

DÁIL ÉIREANN

AN COMHCHOISTE UM GHNÓTHAÍ AN AONTAIS EORPAIGH

JOINT COMMITTEE ON EUROPEAN UNION AFFAIRS

Dé Máirt, 12 Meitheamh 2018

Tuesday, 12 June 2018

Tháinig an Comhchoiste le chéile ag 12 p.m.

The Joint Committee met at 12 p.m.

Comhaltaí a bhí i láthair/Members present:

Teachtaí Dála/Deputies	Seanadóirí/Senators
Colm Brophy,	Neale Richmond.
Bernard J. Durkan,	
Seán Haughey.	

I láthair/In attendance: Deputies Michael Collins, Danny Healy-Rae and Éamon Ó Cuív.

Teachta/Deputy Michael Healy-Rae sa Chathaoir/in the Chair.

Multi-Annual Financial Framework after 2020: European Commission

Chairman: We have received apologies from Deputy Mattie McGrath and Senators Leyden and Coghlan, who are taking part in the British-Irish Parliamentary Assembly, BIPA, meeting today, and from Senator Craughwell, who is travelling with a delegation. I acknowledge that those members would have liked to have been in attendance but are unable to be because of the time constraints. I remind members to ensure that their mobile phones are on silent.

Today we have an engagement on the European Commission's proposal for the multi-annual financial framework after 2020, and I welcome and thank Ms Jennifer Brown and Mr. Gerry Kiely, on behalf of the European Commission, for being with us today.

I commence by reminding members of the long-standing parliamentary practice to the effect that members should not comment on, criticise or make charges against a person outside the Houses or an official by name or in such a way as to make him or her or it identifiable. By virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of the evidence they give to the committee. However, if they are directed by the committee to cease giving evidence in relation to a particular matter and they continue to do so, they are entitled thereafter only to a qualified privilege in respect of their evidence. Witnesses are directed that only evidence connected with the subject matter of these proceedings is to be given. They are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person or an entity by name or in such a way as to make him, her or it identifiable.

This is an important engagement with Ms Jennifer Brown, a senior official with the European Commission. I acknowledge that she has gone to a lot of trouble to be here with us. It is appreciated. We are here to discuss the European Commission's proposals for the future funding of the EU budget. This week, in particular, is important in the Brexit negotiations, given what is going on in England. Even as late as last night, events were happening very quickly. We have to be ready and on top of our game to ensure we will be poised to react in a positive way for the country. The discussions on how the European Union should be financed and finance itself are at the core of how we see the Union working in the future. This has been the subject of much discussion in the past few months. The committee has played its part in bringing in different delegates. The European Commission has published its own recommendations in several parts. The European Union's budget is important as it defines the type of Union we want and provides for member states and citizens directly in a number of vital areas such as research and rural communities. The United Kingdom's departure from the European Union and the impact it will have on the Union's budget also need to be taken into account.

We are delighted that Ms Brown is in a position to join us for an engagement so soon after the package was published. It is an excellent initiative in order that we can have early discussions on how the European Commission sees it. Member states are, no doubt, looking at the detail for their own discussions at the Council and in the European Parliament. I am sure all Members of the Oireachtas will have comments and suggestions to make. I have no doubt that several committees will look at the parts of the proposals with most relevance to their work. I know that several members of other committees wanted to join us, but, unfortunately, as I outlined, they are unable to do so. I ask Ms Brown to make her opening statement. We will then go to members for questions and the advice and direction they might seek from her.

Ms Jennifer Brown: I thank the Chairman, Senators and Deputies. It is a great honour

and privilege for me to be here as they will hear from my accent. Although I have been living in Brussels for 17 years, I am from Dublin. I thank the joint committee for inviting me. “A modern budget for a Union that protects, empowers and defends” is the proposal the European Commission put forward on 2 May in its communication on the multi-annual financial framework, MFF, for the period 2020 to 2027, inclusive. In the coming months there will be many negotiations, analysis, discussion of figures, numbers and percentages, but we are not simply talking about figures, numbers and percentages. This is the political project the Commission wants to put forward for the future of Europe.

This is the first MFF for 27 member states, bound together by solidarity which began at the beginning of the process. It has been prepared by way of a very inclusive process, involving open public consultation during which more than 11,000 responses were receiving, talking to beneficiaries of EU funding, Members of the European Parliament, member states and national parliaments, Commissioner Oettinger, the Commissioner with responsibility for the budget, and travelling to all member states to engage. This political process which has been brought along by the Commission’s White Paper, various reflection papers and papers from the European Parliament has been accompanied by an in-depth spending review by the Commission of existing programmes because we want to learn from what has been done up until now, take the best from it and build on it.

The main messages from the Commission’s extensive consultations were clear. We need a stronger focus on European added value. Where can we do best when we pool our resources, whether it be in research, the digital economy, cross-border connections or dealing with the challenges Europe faces from migration? In addition, what can we do better, given we cannot do it as individual member states, whether it is in regard to fusion, energy or space?

We need a more streamlined and transparent budget. The Commission’s proposal reduces the number of programmes by more than a third and brings fragmented funding together into new integrated programmes, for example, for the Single Market by bringing together the support for small and medium size enterprises through COSME, along with statistical and health programmes, and streamlining the use of financial instruments. “Less red tape” is a constant refrain but the idea now is to have a single rule book and to reduce the administrative burden, not only for the beneficiaries but also for the managing authorities, so we can facilitate participation in EU programmes and accelerate their implementation. We need a flexible budget. Unforeseen things happen and we need to be able to redirect expenditure both within programmes and between them in order to face challenges, whether those challenges come from economic shocks, migrations or natural disasters.

Overall, through a combination of additional contributions and savings, the Commission proposes the multi-annual financial framework of €1,279 billion in commitments over the period, which is equivalent to 1.114% of the EU 27 gross national income. This is pretty much comparable with the size of the current financial framework, when taken in real terms, and includes the European Development Fund, which gives support to developing countries that up to now have been outside the budget.

If we go back to the multi-annual frameworks from the late 1980s, one can see that the bulk of spending was on the traditional policy of the Common Agricultural Policy and that, little by little, cohesion funding grew in size and share of the budget. The current proposal streamlines CAP and cohesion funding, and while these remain very important policies which bring great added value and benefits to member states, it also takes account of new priorities which need reinforcement, such as research and innovation, youth and migration, to name just a few.

Of course, we are talking about an EU of 27 and we all realise and accept there is a gap. The United Kingdom's departure will lead to a gap of some €84 billion across the seven years, although this should be partly matched by new resources and partly by savings and redeployments from existing programmes.

There are key increases in priority areas, such as research, migration and youth, and also an increased emphasis on climate change and climate mainstreaming. The current multi-annual financial perspective dedicated 20% of expenditure to this and it will go up to 25%.

There are many innovations and new programmes within the proposals. The Commission made its overall communication on 2 May but all the proposals for all the programmes will be on the table by the end of this week and the final package is to be adopted on 14 June. While there simply is not time for me to run through all of them with the committee, I would like to focus on a couple of particular innovations. Digital Europe, which is not only about investment in the digital sector but also about upskilling European citizens in regard to the digital economy, is proposed to have a budget over the period of €9.2 billion. Invest EU will build on the success of the European Fund for Strategic Investments, or the Juncker plan. With a budget of €15.2 billion, it can mobilise more than €650 billion of additional investment across Europe and will provide advisory services and accompanying measures to support projects. With respect to the euro and EMU, it is important to strengthen the economic and monetary union, and the tools to do this must not be separate but part and parcel of the overall financial architecture of the Union.

Two new instruments are proposed - a reform support programme and a European investment stabilisation function. The reform support programme will have an overall budget of €25 billion and include a reform delivery tool to provide financial support across all member states for key reforms identified in the context of the European semester. A convergence facility will provide dedicated support for member states seeking to adopt the euro. Tailor-made technical support is given to member states on request for the design and implementation of reforms. It will build on the experience of the structural reform support service which has provided support for more than 440 projects in 24 member states in recent years.

There will be a new CAP delivery model, bringing operations together under a single programming instrument, the CAP strategic plan which each member state will deliver. It is proposed to have more flexibility and simplification. Direct payments will remain an essential part of the CAP but will be moderately reduced and better targeted, with a more balanced distribution of payments to be promoted through compulsory capping at farm level, with a view to redistributing towards small and medium-sized farms. The CAP will also have reinforced links with environmental objectives. It is proposed that there be a new crisis reserve to address crises generated by unforeseeable developments in international markets or by specific shocks to the agriculture sector. The innovation side, particularly in terms of agrifood, rural development and the bioeconomy, will benefit from an earmarked €10 billion within the Horizon Europe research programme.

In addition to trying to improve, streamline and innovate in our spending policies, the Commission would like to review the financing of the budget in line with the recommendations of the high level group on the future financing of the European Union, chaired by Mr. Mario Monti. The departure of the United Kingdom means that there will be no more UK rebates. Similarly, the rebates for certain member states will be phased out in order that there will be a level playing field. They will be phased out gradually over five years so as not to create a dramatic shock for those member states that have been benefiting from them.

Other changes include the fact that the collection costs retained by member states from traditional own resources of customs duties and so on will be returned to a figure of 10% from 20%. This will have an impact on some member states more than others, notably Belgium and the Netherlands which collect most of the customs duties. The VAT-based own resource will be simplified.

The Commission is proposing to find 12% on the revenue side of the budget through new own resources, which will allow for a reduction in traditional own resources, particularly the GNI contributions of member states. We will try to focus them on areas that align with policy. For example, a tax on non-recyclable plastics could provide part of the revenue. This is clearly linked with environmental policy. It would have the added benefit of encouraging member states to reduce their plastic waste and would, by bringing revenue to the budget, reduce their GNI contributions. If the necessary legislation was adopted, the relaunched common consolidated corporate tax base, CCCTB, would link the financing of the EU budget directly with the benefits enjoyed by companies operating in the Single Market. The Commission proposes to allocate a 20% share of the emissions trading system, ETS, revenues to the EU budget.

These new elements could, on average, contribute €22 billion per year, which would correspond to approximately 12% of EU budget revenue. The proposed reforms are about changing the way the budget is funded, not its overall size. The Commission would like to proceed with the next steps as quickly as possible, with a view to arriving at an agreement before the European Parliament elections in 2019. The intention, and it is one of the reasons the legislative proposals have been put on the table so quickly after the overall communication, is to ensure the new programmes can get off the ground as quickly as possible in 2021. We have learned from the experience of the 2014-2020 financial framework, where agreement came late in 2013, that the first year was effectively lost in terms of implementation, which is very negative for the overall policies and for the individual beneficiaries.

I stress the importance of EU added value in the new proposal and the aim of the Commission to modernise and focus policies to build a prosperous secure and cohesive Europe.

Chairman: I thank Ms Brown for that overview. I call Deputy Durkan.

Deputy Bernard J. Durkan: I welcome our witnesses this morning and thank Ms Brown for explaining the information on the forthcoming multi-annual financial framework. It is a significant area of responsibility. It is a huge document, which is very difficult to go through in any amount of detail in the space of a meeting. I agree there is a time for changing budgetary strategy. This is the time for the change, which had to come. I am a bit concerned about the reduction in the CAP because that affects this country more than most others. Car manufacturing and engineering is to Germany, Italy and a number of other countries what agriculture is to Ireland. Agriculture is our gold standard; it is what helped us recover when financial institutions all over Europe went down a few years ago. The agricultural sector recovered because it is self sufficient. It sources 90% of all its inputs at home, with a few exceptions, and for that reason it is important. I know from the indications already that there will be trimming of the Common Agricultural Policy at the higher levels and this is to introduce a greater degree of fairness. Generally speaking, that will be acceptable. The danger is it might set in train a theme that we might be able to survive without agriculture. We would not survive without agriculture. We must ensure agriculture throughout Europe is supported for a variety of reasons, including the environmental reasons, which we all know about; the economic reasons, which we all know about; and the need to have a major food producing sector in the community of approximately 500 million people. Any deviation from that will cause problems.

I know that in modern marketing everybody will say that one can source food elsewhere. That is the policy in the United Kingdom. It always had a cheap food policy, sourcing food anywhere. That is probably one of the reason that it wishes to move away from the European Union. I think it has made a mistake but we will have to live with it.

The next position is moving towards innovation and technology. We need to recognise in a positive way the potential for smaller countries, in particular, of innovation and technology by offering the supports that are necessary. There is no reason in the world that the European Union cannot have the most sophisticated educational and innovative systems in terms of the use of modern methods and technology to source and boost industry and to boost production. There is no reason we cannot continue in that direction into the future.

Ms Brown mentioned research which is one of the key areas we should explore and exploit to the best of our ability. We should not be ashamed of it. Over recent years, when many people were sceptical about our ability to survive in certain circumstances, we showed in our own modest way in our own economy that we have a major contribution to make. We proved that we were well able to survive by relying on our educational system, on research and on innovation, in conjunction with agriculture.

I am concerned that more emphasis is not being placed on the implications of the post-Brexit situation for a number of countries. I believe the island of Ireland, in particular, will suffer greatly as a result of Brexit. That does not mean we will become impoverished overnight or something like that. It means our potential may be curtailed to some extent. It will take us some time to catch up again. I am referring to this part of the island and to Northern Ireland. As we move towards the actual departure of the UK from the EU and its implications, I wonder whether it might be wise to place a greater emphasis on the supports that might be required in Border areas and in Northern Ireland as a result of what is now taking place. It may be the case that we will be able to see this much more clearly a year or two from now. Much will depend on what happens between now and 2021. If it does not work out right from our point of view, we will have a lot to lose. The EU has a great deal to lose as well. I would like to see a greater recognition of the potential danger in this area. Some provision should be made to cater for it.

Deputy Seán Haughey: I thank Ms Brown for her comprehensive explanation of the EU budget. Deputy Durkan mentioned the CAP, which I understand is facing a 5% reduction. Ireland is always going to have concerns about anything to do with the CAP. As CAP payments comprise approximately 75% of total farm incomes in Ireland, any reduction in subsidies will have a serious detrimental impact on thousands of farmers and their families. Obviously, reform is always welcome and necessary, but we would be concerned about the direct impact on the incomes of farm families in this country.

This budget is being framed in the context of the Brexit process, which is under way. The Taoiseach has said that Ireland would be happy to increase its contribution to the EU. It has suggested that this increase might be as much as €3 billion. I wonder what the officials' understanding of this issue is. Are increased contributions from member states part and parcel of the budget? What are the chances that member states will agree to this?

The "projects on the Border" exhibition, which came to Leinster House a few weeks ago, is funded by PEACE and INTERREG. Deputy Durkan touched on the concerns that exist with regard to the Northern Ireland peace process. It is important that funding continues to be provided for these projects. I would welcome any clarification in that regard.

The witnesses mentioned the common consolidated corporate tax base, which always sends a shiver up the spine in this country. I ask them to explain this further. Are changes in our corporate tax rate envisaged in the context of this budget? Any clarification that could be given in this regard would be welcome.

Chairman: The next speaker, Deputy Brophy, is the Chairman of the Committee on Budgetary Oversight.

Deputy Colm Brophy: I endorse my colleagues' points about the CAP. I would like to highlight a couple of aspects of this issue. It is absolutely vital for member states to realise that funding will have to be increased. The Irish Government has been clear on this issue and has led on it. If we want to pursue the 80:20 proposal, the agreement of all member states will be needed. It is really a question of priorities thereafter. Most member states are willing to accept that the curtailment of certain existing policies is necessary. In terms of funding, questions arise around security, migration and youth employment. There is one area in which I have a real reservation. I believe the single biggest threat to the Union, notwithstanding the daily headlines on extremism and so on, is youth unemployment and the manner in which the European Union will deal with the next generations who have no memory of war or the concept underpinning the foundation of the European Coal and Steel Community which subsequently became the European Economic Community and European Union. The balance is still wrong and while the increase in funding for this area is to be welcomed, I would prefer a much greater emphasis on this issue.

As the negotiations proceed, we need to define what we mean by the funding of migration, the structures the EU wants to put in place and security in that context. While certain measures fully fit and are in harmony with our interests, in other areas Ireland will need to seek an agreement with the Commission to ensure neutral member states such as Ireland do not have a problem with certain aspects of EU funding. Perhaps Ms Brown will address this balance between some of the newer priority areas and the reason we are not seeing an even greater increase in funding to tackle youth unemployment, which could fundamentally undermine support for the EU across a host of member states over the period of the framework for this budget.

Deputy Danny Healy-Rae: I thank Ms Brown for attending this Oireachtas meeting and for being informative. In the part of Ireland I represent, small farmers and part-time farmers must be protected. There would be no life to be had in very rural regions if farmers were not compensated or given funding. They have depended on the funding they have received over the years from the EU. I certainly hope their support will not be cut in any way. They cannot afford their income to be reduced any further. We must remember that these payments from the EU are compensation, not a gift. It is compensation for not being paid properly for their produce in the first place. Ms Brown spoke of more flexibility for medium and smaller farmers. Will she delve into that a little bit further or explain how it will happen? We cannot cut the support for these people. There is no room for cuts there.

Many suckler herd farmers will leave the sector in the next few years. If we do not have the calf, then we do not have the heifer or the bullock down the road. Traditionally the farmers in Kerry, west Cork, Mayo and Clare supply the weanlings. They produce very good animals and they are very good at it, but they are not being paid or rewarded. Some of these farmers are barely existing. Costs have risen and the price of the beef has not increased. At Castleisland mart back in 1984 or 1985 weanlings made £720. The very same type of weanling in recent times has only made €750. We all know that costs have risen since that time. We see what is happening daily with rising fuel costs, which affect every farmer.

The other thing we worry about is food and beef coming in from countries where standards are not as high and where it is produced more cheaply because it is not produced to the standards our farmers produce it to. I firmly believe Irish farmers cannot survive without financial assistance from Europe but in tandem with that I believe Europe needs Irish farmers. They provide a safe and well produced product to a high standard.

The other worry I have is Leader funding. I do not know if the witnesses are aware of the changes that have occurred in the way the Leader funding has been administered, or is not administered, in certain areas. For 25 years, there was a bottom up approach and the development companies, which were not politically aligned, dealt very fairly with rural areas and provided the necessary funding and assistance that was needed to keep rural communities in existence. I am worried about the way it has been aligned with local authorities. Local authorities do their business very well but I am worried that they will cater more for the centres with greater populations. I would like it if the witnesses would address that concern because the way we administered the Leader funding over the years was highly regarded and I wonder what Europe thinks of the changes that have taken place where the funding is administered through the local authorities. Are the witnesses concerned about that?

Chairman: I call Deputy Michael Collins.

Deputy Michael Collins: I thank Ms Brown for her presentation. Deputy Danny Healy-Rae has spoken about a lot of the issues that would be of serious concern to the people I represent. I would go back to the programme for Government negotiations about two and a half years ago. I remember being at the table with the then Minister for Agriculture, Food and the Marine, Deputy Coveney, who I always said was the best negotiator of the whole lot who were there, but we did not agree on the single farm payment that was being distributed to farmers in Ireland where some farmers were getting €150,000 but with more only getting €2,000 to €3,000. It got so heated one night, and we had a lot of late nights, that we both had our hands, or maybe fists, on the table, fighting our own corner. I was always of the belief that no farmer should get more than €50,000. He was totally against that at that time but that is the road that has been travelled. I hope it continues that way and that the money that will be saved will be distributed to the smaller farmer and not percentage wise, because it sounds good on the basis of percentages, but some poor fellow might end up only moving from €2,500 to €2,800. We have to protect the farm families which do not feel protected by the EU at the moment. They are totally dependent on payments for survival. This is an ideal opportunity to set that straight. For many years, the situation faced by those families has been extremely unfair and it has put a lot of them out of business.

We have to look at part-time farmer as well because most of the part-time farmers I know would love to work on the farm all day but they cannot afford to do that. They are forced out to work. They are working late nights and early mornings on the farm and then they go out to work for part, or most, of the day. They have to be protected and we have to reduce the high level of payments to a normal level and try to help as many as possible to survive going forward. In the past seven or eight months there was little or no compensation for a lot of farmers in dire circumstances where animals were literally dying because of the lack of fodder. There is a need to have available an emergency fund that can be accessed more easily in extreme circumstances. We should also try to get young farmers off the ground and started. A lot of them do not see a future in agriculture and the CAP negotiations are a time to set the record straight.

One other issue is food safety. We must ensure all food being imported into the European Union has the same level of traceability. The Mercosur deal is an extreme worry for Irish agri-

culture, but it should also be an extreme worry for many other EU countries because traceability is a big issue that needs to be focused on in the future.

Deputy Danny Healy-Rae mentioned Leader programme funding. There is no doubt that rural communities benefited tremendously from it under previous programme and the funding was distributed fairly as best as possible. Sadly, changes were made that were detrimental for rural communities. A lot of new rules and regulations have been put in place that have made it extremely difficult for ordinary voluntary groups to access draw down funds. The programme will end at the end of next year, but it is only now that the money is starting to drift towards communities. Unfortunately, it is out of the hands of the voluntary sector and in those of the political system. It is like a slush fund for Deputies and councillors who are notified before anybody else. They all run out to give the good news to the community, saying they have obtained €100,000 for their constituents, but that is not what Leader funding was meant for. The system was changed and included in the political realm. That was the biggest mistake ever made and the European Union should have stepped in. Alarm bells were ringing that it was the wrong way to travel, but the European Union still allowed it to happen. We often hear in this country that there are certain things we cannot do because of the European Union, that it is instructing us not to do them. It was certainly instructing those involved not to do this, but they still went ahead and did it. They can certainly do things if they want to. I do not agree with the system now in place. As I said it is completely political. It should not have gone political and I urge the delegates to tell the powers that be that this is the case and that we need to address the issue, as well as easing access to funds and cutting back on red tape. Funding from the European Union under the Leader programme is the life and soul of communities.

Deputy Éamon Ó Cuív: I apologise for being late. I had to attend another meeting downtown.

I thank the delegates for the presentation, but I have a cynic's view. I have been hearing about the simplification of European Union rules for 20 years and will hear it for the next 20, but it never happens. I will not say anything further.

The delegates are probably familiar with the saying, "whistling past the graveyard". It means putting the best face on a bad situation. I was fascinated by the line that "the new budget is an opportunity to shape our future as a new ambitious Union of 27 bound together by solidarity. With today's proposal we put forward a pragmatic plan for how to do more with less." I cannot think of too many ways to do much more with much less. We have to make sure those who benefit from the schemes we think are beneficial receive the exact same money and more. That is why I am going to ask a few pertinent questions.

Down the road we will get to the details of how the money will be spent. As I understand it, at this stage the focus is on how much money will be spent and the big frameworks under which it will be spent. We will then have all of the figures for how much will be spent in the various sectors, including agriculture.

Ms Brown referred to "own resources", including a 3% call rate applied to the new common consolidated corporate tax base. What effect will that have on our corporate tax rate if it is introduced? Second, how much is it expected will be collected from non-recycled plastic packaging waste? My suspicion is that, with the ingenuity of industry, the minute this is introduced, it will disappear. It is a bit like when we introduced emissions taxation on cars and we lost a lot of tax as a result because the companies moved away from high emissions to low emissions - some honestly and others a little dishonestly, but they did it. As Ms Brown knows, tax collected on

cars post-2008 is much lower than it was pre-2008, even if they are the same engine size. How much does Ms Brown believe will be collected from that?

I want to ask about the bigger financial scene. I hear people in this country proposing that Ireland and other countries would increase their contributions to the EU so we would get more money for CAP. It seems an inefficient way of using our money. It is a bit like producing electricity in the west of Ireland, bringing it over to London and then bringing it all back, even though there are line losses that occur in pure transmission. At the moment we are net contributors to the EU and we pay in more than we get out. For every €1 we pay in, we get something like 90 cent back, and if we pay in €1 billion, we only get €900 million back, if the same rules apply, so there is the first 10% loss. However, for every €100 million extra we put in, how much will go to agriculture and how much will go, for example, to defence? Some of us have moral objections to this promotion of the arms industry, which is not really about defence and is more about attack. What percentage of that €100 million would go to agriculture, which is where we want the money spent, and not to funding massive armies, which is a concern for some of us who do not see that this is the way to bring peace to the world?

If I am right that we would be lucky to get €50 million per €100 million back for agriculture, would it not be better for us to have a higher level of co-funding because there is really no limit in that area? When I was a Minister, only 25% of European money had to be put in and one could put in as much as 75% of one's own money, and there was effectively no limit to how much of one's own money was put in. My question is whether it would be more efficient for us, if we want to put in another €100 million or €200 million to make up the shortfall, to put it straight into the Exchequer. This is particularly the case for Leader because, if it was put straight into Leader funding, we could run Leader continuously and, rather than having this seven-year cycle where we run it for four years, stop for three years and then start again, we could run it for seven years after seven. In money transmission terms, would it not be better to hold onto the money here and use it to have a higher co-funding ratio, rather than giving it over to Brussels and only getting a very small percentage of it back?

Chairman: I ask Ms Brown to give an overview of the comments that have been made.

Ms Jennifer Brown: I thank members for the questions and I hope I will manage to address all of their remarks.

There are a couple of overarching issues which are important to recall. One is that there is a pot. How big it is will ultimately be decided in the negotiations with the member states. It is clear that with the departure of the United Kingdom there will be a gap compared to what we currently fund. Some of that must be filled by making savings and some will be filled by finding additional contributions. The overarching result of that will be subject to the negotiations with member state governments.

With respect to youth employment and other policies, I did not touch on this specifically in my initial remarks but it is a very important part of the Commission's proposal. It is proposed to increase the funding for youth employment by 2.2 times its current total. The youth employment initiative is now integrated into the European Social Fund+ or ESF+, but youth is a very important part of that. There is also an increase for ERASMUS, which is a very significant programme for young people. Investing in people is to the forefront of the ESF+.

On whether some of the programmes will continue, crucially for Ireland the PEACE II programme will continue under the current management system because its importance is very

clear. Leader will also continue.

With respect to the structure of the Common Agricultural Policy, CAP, the idea is to allow for increased national co-financing. At face value, EU involvement in CAP will be reduced by 5% because, as I said, there will be one less contributor to the pot. The ultimate overall level of the budget to be agreed by the member states will be affected. Within that, there is a need to ensure that the lowest incomes are supported because it is clear that farm incomes lag behind those in the rest of the economy. The rural community plays a vital role in ensuring not only the continuation of rural communities, but the protection of our environment. The basic elements of the CAP, as a policy that works, will not change. Elements such as basic income support for sustainability, redistribution of income support and support for young farmers will stay. What will change is the delivery mechanism, with more subsidiarity for member states to create strategic plans. There will be more flexibility between the two pillars of the CAP, that is, direct payments and rural development. Member states will also be able to see how they would like to structure the process, which is not currently possible.

With respect to the consequences of Brexit, we are still in the negotiation phase and until we know the final outcome it will be difficult to make pronouncements. A number of mechanisms are built into this proposal, some of which already exist, and we will try to build on them. These will be available to help any member state suffering economic challenges. They include the European Globalisation Adjustment Fund, which has increased to €600 million a year, and InvestEU and the guarantee of loans possible through that.

Food safety remains a very important issue and is now included in the security heading of the budget. On the revenue side, it is important to remember that the Commission proposal concerning the corporate tax base is still under discussion. It is something that is ultimately decided by unanimity among the member states. First, it must be remembered that it is not the rate that is proposed to be harmonised but the base, which would first have to be decided by unanimity. Any legislation related to own resources and the financing of the EU budget is also decided by unanimity. I believe there are a couple of steps that we have to take before this would become part of the financing. Nevertheless and as is the case with the plastics proposal, we try to align our proposals for financing with policies. The best success of the plastics proposal would be that there would be nothing collected because there would be no more plastic waste. What we are trying to do is to align the revenue side of the budget with the expenditure side and protection of the environment is a very clear priority. The difficulty is how to increase the funding for priorities, while maintaining the important policies of the Common Agricultural Policy, CAP, and the policy cohesion which are so important to many member states and have played such a vital role. Again we return to what is our ceiling and what can we do within it and whether can we do more with less, which is a challenge. On the one hand, we have growing priorities, including research, youth, climate change and migration, as well as the traditional priorities. We have to try to match what can be done within the overall availability.

I hope I have addressed everything, but, please, remind me if I have not.

Deputy Colm Brophy: I would like to come back in on one matter, on which I did not touch in my earlier contribution, in relation to the Common Agricultural Policy. My major reservation - I disagree with Deputy Éamon Ó Cúiv, for whom I have great respect - is the notion that the European Commission is pushing allowing this to devolve to member states and increasing flexibility, as outlined in the reply of Ms Brown and also specifically in relation to the top-up which would be a charter for the dismantling of the Common Agricultural Policy in the long term. What one is effectively saying is that we will opt out and have a minimum pay-

ment and that member states can do it. The obvious implication is that wealthier member states will be able to progressively support their farmers and on a far better level than poorer member states. Eventually in the round after this, perhaps in five years' time, somebody will say the last time we cut the figure by 5% and the member states that were able to afford it topped it up by 10%. Therefore, we will do it again. What we will end up with after a series of two or three EU budgets is a situation where the concept of equality and having a level playing field under the Common Agricultural Policy, under which European farmers are supported on an equal basis to drive up incomes, will effectively be undermined. What we will then have is disparity where farmers in wealthier member states will become much wealthier and farmers in poorer member states will become poorer. That is a real risk. Therefore, I caution against any move by the European Commission or member states to go down that route. If we do go down that route, we will need to be very up-front and say the CAP, as it stands, will not play a part in the future of the European Union, that it will be a member state top-up, with a cap as an anchor point but not at the heart of it.

Deputy Éamon Ó Cuív: Unfortunately, since 2010, when inflation is taken into account, we have seen a massive decrease in European funding under the Common Agricultural Policy, CAP, and all the indications are that this will continue. As well as that, it is my understanding that, as of now, farmers in eastern European countries do not receive the same payments as those in western Europe. There has progressively been an effort to push the money eastwards on the basis of equality which I can understand under the CAP. We are in the wealthy league because we are net contributors. If we could put the money in and ring-fence it with a cap for Ireland, that would be handy dandy, as it were, but we cannot, and that is the problem for us.

Ms Brown did not really answer the question. For every billion euro increase in the budget what percentage goes into the CAP? I have been trying to get information on how much money we have got since 2010 for infrastructure. The Department of Transport, Tourism and Sport could not give me the figure. The Minister wrote to every agency to try to get the figure. I was a bit surprised but that is the way he works. The figures that came back were quite trivial compared with the expenditure on motorways and railway lines in that period. That tailed off over time. Our main source of finance from Europe is the CAP. Will the witness tell us per billion euro put in what percentage comes back out in the CAP? That has to be a factor. If farmers are given a choice between €100 million out of €100 million or €50 million out of €100 million, and I know farmers in the west can count, they will certainly go for the €100 million out of €100 million. Maybe farmers up the country are different.

Deputy Bernard J. Durkan: I support my colleague, Deputy Brophy, on the renationalisation of supports for agriculture. That would be a disaster for this country and for all other small countries throughout the European Union. The purpose of the CAP was to level off, provide food for a growing population in Europe, and provide continuity of supply at a high standard. That has worked very well. To go off on a tangent and decide that each country should support itself would be an appalling short-term policy disaster. As time goes on, if we mention that often enough, someone will take us up and tell us that if we want that kind of thing, we will get it. We should be very careful about that.

This country has benefited greatly from membership of the European Union under virtually every pillar. Successive Governments have used the money well. There will always be people who say it should have been done better or there should have been more emphasis on something else. That is the way it always was and will be. Speaking from memory, our gross domestic product, GDP, in 1988 was way below the average in the European Union, which in turn was

way below that of the United States. The European Free Trade Association, EFTA, countries at that time were well ahead of us with an income *per capita* three times that of ours. There has been a transformation in this country in the meantime. We do not notice things that are going well and we do not seem to emphasise them. They did well, however, and the country did well as a result with the support we got from the European Union, albeit in return for payments into the European funds. We got more back. That is the purpose of the European Union, to bring the level of development within the Union up to a certain standard so that the Union became more efficient, more self-sufficient and fairer. It has done that.

Sometimes I hear versions of the common consolidated corporate tax base, CCCTB, as being of benefit to Ireland and so on. Everything is of benefit provided everybody does it and recognises what happens. It is like the financial transaction tax, the Tobin tax. Everybody in this country will say it is a great idea and that we should get a fair chunk of tax from all those wealthy transactions. It is of no benefit to us, however, unless everybody across the globe does it, for the simple reason that those who will gain most from it will gain more than they ever did before by virtue of scale. We need to be very cautious about how far we go down the road and that we do not find ourselves collecting taxes, for instance, on profits made by multinational corporations in other European member states and non-member states. That is one of the things looming ahead of us. There is a court case pending in respect of Apple at present. We have to look after our own business to the best of our ability. That means we need to be treated fairly and we need to recognise that everybody is entitled to be treated fairly as well. To go off on a tangent with some idea that we are alone in this is not useful.

There is a growing notion across some European countries that going back to the old ways and days might be better than what we have experienced over the past years. That is a load of rubbish and anybody who has learned about European history, as I am sure everybody here has, will know that over 1,000 years, the biggest single peace initiative ever on the globe was the European Union. I think we take it for granted. It has little hiccups from time to time but it is still without any shadow of doubt the biggest single barrier to war. It is not many years back that 60 million people died in the last major conflict. The European Union has done a lot. Its focus has moved away from that but we do need to be careful that we do not start improving the roundness of the wheel. There are always a few people around who think they can do that. It started off as a rough multi-angular shape and then it became a round wheel. Several people since then have tried to make the wheel more perfect in its roundness but it does not happen that way and will never work. We need to recognise that we are all in the European Union for a purpose, namely, to bring ourselves along together, support each other and recognise that together we go forward and united we stand.

Chairman: With those words of wisdom, I invite Ms Brown to have the final say.

Ms Jennifer Brown: To provide a couple of clarifications, there is no national top-up on direct aid. The co-financing is in the other areas.

Deputy Éamon Ó Cuív: Could Ms Brown be more specific?

Ms Jennifer Brown: There is no specificity for the revenue coming into the budget. The budget must always be in balance and the expenditure must be balanced by the revenue calls on the member states. We do not make a link, however, between one policy and one set of money coming in. Each is its own pool and they must balance. It is impossible to say that an extra euro spent by one member state will come back in a particular way.

The ultimate question, now that the proposals from the Commission are on the table, is how they will be taken forward in the negotiations to come. We hope those negotiations might conclude before the summit of the European leaders in May of next year, so that this project can go forward bringing the added value that we want to bring to the Union and the beneficiaries in the member states, and that we do not repeat what happened the previous time when there was a very long lead-in and it led to a loss of a year, effectively, in implementation and progress.

Chairman: I thank Mr. Gerry Kiely for his attendance and I especially thank Ms Brown who travelled from Brussels for the meeting. We appreciate the time and effort she gave. Members who were unable to attend due to other commitments will read back over the transcript of the meeting.

The joint committee adjourned at 1.15 p.m. until 2 p.m. on Wednesday, 13 June 2018.