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Paving the final way for a historic EU response to the COVID-19 crisis

In July, the European Council reached a political agreement to make feasible the issuance of European debt of €750bn. This decision marks a monumental step in the project of (re)building Europe. The common fiscal response is a historically unprecedented move and addresses demands made in the resolutions adopted by the European Parliament (April and May 2020) which preceded the formal proposal of the European Commission. The additional resources of the Next Generation EU will be vital in order to relaunch the economy following months of confinement due to covid-19. The EU has supported member states both with fiscal (SURE, EIB, ESM, etc.) and monetary, through the new debt purchasing program of the European Central Bank, measures. However, this political agreement must now be confirmed through a legislative procedure in which the European Parliament will make efforts to review at least three fundamental aspects.

Firstly, the European Council agreement substantially raised the amount of national rebates for some member states at the expense of lowering expectations for the Multiannual Financial Framework (MFF) 2021-2027 and key programs for the Parliament, such as Horizon 2020 or Erasmus+. In addition, this agreement increased the amount of money available for member states through the Recovery and Resilience Facility, reducing the finance available in the Next Generation EU for Community programs. This translates into a dramatic reduction in the funding proposed by the Commission for InvestEU, Solvency Support, Just Transition, EU healthcare or foreign policy. In doing so, the European Council has cemented its position regarding the reduction of funding available for specifically European-based programs.

Secondly, the European Council has increased its key decision-making powers in terms of governance of the Recovery and Resilience Facility, which will now channel €672.5bn of the total debt issuance for the Next Generation EU. While the initial legislative proposal of the Commission left the Parliament with a minimized role, the agreement of the European Council has left the Parliament in a residual position. However, MEPs cannot allow one-third of the European budget (MFF and Next Generation EU) to be managed without democratic control. Therefore, I presume that the Parliament will have a clear, contrasting position regarding this point that must be negotiated before the end of the year with the Germany Presidency of the Council of the EU.

Thirdly, the Parliament is expecting to clarify the framework of European own resources in order to service the debt. The European Council has signed a lax and insufficient agreement which does not clarify the resources available for this purpose. The Parliament aims to eliminate any uncertainty regarding the resources available for European-based policies for the period 2028-34. This requires a strong position concerning the development of new European taxes that cannot increase the tax burden but must address current levels of fraud and tax avoidance. In addition, this requires the ability to tax more mobile tax bases at the European level in order to guarantee the efficiency of general tax systems.

In view of these circumstances, the Parliament welcomed the political agreement reached by the European Council. However, its formal approval faces new challenges. The Parliament has the power of veto on the MFF and full legislative competence on the Recovery and Resilience Facility. Thus, negotiations with the Council are pending, in order to consolidate all of these details and to pave the way for a true and significant European response to this crisis. ●