Communication from the Commission setting out the Multiannual Financial Framework for 2021-2027 (COM(2018)321); Proposal for a Council Regulation laying down the Multiannual Financial Framework for the years 2021-2027 (COM(2018)322); Proposal for a Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management (COM(2018)323); Proposal for a Regulation of the European Parliament and of the Council on the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States (COM(2018)324); Proposal for a Council Decision on the system of Own Resources of the European Union (COM(2018)325); Proposal for a Council Regulation on the methods and procedure for making available the Own Resources based on the Common Consolidated Corporate Tax Base, on the European Union Emissions Trading System and on Plastic packaging waste that is not recycled, and on the measures to meet cash requirements (COM(2018)326); Proposal for a Council Regulation laying down implementing measures for the system of Own Resources of the European Union (COM(2018)327); Proposal for a Council Regulation amending Regulation (EEC, Euratom) No 1553/89 on the definitive uniform arrangements for the collection of own resources accruing from value added tax (COM(2018)328)

FINAL DOCUMENT

The Budget Committee and the European Union Policies Committee of Italy’s Chamber of Deputies, meeting in joint session, having examined, pursuant to the Chamber of Deputies' Rule of Procedure No 127: the Communication from the Commission setting out the Multiannual Financial Framework for 2021-2027 (COM(2018)321); the Proposal for a Council Regulation laying down the Multiannual Financial Framework for the years 2021-2027 (COM(2018)322); the Proposal for a Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management (COM(2018)323); the Proposal for a Regulation of the European Parliament and of the Council on the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States (COM(2018)324); the Proposal for a Council Decision on the system of Own Resources of the European Union (COM(2018)325); the Proposal for a Council Regulation on the methods and procedure for making available the Own Resources based on the Common Consolidated Corporate Tax Base, on the European Union Emissions Trading System and on Plastic packaging waste that is not recycled, and on the measures to meet cash requirements (COM(2018)326); the Proposal for a Council Regulation laying down implementing measures for the system of Own Resources of the European Union (COM(2018)327); and the Proposal for a Council Regulation amending Regulation (EEC, Euratom) No 1553/89 on the definitive uniform arrangements for the collection of own resources accruing from value added tax (COM(2018)328)

Whereas:

- The proposals put forward by the European Commission, which, following the withdrawal of the United Kingdom, are intended for a 27-member European Union (EU-27), refer to a seven-year budget cycle

(Multiannual Financial Framework: MFF) and envisage a level of expenditure, inclusive of the European Development Fund, amounting to 1.11% of the gross national income (GNI) of the EU-27, which is lower than the expenditure appropriated for the current 2014-2020 MFF (i.e. 1.13% of GNI, excluding the European Development Fund);

- The Commission's proposals include a reapportionment of the resources allocated to various programmes and a series of innovations to increase the flexibility of the MFF, as well as a partial reform of how the EU budget is funded;

- Specifically, the European Commission proposes raising the current funding for areas deemed to be of priority importance and as offering particularly high European added value (research, innovation and the digital agenda, young people, migration and border management, defence and internal security, external action, climate and environment). In order to offset the effect of the increased funding, the Commission also proposes a parallel reduction of the resources allocated to traditional programmes, namely the Common Agricultural Policy (CAP) and the Cohesion Policy;

- Under the proposals, the resources earmarked for the forthcoming CAP 2021-2027 would be reduced by between 12 and 15 percent at constant prices as against the budgetary period 2014-2020, a reduction that would significantly affect Italy. The resources for the economic, social and regional Cohesion Policy in the budgetary period 2021-2027 would also be reduced, in this case by between 6 and 10 percent, but the reduction would not adversely affect Italy;

- For the financing of the EU budget, the Commission is proposing to continue utilising the same three own resources as now, but to reduce from 20 to 10 percent the margin that Member States are allowed to retain from customs duties to offset their customs collection costs, and to simplify the VAT-based own resource;

- At the same time, the Commission is proposing to introduce three new own resources, namely: 20% of the revenue flow from the emissions trading system; a 3% call rate on the revenues accruing from the new Common Consolidated Corporate Tax Base (CCCTB); and a national contribution (0.80 euros per kilogram) to be calculated on the amount of non-recycled plastic packaging waste that a Member State produces;

- Finally, the European Commission, in light also of the UK's exit from the EU, is proposing the gradual elimination of all the budget corrections currently in place;

Considering that:

- The European Parliament has asked for the total value of the budget to be raised to 1.3% of the GNI of the EU-27;

- In the course of negotiations, which are still ongoing, differences of opinion over several issues have emerged among the Member States, beginning with disagreement over the total value of the budget itself, and there is little immediate prospect of a solution that would be agreeable to all sides;

- All the subsequent negotiating proposals, from the 'negotiating box' presented by the Finnish Presidency in December 2019 to the proposal submitted by President Charles Michel at the extraordinary European Council of 20 and 21 February 2020, are predicated on a lower EU budget than what the European Commission envisions in its proposal, and no settlement of this matter of divided opinion has yet been reached;

- In particular, President Michel's proposal would set the budget ceiling at 1.074% of the GNI of the EU-27;

- The initial proposals of the European Commission, along with the policy programme set out by the new President of the Commission, are based on the understanding that the European Union must be properly provided with all the tools and resources it needs to affectively address the new challenges of globalisation and increasing competition;

- As regards the forthcoming opening of discussions on the future of Europe, it is plainly the case that there is no credible path to reinvigorating the process of European integration by way of a shrunken budget that is too small for the policies and objectives to be pursued;

- Proper emphasis is placed, in particular, on the need to ensure the European Union is in a position to tackle climate change, which implies the conversion and adaptation of substantial parts of the economy and systems of production, as well as changes in some engrained everyday habits;

- Yet the achievement of the foregoing must not be allowed to jeopardise the policies and objectives that are still of a priority nature, notably the EU's traditional policies;

- More than ever in the past, the EU's budget decisions have now acquired strategic implications, and can even serve as a test of the strength of the will to strengthen the scope of European Union action at a time of widespread criticism and growing scepticism about the EU's ability to find appropriate and timely responses to certain challenges, beginning with the economic and social aftershocks of the worst economic and financial crisis of the post-war period;

- Quite clearly, many of the problems that are emerging at a European and at a global level cannot be left to the responsibility of individual Member States, and must necessarily be addressed through concerted and coordinated action by the European Union, not only because the size of the problems demands it, but also because it is necessary to prevent the inequalities and gaps within the Union from widening any further than they have already done in recent years;

- Taking note of the information and opinions that our Committees received in the course the hearings;

Acknowledging that participation in the political dialogue requires that this document now be forwarded to the European Commission, the European Parliament and the Council,

do hereby express:

A FAVOURABLE ASSESSMENT

With the following qualifications:

a) The budget size proposed by the European Commission for 2021-2027, as was emphasised both by the Italian Government during the negotiations and by the President of the Council of Ministers' on the occasion of a speech he delivered to the Houses of Parliament on 19 February 2020 ahead of the extraordinary European Council meeting of 20 and 21 February 2020, is the bare minimum needed if the new priorities are to be funded without compromising the efficacy of traditional policies. At the same time, however, in view of the unpredictable nature of certain critical factors, an appropriate degree of flexibility is required for the multiannual budget to be able to respond adequately and promptly to possible future natural and social emergencies. With respect to this latter requirement, the mid-term review of the budget must be maintained because to eliminate it, as some countries have been demanding during the negotiations, would deprive the EU budget of its most important adjustment and updating mechanism;

b) Reducing the size of the financial envelope allocated to traditional policies is not acceptable in any case. In particular, agriculture cannot be deemed either obsolete or marginal as it is a sector that comprises a large number of economic operators, who are already facing pronounced market volatility and the fallout from global trade tensions. Not only does agriculture have implications for the life and health of all citizens because it determines the quality of food, but it also safeguards and nurtures rural areas and communities;

c) With reference once again to the Common Agricultural Policy, we are not in favour of retaining the external convergence mechanism (i.e. the gradual realignment of the value of payments per hectare towards the EU average), which we believe is inequitable and unjustified both from an economic and from a social standpoint;

d) Likewise, reducing the funding for cohesion policies would not be consistent with one of the fundamental objectives of the Union, which is to reduce economic and social disparities between its regions;

e) Nor do we concur with the proposal to introduce macroeconomic conditionalities into Cohesion Policy because freezing structural funds for countries that fail to comply with the EU's macroeconomic parameters runs the risk of pro-cyclical effects that would harm the most fragile Member States. More worthy of consideration, by contrast, would be the introduction of conditionalities that not only promote upward convergence of social standards in the EU but also discourage unfair competition between Member States;

f) We welcome the European Commission's efforts to find substantial funding for a number of objectives that it has deemed as being of priority importance, as having high added value, or as being particularly well suited to boosting European competitiveness (research, training, innovation and the digital agenda, young people, migration and border management, defence and internal security, external action, climate and the environment). In particular, an adequate financial envelope is needed for virus

g) Europe, the EU framework programme for research and innovation, which may entail increasing the relevant budget appropriations to the level requested by the European Parliament;

h) With respect to the EU's own resources a more in-depth and broader consideration of the matter is necessary, given that the ongoing negotiations seem far from reaching a solution acceptable to all, but, in view of the proposals advanced by the European Commission, it also seems absolutely essential to retain the VAT-based own resource. As regards the question of new own resources, it is to be hoped that fresh sources of revenue, which might consist of a financial transactions tax (FTT) and a web tax, will not only enable the EU to rely less on the contributions of Member States, but will also enable it to promote its priority policies, such as improving the functioning of the internal market and progressively harmonising taxes with a view to preventing avoidance and countering the phenomenon of dumping;

i) As far as the "European Green Deal" is concerned, we concur with the European Commission's efforts to make the fight against climate change one of the priorities for the immediate future and to allocate more resources than are currently available in the budget. That said, a legal framework needs to be put in place, notably with respect to the Just Transition Mechanism, which should guarantee an equitable sharing among Member States both of the burdens and of the potential benefits of new investments (which will clearly impact on the level of technological innovation), without penalising those countries, such as Italy, that have already made considerable efforts to comply with their decarbonisation obligations;

j) Taking also into account possible Coronavirus-related developments, there need to be adequate EU resources that can be allocated to help Member States manage emergencies and mitigate losses to their economy and system of production;

k) It is now vital that the Coronavirus emergency be tackled collectively and on the basis of agreed-upon strategies, for the spread of the virus and its potential impact on the economic activities and societal organisation of Member States cannot be clearly foreseen. Indeed, only a response agreed at EU level is capable of delivering an effective programme of action and coordinated management, and avoiding the risk of inconsistent and ineffectual responses. It cannot be ruled out that the virus may spread rapidly and over a large scale, exacerbating negative macroeconomic trends and triggering a global recession, which, inevitably, would have serious repercussions both for Europe's levels of production and employment, and for the debt positions of private entities and public-sector bodies. The measures to prevent the spread of the virus might bring a range of economic activities to a halt at the very moment the health system comes under enormous strain and needs to be able to rely on the availability of additional resources and structures that can be delivered in short order. Consequently, there is need for a loud and clear European-level message that will reassure citizens that the EU institutions, along with Member States, are fully pledged to taking whatever actions are needed to prevent and combat the spread of the virus, and to deal with its consequences. Against this backdrop, over and above the requests that individual Member States may submit to the

EU institutions with respect to the likely increase in their public spending as well as the decrease in tax revenue that a recession will bring, a decision has to be made now at the EU level to take immediate action, which may include adopting financial measures in order to cushion the impact of the emergency and stop the economy from falling into a downward spiral, also in view of any potential speculative attacks against Member States that are in a particularly parlous condition owing to the spread of the virus. With respect to this matter, a decision will have to be taken on the appropriation of extraordinary resources in the European Union budget, as well as on suspending, where necessary, or easing the current public finance rules (relating to net indebtedness and public debt) so that countries may shield themselves from the emergency and inhibit speculative attacks.