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Polish non-paper on the next EU financial perspective

In recent years the European Union has faced several challenges. The most profound manifestation of this was a referendum in the United Kingdom, when British citizens decided to exit the European Union. The EU also has new tasks arising from increased migration and the need to ensure security. Poland is aware of the challenges that EU is facing at present but the fact that we have new priorities does not mean that the old ones have become less pertinent. We need to **ensure conditions for the development of the EU as a whole**. Today the EU-27 devotes 1,05% of GNI for the MFF, but commonly agreed ceilings for own resources are actually higher. Therefore, there is still room for addressing the most pressing new EU priorities.

Poland is of the position that the EU needs future-proof budget, which supports the existence, the relevance and value of the EU in the future. The EU through its scale and soft-power can be an equal partner with other global players, which is a value in itself thus the EU budget should reinforce the unity of 27 Member States. The EU membership is a package consisting of a few elements, among others four freedoms of the single market as well as the EU budget. The EU budget is an indispensable instrument for achieving the goals that the EU stands for. The EU reforms should aim at fighting with Euroscepticism and strengthen the confidence in the European project. Their result should be acceptable for every Member State as well as for our citizens.

The cohesion policy and the Common Agricultural Policy (CAP) have proven their significance and adaptability in the process of the European integration, for instance by responding to the EU-wide challenges set in Europe 2020 strategy, or by addressing new climate and energy objectives. These policies **constantly confirm their strong European added value**. Efficiently managed EU investment policies are the best tools for further stimulating growth and jobs in the EU. These investment policies have their basis and objectives enshrined in the treaties and they have been closely interlinked with the EU single market so they could counter-balance some of its negative effects, especially for the least-developed regions. Implementation of the cohesion policy and the Common Agricultural Policy brings measurable economic and social benefits and accelerates growth in the beneficiary countries but at the same time throughout the whole EU.

The cohesion policy is a comprehensive long-term investment instrument that not only reduces regional disparities but primarily serves as a key support for growth and public investment in many Member States, where it has proved to serve the economic stabilization function over the economic crisis. It also enables Member States to adapt to the EU regulatory framework. While the EU sets high standards in the area of sustainable development, it should also provide financial resources for those who have the largest gaps to close. The cohesion policy offers an effective delivery mechanism to implement these priorities, alongside other EU-wide challenges related to demography, migration and security. Therefore, we believe that after 2020 this policy should be targeted at all EU regions, as it is at present. However, funds need to be concentrated on the poorest regions and Member States.

We firmly believe that the role of the cohesion policy is particularly important in the context of **globalization**. We should aim at adopting a two-pronged approach. Through supporting investments in innovation as well as improvement of skills of labour force we should be able to enhance competitive potential of the EU economy in the global context. On the other hand we should make use of existing instruments in order to counter-balance negative effects of globalization. At the same time we should refrain from introducing any measures that could endanger achievements of single market (e. g. dismantling of the EU state aid regime).

The CAP ensures level playing field for farmers and thus a workable single agro-food market by reducing the harmful race for agricultural subsidies. It is essential for the achievement of the EU's food security, food safety, environmental and climate objectives and it facilitates common EU position in a range of external processes including WTO, OECD, UNFCCC or FAO. Furthermore, trade agreements negotiated by the EU will increase the level of competition in agricultural EU markets in the future thus it will bring about costs of adjustment not least to meet high EU production standards. In this context, differentiation of direct support is no longer justified when all EU farmers have to meet the same standards and requirements. **Therefore, it is necessary to align the level of direct payments per hectare in the EU**. The work of every farmer serving to meet the objectives of direct payments should be equally rewarded. Any form of renationalization of the I pillar of the CAP is not desirable as this might jeopardize the internal market of agricultural goods.

Poland underlines the importance of both pillars of the CAP, including the financially strong second pillar, which contributes to development of economic, social and environmental-oriented activities in rural areas and enhances sustainable use of the natural resources.

The strategic objectives of the EU – such as the cohesion policy and the CAP – need to be funded at a level enabling their effective implementation. **The EU should maintain their funding at the unchanged level in relation to EU's GNI.**

The need for relative **strengthening of spending on EU external actions is understandable**. The structure of the EU budget in this area after 2020 should be adapted to the new challenges that the EU is facing and be aligned with priorities identified in the European Global Strategy, with particular stress on resolving root causes of migration crisis outside the EU and on increasing security in the EU eastern neighbourhood. Appropriate financial support is also required for improving protection of external borders and strengthening of internal security measures. The EU must have a common political vision of how to overcome the crisis and then apply it to the budget, not the other way round.

Any increase in programs supporting competitiveness, funded under current Heading 1a, should be connected with **assuring greater geographical balance** in the use of resources. Apart from this, it seems crucial to introduce additional criteria in the competition procedures in order to spread the use of these measures throughout the EU more fairly.

Considering the key role of multiannual programming and possible delays in the implementation of programs, Poland supports maintaining the current length of the MFF, i.e. 7 years. We should not undermine the logic that the MFF must ensure a balance between flexibility and long-term predictability of investment expenditures.

At the same time we support **strengthening of the flexibility available in the current financial perspective** in line with the approach adopted during the review of the current EU financial perspective, which means by modification of the existing mechanisms and taking full advantage of them. We think that payment appropriations related to the special instruments (Flexibility Instrument, EU Solidarity Fund, European Globalization Adjustment Fund, Emergency Aid Reserve) should be placed unequivocally outside the ceilings of the MFF.

We need to strengthen flexibility in the EU budget to deal with the current challenges, but in parallel in the next MFF the levels of commitments and payments ceilings shall be as close to each other as possible.

Our common goal should be to continuously **increase the efficiency of all EU expenditures**, so the initiatives aimed at further focusing the EU budget on results are very relevant. Better spending should be the overarching goal of all policies financed by the EU budget, both within shared management as well as centrally managed instruments. We have positive experience with new elements implemented under this agenda (like ex-ante conditionality), however they need to be evaluated and introduced on the EU-wide basis. In the future we should move away from the one-size-fits-all principle and focus on a greater adjustment to regional needs.

Bearing in mind critical conclusions of the European Court of Auditors[1], we are of the opinion that grants should remain a core form of investment policies support. Financial instruments have an important role to play, but Member States should be free to decide in what areas and to what extent they will be applied. Nevertheless, an additional analysis of the effectiveness of financial instruments used in different policies and instruments of the EU budget should be made in order to avoid competition between them and strengthen their additionality and effectiveness.

The **revenue side of the EU budget should be simplified**. Leaving the EU by the United Kingdom, while regrettable, provides an opportunity to establish a rule that the budget will function without any correction mechanism. Furthermore, Poland opposes introduction of any new own resources of a fiscal nature into the EU budget. We strongly reject proposals that would deepen the regressive nature of the EU own resources system.

Our decisions on all these issues will have an impact on the level of ambition of EU actions in the most visible way and will affect our citizens' quality of life. Therefore, they must be taken with great caution and responsibility. One of the key conditions to achieve this is to provide a stable and long-term framework for EU investment policy. Access to EU support should be simple and fast. We should also be able to **communicate more clearly to our citizens what are the achievements** of measures financed from the EU budget.

[1] Report no. 19/2016.