



Consiglio Regionale
del Veneto



Unioncamere
Veneto



CALRE
Working Group "Financial Federalism"

Activity Report 2013

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1. Introduction

This document describes the activities performed in the 2013 by the Working Group "Financial Federalism" coordinated by the Regional Council of the Veneto Region for six years in the CALRE context.

The program of activities for 2013 was presented at the end of February in Brussels, and it was based on the realization that the analysis work carried out during the previous year had shown a sharp **slowdown in those processes of decentralization** of powers and resources from the Center to the Periphery that had joined many European countries since the early nineties. This is mainly due to the reduction of central financial flows that many countries have experienced in the last years, where they have been imposed huge restrictive measures on transfers, in order to correct the trend of public accounts.

As a result, the financial crisis has exacerbated the tensions between regions and national governments, especially where there are most significant economic contributions from the Periphery to the budgets of the national level. The problem of the transfer of resources then is shared by various European regions, and it makes **essential to reflect on the “models” of existing financial federalism**, in order to identify the common characteristics and the best practices to inspire future national policies.

Studies conducted up to now by the Working Group have well proved, moreover, that it is undelayable the definition of a strategy to safeguard the European economic system, by recovering firstly the **competitiveness of most advanced EU regions** that have borne the brunt of anti-crisis national policies.

At the same time, it should be reminded the importance of an **European control over public expenditure through an European System of Accounts (ESA)**, which would allow Eurostat to get the data even at NUTS 2 level. On this proposal, the Working Group has operated since 2011, showing that data collection, concerning financial flows at different government levels, requires a great deal of effort in planning, standardization, and, most of all, in soliciting. Often, gathered data is not perfectly comparable due to the differing national legislations regarding public finance. In this delicate phase, it may be expedient that the European institutions had the use of reliable data and information on financial flows also at regional level. It is necessary, therefore, to keep on insisting so that ESA future revisions allow the collection of more data, with the goal of "keeping the national accounts in the European Union up with the changed economic environment, with the advances in methodological research and with the users' new needs".

The previous analysis, finally, pointed out that we must act deeply on the **efficiency in Public Administration** in the Member States too. It is essential, in particular, to identify the optimal costs to which all PAs should tend to be more efficient. It is known, in fact, that different levels of efficiency in the PA generate distortions in competition. Since the EU is not exempt from this problem, we need to set common goals of efficiency to be achieved. In fact, many costs not incurred by the EU often fall back on regions and on national states, as it happens, for example, for management and reporting of EU projects.

In 2013, the Working Group on "Financial Federalism" aimed to provide a new input to formulated proposals and scheduled initiatives, by involving, in its actions, the subjects who carry a federalist spirit of European inspiration.

Thanks to the analysis carried out, in fact, it has been highlighted that various problems are affecting several European regions in the field of taxation, public spending and resources' redistribution. **The proposals that the Working Group has repeatedly advanced in order to correct this situation and these trends, and that we would like to share today, are aimed at:**

- promoting a stronger devolution of taxation and public spending; the goal is to give more autonomy to local and regional authorities on tax collection and management, bringing administrations closer to citizens;
- promoting a stronger control over the management of public resources at any level of govern through an increased transparency over financial flows between public administrations. This could be achieved even collecting and allowing the consultation of public budgets' data at NUTS I and NUTS II level through the "regionalization" of European System of Accounts;
- identifying suitable tools to make sure that the benefits of regional development policies will not be compromised by an excessive tax burden, by a lack of balance in the structure of inter-regional financial flows and by an inefficient public administration;
- promoting a bigger awareness within the EU institutions, regarding the existing inter-regional imbalances in the Member States and therefore promoting a larger consideration of these issues in the definition of European policies regarding national public finance.

The proposed new challenge for 2013 was to pursue these objectives, and in particular way the last mentioned, **through a new lobbying strategy within the European institutions** that directly involved the members of the European Parliament elected in the territories which legislatives assemblies belong to CALRE, and through them, the standing committees of the European Parliament dealing with the issues faced by CALRE.

With these preliminary remarks, the Regional Council of Veneto during 2013 has made a **recognition of European Parliamentarians** (MEPs) elected in the member regions of CALRE and belonging to the Committees **ITRE** (Committee on Industry, Research and Energy), **ECON** (Committee on Economic and Monetary Affairs), **AGRI** (Committee on Agriculture and Rural Development), **REGI** (Regional Development Committee) and **BUDG** (Committee on the Budget); a **recognition of General Secretaries of the Parliamentary Groups** interested in the discussed topics, and a **mapping of the measures and records under discussion** in the Parliament that intersect the issues addressed by CALRE.

The availability and the contribution of sharing and experience that the Presidents of Commissions, the representatives of the European Parliamentary Groups and the Presidents of the Legislative Assemblies of Europe have provided to our initiative has spurred us to continue on this road.

2. Main events

The work carried out in 2013 showed that data-gathering, concerning financial flows at different government levels, requires a great deal of effort in planning, standardization, and, most of all, in soliciting. Often, gathered data is not perfectly comparable due to the differing national laws regarding public finance. Some problems still need to be solved and require a lot of collaboration among, not only, the CARLE regions.

For this reason, during 2013, the following meetings were summoned:

- **February 26th, 2013 (Brussels):** presentation of the 2013 working programme,
- **March 19th, 2013 (Brussels):** meetings with some MEP elected in the district of Veneto,
- **April 15th, 2013 (Venice):** CALRE's training workshop on financial federalism,
- **October 16th- 17th, 2013 (Brussels):** meetings with some Presidents of the Standing Committees of the European Parliament and General Secretaries or technical officials of the Parliamentary Groups.

2.1 Meetings with MEPs elected in Veneto (Brussels, 19th March 2013)

The Working Group on "Fiscal Federalism" has organized several bilateral meetings, which were held on the 19th March 2013 in Brussels, among the President of Veneto's Regional Council, **Clodovaldo Ruffato**, the Head of Cabinet of the President of the Regional Council, **Giuseppe Nezzo**, and the Director of Unioncamere del Veneto, **Gian Angelo Bellati**, with four MEPs elected in the district of Veneto, sensitive to federalist topics: the Hon. **Sergio Berlato**, Hon. **Antonio Cancian**, Hon. **Elisabetta Gardini**, Hon. **Giancarlo Scottà** and Hon. **Amalia Sartori**.

Particularly, it came out from the meeting the need of re-launching federalist spirit at the European level and in a European point of view. For this reason, it has been moved the proposal to activate a co-operation among MEPs, who are expression of Regions with legislative assemblies, in order to involve them in CALRE's activities and to create a more effective lobbying within European institutions. **The MEPs agreed with the proposal of the Working Group, they undertook to activate and coordinate the network of MEPs elected in other regions belonging to CALRE and to support their involvement in the initiatives proposed by the CALRE Working Group on "Financial Federalism"**, and they suggested to start stable relationships, by means of MEPs, with the standing committees of the European Parliament dealing with the issues addressed by CALRE.

2.2 Training workshop on financial federalism (Venice, 15th April 2013)

The training workshop, which took place in Venice on the 15th April 2013, was an important opportunity for a first comparison open to individuals who are not permanent members of the Working Group.

It was attended, indeed, by some MEPs elected in the Veneto region who shared the initiatives of the WG by offering their availability to promote the strengthening of its role in the European context through actions which act as a driving force to achieve a genuine European regional policy, which considers the essential role of the regional legislative assemblies.

It was held also the technical report of **Prof. Palermo** (Associate Professor of Public Law at the University of Verona and Director of the Institute for Studies on Federalism and Regionalism of EURAC-European Academy of Bolzano/Bozen) entitled "**Federalism: a strategy to overcome the crisis and to start developing**", which has strongly emphasized the need for a more "regional" European agenda, and which has shared the proposals made by the Working Group.

The meeting followed up with the **presentation and discussion of the "Venice Document"**, a survey prepared by the Presidency of the WG that has offered several ideas for reflection by analyzing **a number of issues related to the causes and consequences of the crisis and the impact it has on the regional competitiveness of Member States**. In particular, it came to light that the countries the most compromised by the crisis of national public finances have structural similarities that allow to identify a **direct correlation between their public finance systems and the level of competitiveness of their firms**.

As a result of the discussions held between the members of the WG, they were defined **the actions to undertake** in pursuit of the shared objectives, to be achieved through new initiatives and lobbying activities within the European institutions that directly involve both the regions taking part to the WG and the members of the European Parliament elected in their territories. Concretely, the three actions identified consisted in:

1. **creating a network between the members of the European Parliament** who are elected in the European regions with legislative assemblies, involving them in the activities of CALRE and urging them to act more effectively lobbying within the European Parliament;
2. **starting stable dealings with the standing committees of the European Parliament**, thanks to the work of the MEPs who are handling the issues addressed by CALRE;
3. **establishing a network of contacts with technical and financial experts**, who are reported by the member regions taking part to CALRE, with the aim to develop the exchange of data and metadata at the regional level concerning the financial flows between the different levels of government.

2.3 Meetings with the Presidents' Standing Committees (Brussels, 16th-17th October 2013)

The activities of the Working Group on “Financial Federalism” have moved to the form of bilateral meetings, which were held on the 16th-17th October 2013 in Brussels, among the President of Veneto’s Regional Council, **Clodovaldo Ruffato**, and some Chairmen of the Standing Committees of the European Parliament, General Secretaries of the Parliamentary Groups and Heads of Unit. In particular, the Working Group met the General Secretary of the EFD Parliamentary Group **Emmanuel Bordez**, the President of the Commission for Industry, Research and Energy **Hon. Amalia Sartori**, the President of the Commission for Regional Development **Danuta Hubner**, the Head of "Budget and structural policies" for the EPP Parliamentary Group **Adriaan Bastiaansen** and the Head of Unit "Budget and cohesion policy" for the S&D Parliamentary Group **Doriano Dragoni**.

During the meetings, the Working Group emphasized the need of re-launching federalist spirit also at the European level and presented the proposal to activate a co-operation among MEPs who are expression of regions with legislative assemblies. The objective is to involve them in CALRE's activities and in more effective lobbying within the European institutions.

It was repeatedly stressed that in many Member States the decentralization process is being blocked as a result of the effects of the financial and economic crisis that has affected the balance of the national public accounts. Although, exactly at this stage, in order to overcome the crisis, it should be required more decentralization, more autonomy and more responsibility, which would be translated into greater efficiency in public expenditure management, both at national and regional level. For this reason it is important to raise awareness on these issues of all members of the European Parliament, even by using easily understandable and unequivocally interpretable words, which do not lead to misunderstandings. The term "federalism", which can have different meanings from country to country and which may be deceptive in some cases, should then be substituted with a more effectively term, easily attributable to the subject of governments' energy, such as "financial efficiency".

On the 25th September 2013 the European Parliament adopted the A7-0269/2013 Resolution on the “Effects of Budgetary constraints for regional and local Authorities” regarding the EU's structural funds expenditure in the Member States, presented by an Italian MEP. This represents a first step to bring back the European debate on issues of decentralization and efficiency in the management of financial resources. Moreover, in recent weeks the European Commission and national governments are defining the framework for the 2014-2020 Structural Funds, where the most important innovation is the introduction of very scrupulous parameters and controls on executed expenditure and the achieved results, which can lead to suspension of funds to the implementing entities.

Today, several problems still persist related to the lack of uniformity in calculation methodologies of the national accounts, so that the European Commission has carried out a survey on the state bodies have judicial and administrative control in the field of public revenue and public expenditure in the Member States (Court of Audit or Court of Accounts), in order to identify and eliminate irregularities in the calculation among different countries.

It is important that all national governments commit themselves to release the “*Declaration on accounts security*” (DAS), so as to certify the accuracy of the calculation procedures of public income and expenditure; it is a responsibility that European Commission can not assume.

During the meetings the Working Group has received much appreciation for the work of studies and research carried out and it was encouraged to disseminate the results to all MEPs. In addition, CALRE was invited to attend an assembly of the involved Committees (ITRE and REGI) and to present the themes and the issues addressed by the Working Groups.

In a context characterized by lower financial resources, some opportunities may come from the new EU cohesion policy and from the funds allocated for the implementation of investments in the nine trans-European corridors; four of which cross Italy (and 3 of them cross Veneto region). It is therefore required that regional assemblies take all necessary actions to establish and consolidate long-lasting and fruitful contacts with the standing committees of the European Parliament, so that they can make better use of community resources.

3. Future prospects

The working group aims to provide a new input to scheduled events by involving, in its actions, the subjects who carry a federalist spirit of European inspiration. Therefore, we propose again to:

1. **realize a network of coordination among MEPs** elected in the European regions with legislative assemblies, by involving them in the activities of CALRE and by urging them to more effective lobbying within the European Parliament;
2. **initiate stable relationships**, through MEPs, with the **standing committees of the European Parliament** dealing with the issues addressed by CALRE;
3. **establish a network of technical representatives with statistical and financial skills**, reported by the member regions of CALRE, aimed at discussing and exchanging data and metadata at regional level on the financial flows between the different government levels;
4. **rename the Working Group with the new name "Financial efficiency"**, with the purpose of directing reflection and future activities on the strategies which are needed to increase efficiency in the management of public resources and to promote territorial development.

Finally, the WG suggests to the new Presidency of CALRE to seize the opportunity of the European Parliament replacement to promote the instances of regional assemblies among the candidates in the upcoming 2014 European consultations.

4. Members of the Working group

The “Financial Federalism” Working Group is coordinated by the President of the Regional Council of Veneto Clodovaldo Ruffato and is currently made up of the Presidents of the following European Regional Assemblies:

- Parliament of Aland Islands (Finland)
- Parliament of the Azores Islands (Portugal)
- Parliament of Baden-Württemberg (Germany)
- National Assembly of Wales (United Kingdom)
- Basque Parliament (Spain)
- Parliament of Catalonia (Spain)
- Assembly of Murcia (Spain)
- Council of the Autonomous Province of Trento (Italy)
- Parliament of Vorarlberg (Austria)
- Parliament of Tyrol (Austria)
- Parliament of the French Community of Belgium
- Parliament of Saxony (Germany)
- Legislative Assembly of Abruzzo (Italy)
- Parliament of Galicia (Spain)
- Legislative Assembly of Umbria (Italy)
- Legislative Assembly of Lombardia (Italy)
- Parliament of the German-speaking Community of Belgium
- Parliament of the Brussels-Capital Region (Belgium)
- Flemish Parliament (Belgium)
- Parliament of Andalusia (Spain)
- Parliament of the Court of Castilla - La Mancha (Spain)
- Legislative Assembly of Veneto (Italy)
- Legislative Assembly of Valle d’Aosta (Italy)
- Legislative Assembly of Friuli Venezia Giulia (Italy)
- Legislative Assembly of Piemonte (Italy)
- Parliament of Styria (Austria)
- Parliament of Wallonia (Belgium)
- Legislative Assembly of Marche (Italy)
- Council of the Autonomous Province of Bolzano (Italy)
- Parliament of the Balearic Islands (Spain)
- Parliament of the Serb Republic of Bosnia and Herzegovina (observer)