore either incentivize lines of action coherent with the aforementioned goals or deter behaviors that would directly conflict with them.
- Ex ante conditionalities pass this test of "internal coherence", as long as they are used to sustain a result-oriented approach through appropriate incentives.
- Conversely, macroeconomic conditionality, at least in its current form, does not directly support the goals of the cohesion policy and could actually turn out to be self-defeating. Therefore, it will have to be reconsidered as to avoid pro-cyclical effects that would amplify the phases of the economic cycle in the affected Member State.
- The respect of rule of Law, Fundamental values and solidarity obligations enshrined in EU legislation, on the other hand, is the overarching prerequisite for the good functioning of all EU policies and to the very existence of the EU project. Italy therefore supports the introduction of conditionalities aimed at bolstering the EU legal order and underpinning the respect of common values.

d) Own resources

- In the 2017 position paper Italy strongly supports the idea of reconsidering the current use of own resources and move towards a more "genuine" own resource system. Besides reverting to a residual role of GNI-based own resources and maintain traditional ones (possible having VAT-based own resources evolving into a real European VAT), new own resources should be established, such as green resources (emissions, plastic, etc.), resources based on market access (common consolidated corporate tax, web tax, financial transactions, etc.), visas. To increase transparency, fairness and accountability, all kind of rebates and reductions should be eliminated.