

The EU Multiannual Financial Framework 2014 - 2020

Polish position

The EU is experiencing an austerity paradox – some believe that money-saving measures on the EU level will help the EU to overcome the crisis. It is however, exactly in times of the crisis that we should rely more heavily on the EU budget, as working together allows for more efficiency and strengthens the single market.

Poland believes that the EU budget is an important source of European competitiveness. EU policies strengthen the European single market, from which all member states benefit. The EU policies have an investment character and are an important source of public investments. Certainly, the EU budget is not the source of the problem but should be rather seen as part of a solution to the economic crisis.

THE EXPENDITURE SIDE

Cohesion Policy

Poland welcomes the Commission's proposal in the field of Cohesion Policy, which is a good basis for further discussion. Cohesion Policy is the long-term economic growth oriented policy and helps to achieve the Europe 2020 targets. In this context, Cohesion Policy should **cover all the European Union's regions, with concentration of resources on the less developed ones.**

- Poland supports the view, that current system of support should be maintained, with necessary adjustments related to the regions which have surpassed the level of 75% of EU average for the first time in history. Poland makes the support for other transition mechanisms dependent on the outcome of negotiations regarding the envelope of Cohesion Policy for Poland.
- Poland does not support the Commission proposal of the sub-ceiling instead of the sub-heading for the cohesion policy. Due to the full pre-allocation of funds amongst Member States and totally different character of interventions, the sub-heading for cohesion is crucial and natural.
- Poland is in favour of maintaining the existing rules of eligibility for the category of less developed regions and the Cohesion Fund, and welcomes the proposal to keep the contribution of the Cohesion Fund at 1/3 of the total allocation.
- **Poland does not agree with severe reduction of the capping level.** In Poland's view, this is against the concentration of cohesion policy on the less developed regions and will slowdown the convergence process.
- Poland finds that the co-financing rates should not be lower than in the 2007-2013 period.
- Poland cannot agree with any form of suspension or cancellation of the payments of cohesion policy or II pillar of CAP connected with macroeconomic conditionality. Any possible sanctions could only relate to the future commitments. Moreover any form of suspension cannot relate to the final beneficiaries of the EU funds.
- Poland supports the ex-ante conditionality in order to ensure proper ground for the funds. Poland agrees with the Commission proposal according to which the failure of obligations of pre-specified conditions will lead to suspension of all or part of interim payments for particular operational programme, but this should not occur at the stage of its adoption. Moreover, the list of conditions and criteria for their fulfilment require the verification of their actual linkage with the cohesion policy and the final decisions on this matter should be made by the Council.

- Poland in general supports the result-based incentive mechanisms and performance reserve at the national level however indicates that this proposal should not lead to increased administrative burden related to the implementation of the Cohesion Policy. Poland also opposes the use of financial indicators as they can draw attention away from results being achieved and focus only on the level of absorption. Moreover Poland finds the loss of the resources from the national envelope resulting from financial corrections as unacceptable.
- Poland finds that the **VAT eligibility should be maintained** in the future perspective and harmonized by extension the current rules applicable for VAT eligibility in the Cohesion Policy to other programmes in shared management.
- Poland advocates stronger thematic concentration of Cohesion Policy funds, mainly in areas important for achieving the development objectives identified in the Europe 2020 strategy. However, Poland is against the top-down indication made by the Commission on the ratio of the resources designed for funding, thematic goals and investment priorities - the same for all regions of a given category, since the decision in this regard should be taken at Member State level, taking into account their specific areas, the needs and the practical aspects of implementation (including the legal and institutional national conditioning).

Infrastructure – 'Connecting Europe' Facility

Poland agrees with necessity of integrated approach to implementation of infrastructure projects, which are of key importance for the EU. Poland supports the Commission proposal for creating the Connecting Europe Facility as a good basis for further talks. Decision on proportion on financing of the three strands should be taken after the Council decided to change the financial envelope for the whole instrument. Poland reserves the right to change its position in relation to the financial dimension of the EC proposals for CEF according to the Danish Presidency compromise proposal for negotiating the MFF 2014-2020.

Poland strongly opposes the proposal to transfer EUR 10 bn for transport from the Cohesion Fund to the Connecting Europe Facility. In our view there are other, more effective means, to guarantee implementation of EU priority projects by Member States within Cohesion Policy, e.g. by including appropriate provisions in partnership contracts, which will allow for better coordination, coherency and effectiveness of the planned investments.

Common Agricultural Policy

Poland notes introducing of new additional tasks to CAP, while at the same time maintaining the previous budget level - this may lead to limited global competitiveness of EU agriculture and to transferring the part of production outside the EU, which would have adverse consequences, e.g. environmental ones.

- Poland finds that the **distribution of resources of pillar 1 should be linked to the policy objectives as it is to be applied in pillar 2.** Poland appreciates the Commission efforts on the convergence of direct payments and linking the mechanism with agricultural area, nevertheless perceives negatively the limited degree of equalization and *de facto* maintenance of diverse rates, based on historical intensity of agricultural production.
- Poland shares the opinion that direct payments after 2013 could effectively contribute to the EU environmental objectives, but to make it happen it is essential to complete a full departure from the historical criteria which favor regions and farms with intensive agricultural production.

Therefore Poland advocates to achieve **additional environmental effects on the EU level without increasing administrative costs, mainly by agri-environmental programs of financially**

strengthened pillar 2 and by more effectively implementing of the cross-compliance under pillar 1 (e.g. convergence of standards of a good agricultural culture GAEC and the way of implementation the directives) under the direct payment system can serve well to achieve this purpose.

- Poland finds worth considering the Commission proposal for the capping of payments (basic component only) to large beneficiaries (as it is in line with the aspiration of effectively fulfilling the Treaty objective for income in agriculture). Such system should however, take into account the level and costs of employment in large farms and should not lead to increased administrative costs. The MS should have more flexibility in deciding in which sector of second pillar use the generated resources.
- Poland **evaluates negatively the departure from the trend of financial reinforcement of pillar 2**, which was an element of all previous CAP reforms and supported well the active development of EU agriculture and rural area.
- Poland finds worth considering the proposal of incorporating EAFRD into a Common Strategic Framework (together with structural funds) and also into the Partnership Contracts between the Commission and each Member State. However, it should be ensured that the solution will not lead to increased administrative burden, resulting i.a. from the necessity of harmonization of the programming and implementation of the second pillar of the CAP with first pillar and other EU funds.
- Poland welcomes the proposal to allocate additional funds for research and innovation in the field of food security, bio-economy and sustainable farming within the Common Strategic Framework for Research and Innovation, as low level of financing proved to be the barrier for an increase of productivity of farming in the EU and worldwide.
- Poland does not have any objections to move the measures on food safety to the actions linked with the public health, provided that a principle of consultation the proposals on funding with agricultural services is maintained. Nevertheless, the proposed transfer of resources requires further analysis, especially in terms of the access to these resources.
- With regard to the support for the most deprived persons in Poland's view the best solution would be the continuation of the programme in the framework of the CAP (regarding the practical and operational reasons resulting from the existence of the best institutional practices). However, in case of eventual lack of ability of the implementation of the scheme under the CAP (e.g. legal constraints), the right place to implement the programme would be the European Social Fund as proposed by the European Commission.
- Poland finds positive extending the catalogue of market mechanisms including a mechanism for crisis response as a good initiative in order to meet changing market conditions in the agricultural sector.
- The enlargement of scope of the EGF and esp. the issue of linking EGF with CAP instruments requires further in-depth analysis.

Research and Innovation

Poland welcomes the establishment of one programme for research and innovation and a tighter link between the Horizon 2020 and cohesion policy, which should concern common rules for administration, financing and organization (i.e. common accounting methods, common list of qualified costs, uniform approach to account for VAT). At the same time, Poland highlights that excellence should not be the only criteria for awarding funds – the possibility of introducing the

product to the market (market potential) and “stairways to excellence” (i.e. research infrastructure) should also be important.

Competitiveness and SMEs

Poland welcomes the continuation of support for competitiveness, especially for SMEs within the new programme for competitiveness and SMEs. Poland remains convinced that greater use of innovative financial instruments will allow for better use of available resources. However this kind of instruments should be provided for low-risk projects while the high-risk ones should be funded from grants.

Education and Culture

Poland supports the proposal of the European Commission to increase funding for the new programme in the field of education, training, youth and sport.

- Poland is concerned about the merging of programmes “Life-long learning” and “Youth in action” into one programme “Erasmus for all”. The goals, scope of action and target groups of the current programmes are different. Hence, while integrating it is necessary to provide appropriate autonomy of the programmes (as an example one might consider the approach towards sport in the proposal of the Commission).
- According to Poland one should seek to include the countries of Eastern Partnership in the new programme in the field of education and training, including the activities that are the continuation of the current ERASMUS programme.
- Poland welcomes the Commission’s proposal in the field of culture and media, which will function as the “Creative Europe” programme and welcomes the “Europe for citizens” programme.

Migration and Internal Security

- Poland supports the proposed form for funding the aspects of migration management and internal security, however, Poland stresses the necessity of presentation further details related to the management and implementation of funds

External Action

Poland welcomes significant increase of funding for the proposed European Neighbourhood Instrument. While ensuring appropriate geographical balance, funds should be allocated according to the “more for more” principle.

Poland supports the creation of a separate instrument for cooperation with strategic partners, however notes that prior to adopting specific arrangements it is crucial to define the strategic partners that closer cooperation with will bring the greatest benefits to the EU. Poland has strong doubts with regard to the proposed Panafrikan Program and notes the significant decrease of support for Upper Middle Income Countries.

Poland shares the reasoning behind the decision to leave the EDF outside of the budget. Because of the specific character of the fund and because of historic relations between some MS and EDF partners, Poland believes that the EDF contribution key should remain unchanged. Moreover, the “more for more” and differentiation rules should also be applied to the EDF.

Administration

Poland supports limiting the expenses in heading 5 and invites the institutions to look for further savings (e.g. external agencies). However, those actions should not negatively influence the goal of ensuring geographic balance within the institutions nor the effectiveness of the European civil service. The issues of solidarity levy, the retirement age and salary adjustments mechanisms should be yet again put under scrutiny.

THE INCOME SIDE

Poland evaluates positively the reform of own resources of the EU budget and welcomes proposal to introduce the part of the revenues of the Financial Transaction Tax as an own resource since this is in line with the EU's solidarity principle. Poland supports also the abolition of the current VAT component and replacing it with the new VAT resource.

Poland is **against any of the corrections** in the revenue side of the budget.

HORIZONTAL ISSUES

Poland supports the seven years duration of the MFF and finds the proposed revision of the MFF reasonable only if it serves as drawing conclusions from 2014-2020 perspective in order to prepare the next one (for the years after 2020). In this context, 2016 seems to be too early and Poland proposes to postpone the revision by at least a year.

Poland supports the flexibility mechanisms that would allow for an appropriate reaction for unforeseen events without affecting the limits of the MFF, but at the same time will not support transferring of funds between headings. In particular Poland evaluates positively:

- supports increasing the allocation for the Flexibility Instrument to 1 bln € or changing the rules governing its use (more flexibility, roll-over of funds for the following years);
- all the proposed adjustment mechanisms, especially the technical adjustment in the cohesion policy (if needed be) with the appropriate resources for full adjustment of the allocations;
- remains convinced that the Emergency Aid Reserve, Reserve for crises in the agricultural sector, the Solidarity Fund and the Flexibility Instrument should remain outside the MFF;
- finds also that Global Climate and Biodiversity Fund should also remain outside the MFF, and if it were supplied with additional resources other than system of markers, its contribution key should reflect the member state's ability to pay;
- supports the Commission's proposal regarding the financing of ITER and GMES outside the MFF and establishing of the contingency margin;
- supports the Commission's proposal regarding the European Development Fund.

Moreover, Poland finds necessary to carry out more works on macroeconomic conditionality in the scope of spending resources, which should mainly focus on following aspects:

- depending on the course of negotiations - the need of ensuring the equality rule for all Member States;

- the establishment of a maximal and uniform ceiling according to which the financial sanction system at level of 0,2% of MS' GDP (which corresponds to increase of punishment in excessive deficit procedure) could be used to ensure the principle of proportionality;
- linking the macroeconomic conditionally with other types of conditionality is not acceptable, as it undermines the Council power to make a decision on suspension of the measures and interferes with the planned strategic review systems. Poland is against admitting the Commission the right to suspend the commitments and payments and making the recommendation for changes in partnership contracts and in programs. Poland sees no direct connection between the modification of the partnership contract and operational programs and improving the macroeconomic situation .

Poland finds interesting the proposals for innovative financial instruments, providing that the proposed system will be complementary to the system of subsidies (particularly in the public sector). It is important to preserve the right of initiative in this regard for the Member States and regions.

Poland also supports the approach with horizontal themes (such as climate change, environmental protection, consumer protection, health and fundamental rights) applied under the various policies and instruments (mainstreaming), but stresses that this should not lead to the excessive rigidity on the spending. Regarding the climate proofing, it cannot lead to imposing new additional requirements for the beneficiaries.