

PREPARING FOR THE POST 2020 MULTIANNUAL FINANCIAL FRAMEWORK (MFF) - ROMANIAN PRELIMINARY POSITION

The current paper presents the key elements of Romania's preliminary approach on the forthcoming post-2020 Multiannual Financial Framework, bearing in mind the ongoing evolving context at European level, as well as the expected role Romania will have to play in dealing with this major dossier as future EU Council Presidency.

I. General approach

In the spirit of solidarity, cooperation and compromise, bearing in mind the common European values and the EU interests, which needs primarily to facilitate the development, prosperity and security for all its citizens, **defining a common and timely agreement at EU level on the European Multiannual Financial Framework for the post-2020 period will send an important political message with regard to our capacity to further build consensus on the future EU path and on providing the necessary financial resources in order to accomplish our priorities.**

Especially in the current context, when skepticism is rising and citizens' trust in the EU is challenged, we should make sure that the future Multiannual Financial Framework is **a balanced reflection of citizens' needs across the entire Union, while ensuring the advancement of the European project.**

The negotiations will take place in an **unprecedented background**, provided by the impact that the upcoming withdrawal of the United Kingdom from the EU will exert on the future budget.

Maintaining the unity of the Member States is the backbone of the negotiation process that will ensure the delivery of an accurate financial framework, able to accommodate both the more ambitious projections, as well as the ground objectives and policies, which give more weight to our Union. **Sustainable prosperity for the entire Union means addressing different needs with proper tools**, while keeping the ones that have demonstrated their efficiency in the past.

Thus, while continuing to provide adequate funding for the achievement of the long-term European objectives, the future budget should also be able to offer a proper answer to the new circumstances. In this respect, **the size of the budget after 2020 will be key in the next discussions.**

It is, therefore, necessary to provide adequate resources to achieve our common priorities and objectives and to ensure a budget capable of responding effectively to the current and future needs and challenges at European level.

Romania is aware of the need for increased financing of the new challenges (i.e. EU external borders, security and defense, EU external policy, migration issues etc.), **while maintaining adequate resources for cohesion and agricultural policies.**

In light of the above, **Romania considers that the following elements should find their proper reflection in the Commission proposals for the next Multiannual Financial Framework, as well as in the subsequent negotiations:**

II. Definitions and concepts

Clarifying the conceptual issues and key elements is primarily important in setting the grounds for a constructive discussion on the future Multiannual Financial Framework. Ensuring **a common understanding on the main definitions and concepts** in the next MFF will contribute to integrating the different interests and objectives favored by the Member States into the Union's budget system, thus ensuring the coherence and the balance needed in this exercise.

- **The European Added Value** of public spending is indeed an important element in the design on the future budget, as **a matter of accountability towards the European citizens, which have to remain the main beneficiaries of EU financing.**
- Romania considers that the European Added Value finds its optimal reflection in the **contribution to strengthening cohesion and convergence within the EU**, to achieving the objectives related to growth, and competitiveness, as well as to deepening the single market and fulfilling the obligations arising from the application of the European legislation in line with the provisions of the EU Treaty.
- Therefore, **defining the European Added Value should take into account the important creative role that the cohesion and agricultural policies brought to the European Union.** Furthermore, the efficient implementation of the new priorities cannot be conceived in the absence of a continued financing of the policies that have proven their effectiveness in increasing economic convergence within EU.
- An important step will be **to agree upon the priorities to be financed from the next MFF**, taking into account the need for **further bridging the social and economic gaps** with instruments that have proved their efficiency, while **encouraging new solutions for the financing of the new challenges.**
- **Cohesion and agriculture policies have played such a major role in reducing development gaps**, ensuring growth for the entire EU and improving day-to-day citizens' lives.
- Nevertheless, there is a clear need to better adapt the EU budget to the new challenges. **An open and constructive debate on the best way to ensure their financing could be envisaged.**
- **Conducting a proper assessment on the overall functioning** of the current EU Multiannual Financial Framework can be a useful tool in orienting further decisions.

III. Major aspects

Cohesion policy

- **Evolution should prevail to any revolutionary approaches with respect to cohesion policy.** A shift in the pattern would generate essential changes in both programming and implementation, with a tremendous effect on the results of this policy, while becoming contrary to the principle of smooth transition between programming periods.
- More, **cohesion policy should continue to be focused on a limited number of thematic objectives and investment priorities**, as the experience of this approach in the current financial exercise shows that this approach is bearing fruits. As well, we believe that **more flexibility is needed in establishing the objectives funded at national and regional level**, while taking into account the specific needs identified by each of them.
- The investments triggered by the cohesion policy must **meet the development needs identified in all EU regions**: developed regions, transition and less developed regions, with a focus of resources on the latter.
- At the same time, we believe **that basic infrastructure in all sectors is still highly needed, especially in the less developed regions.** Maintaining this objective will ensure maximizing the potential created by the structural and investment funds, ensuring the sustainability of the funding, as well as the needed predictability for longer-term financing objectives especially with respect to less-developed regions.
- In order to ensure a more efficient use of the EU budget resources, we support the **alignment of the rules for all funds** (shared management and centralized one) for the programmes or projects of the same type.

- From the cohesion policy perspective, **the GDP per capita ratio is the most appropriate indicator for the classification of regions and for determining the financial allocation.**
- **A real simplification in the implementation of the cohesion policy** is needed in order to allow for a prompt response to the challenges posed by the ongoing gaps and disparities at EU level and for an efficient use of the available financial resources, also in favor of beneficiaries.

Common Agricultural Policy

- **Common Agricultural Policy (CAP) remains one of the fundamental pillars of the European Union**, for it contributes to reducing disparities and generating cohesion and economic growth throughout EU and has a substantial role in reaching the European objectives, both in the agricultural area and in connected areas as environment, climate and energy policies. Romania strongly supports maintaining the two pillars of the CAP and their proper funding: as regards the first pillar, we stress the importance of keeping the direct payments (without co-financing) granted to farmers in order to guarantee their income; a strong rural development pillar to contribute to ensuring the vitality of rural areas.
- **The EU needs a Common Agricultural Policy able to meet the challenges ahead** by being more efficient and contributing to a more competitive and sustainable EU agriculture. From this perspective, **a modernized and simplified two-pillars CAP post 2020 should act in a balanced way** in order to be able to supply food at reasonable prices to consumers, to contribute to the sustainability of rural areas, in particular by supporting income stabilization and encouraging investments and, last, but not least, to ensure adaption and proper crisis management. In consequence, further consolidation and simplification of the direct payments mechanism and the rural development measures are still needed in the post-2020 framework. Romania supports maintaining the Single Area Payment Scheme after 2020.
- However, **the revision process should avoid hindering the very essence of CAP**, which is to act as a Union-wide growth-generating tool.
- Deriving from its treaty-based objectives through measures such as nationalization and capping of direct payments will deter the policy's capacity to ensure an equal level playing field. From this perspective, measures towards **reaching convergence and uncapped direct payments are essential principles for reaching this objective. The convergence of direct payments is essential in reaching a fair single market in the agriculture area.**
- At the same time, **ensuring fair and equal access to finance for all European farmers** is a prerequisite for strengthening the competitiveness in all Europe and supporting the convergence and cohesions of all European regions.

EU budget functionality

- **Separate euro area budget** - From Romania's perspective, the EU multiannual budget should continue to respond to the need to support **the implementation of the political objectives throughout EU and should not create artificial cleavages between euro and non-euro Member States.**
- **Conditionalities related to the implementation of the EU funds** - Romania will, in principle, support the optimization of the relationship between the EU budget funding priorities and reform' efforts at national level in order to facilitate a more efficient, strategic and integrated use of the EU financial resources. **The future MFF should be based on positive incentives for all Member States in fostering their efforts towards reforms and development.**
- **Flexibility of the EU Budget** - during the last years, the EU has faced new challenges that posed difficulties in finding sufficient room in terms of budget flexibility. An increased flexibility could further be explored in the post-2020 perspective, in order to cover the financing of the future

unforeseen events. Nevertheless, increasing flexibility should not affect the need for predictability required by a result-oriented approach.

IV. Specific elements

Volume and duration of the next EU multiannual budget

- UK expected withdrawal, as well as the increased number of priorities to be covered from the EU multiannual framework **reopens the door to a discussion on the size of the budget**. From this perspective, Romania is ready to engage in a discussion on the circumstances under which the 1% GNI contribution key could be increased, while further ensuring a proper level of financing for cohesion and agricultural policies.
- The current MFF **timeframe – the 7 years period** - should be maintained, taking into account the need for ensuring long-term predictability of the budget and considering the timeframe necessary for reaching an agreement on sectorial legislation and for the approval of the operational programmes.

Financial instruments

- Romania will support the **optional combination of financial instruments** with non-reimbursable grants underlining the need for their use / combination to be decided by the Member States, in line with the internal reality of their financial markets.

EU budget's revenues

- Especially in the current European context, **a simplification of the own resources system** for the post-2020 Multiannual Financial Framework could be a suitable solution in order to put in place a more simple, transparent and fair system of own resources. We consider that Traditional Own Resources and GNI based own resource respond very well to these criteria. Romania is open to discussions in this regard in the context of the next proposals, as well as with regard to a new genuine own resource.