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THE POLISH PRESIDENCY AND THE BUDGET OF THE EUROPEAN UNION

The Polish Presidency was dominated by conferences and meetings at ministerial and expert levels. Their goal was to realise three priorities: European integration as the source of growth, Secure Europe, and Europe benefiting from openness. In each and every area Poland both succeeded and failed. One of the greatest achievements of the Polish Presidency was the launch of negotiations on the future Multiannual Financial Framework of the EU, based on the draft legislative act prepared by the European Commission. Poland included the European Parliament in the negotiations.

The future multiannual budget of the European Union after 2013, i.e. the Multiannual Financial Framework (MFF)[1], was to define the direction in which the European Community would be heading in the coming years. Its final shape will be an answer to, *inter alia*, the following questions: Will the EU remain an organisation that follows the budget solidarity principle? Will it still finance mainly agriculture and cohesion or support other policies to a greater extent? Will it be capable of implementing the ambitious objectives of the Europe 2020 strategy? The draft MFF titled "A Budget for Europe 2020"[2] was an attempt of the European Commission to answer those questions. The draft was published in the end of June 2011. According to Commissioner Janusz Lewandowski, the proposed budget was an "ambitious, but realistic" one with room to finance "new priorities, such as cross-border infrastructure for energy and transport, research and development, education and culture, securing external borders and strengthening our neighbours to the South and East."[3]. The total budget should amount to EUR 1.025 billion in commitments (1.05% of EU GNI) and EUR 972.2 billion in payments (1% of EU GNI). The proposal of the Commission balances the requests of six states – the so-called net contributors, to freeze the multiannual budget[4] and the appeal of the European Parliament to increase

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[1] Article 312 of the TFEU.

[2] http://ec.europa.eu/budget/library/biblio/documents/fin–fwk1420/MFF–COM-2011-500–Part––I–en.pdf.

[3] http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/799&format=HTML&aged=1&language=PL&guiLanguage=en.

[4] http://www.number10.gov.uk/news/letter-to-president-of-european-commission/.

future MFFs by 5% compared to the 2013 level.[5] Consequently, the draft constitutes a sound basis for the launch of the traditionally difficult – and currently even more demanding due to the public debt crisis and the Eurozone turmoil – process of negotiating EU finances.

The draft MFF presented by the Commission also shows that the EU learnt its lesson from the negotiations on the current financial perspective that were informally launched already in 2002 when France's president, Jacques Chirac, and Germany's chancellor, Gerhard Schröder, arbitrarily agreed to freeze agricultural expenditure at its 2006 level. The fate of the still unpublished Commission's proposal drafted by Romano Prodi was decided in December 2003 by the so-called "letter of the six" in which Austria, France, Germany, the Netherlands, Sweden and the United Kingdom demanded[6] that the future financial perspective would not exceed 1% of GNI. This spurred the Commission to present its Communication of February 2004 proposing a seven-year spending level of 1.14% of the EU GNI [7], which was deemed unfeasible by the majority of the Council of the European Union. Eventually, the agreed commitments amounted to 1.045%.[8]

It was a goal of the Polish Presidency to keep the original Communication of the European Commission on the negotiation table. Theoretically, the Communication reduced the commitments in future MFFs to 1.05% of GNI but, on the other hand, it increased them to 1.11% of GNI – after adding funds allocated to, *inter alia*, the Solidarity Fund, the European Development Fund, the European Globalisation Adjustment Fund and the GMES and ITER programmes. The Polish Presidency managed to achieve its goal. By the end of July 2011, at the informal Sopot summit, a vast majority of the Member States voted in favour of the adoption of the EC's proposal as the official basis for further negotiations on MFFs. The United Kingdom, Hungary and Sweden were the only Member States that opposed it. At successive meetings of the General Affairs Council, which was recognised competent to consider the future expenditure and income of the EU, the discussions focused on the European Commission's proposals for the general shape of the MFF and particular EU policies and programmes. The Polish Presidency decided that it was necessary to first discuss the general objectives of the modified policies and programmes and the expectations of the Member States and thus avoided a risky official debate on the general MFF level of revenue and commitments. The Polish Presidency adhered to this position, effectively blocking informal initiatives of net contributors till the very end. At the beginning of December 2011, the Presidency presented its report on the progress

[5] EP//TEXT+TA+P7-TA-2011-0266.

[6] Austria, France, Germany, the Netherlands, Sweden and the United Kingdom: letter to President Prodi, 15.12.2003.

[7] http://eur-lex.europa.eu/LexUriServ/site/en/com/2004/com2004–0101en02.pdf.

[8] http://europa.eu/generalreport/pl/rg2005.pdf.

of negotiations.[9] The report pointed to numerous trouble spots identified. The most contentious issues included:

- in the cohesion policy: establishment of new transition regions with per capita income ranging from 75% to 90% of EU GDP, the 2.5% of GDP capping, i.e. the limit on possible cohesion funds received from the EU budget, and macro-economic conditionalities of structural funds disbursements;
- in the agricultural policy: its budget and the issue of levelling direct payments to farmers of new and old EU Member States;
- EU own resources: an introduction of new sources of EU income (e.g. the financial transactions tax) that would partly replace contributions from national budgets, and reform of rebates.

Thanks to such a course of action, Poland, which during its Presidency performed the role of an honest broker and could not take a decisive stand in budget debates, was not suspected of promoting its own interests during the six-month talks. This strategy made it possible for Poland to smoothly join the turbulent negotiations until Denmark took over. It is worth noting that the draft of the official position of the Polish government on the MFF was adopted by the Committee for European Affairs right after the end of the Polish Presidency.[10]

In the second half of 2011, the European Parliament (EP) became the ambassador of Polish interests. In the time of crisis, the European Parliament has been one of most pro-European EU institutions caring for the interests of the EU as a whole. The above is highly relevant as the Treaty of Lisbon guarantees that MEPs have a say in negotiations on the Multiannual Financial Framework.[11] While adopting the annual 2011 EU budget, the EP could demand – on the basis of the above mentioned provision – that they would participate in the Member States' deliberations on the Multiannual Financial Framework. At the end of 2010, declarations on the participation of the EP in briefings and debriefings before and after meetings of the General Affairs Committee were made by four next Presidencies, including Poland.

More importantly, the Polish Presidency officially invited the EP delegation to participate in debates at the informal meeting of the General Affairs Council in Sopot, when the EC's Communication on future MFFs was discussed for the first time. At that meeting, the EP delegation presented the EP's position – a report of the SURE Political Challenges Committee entitled "Investing in the future – a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe" –

[9] http://register.consilium.europa.eu/pdf/en/11/st17/st17448-re01.en11.pdf.

[10] The draft position of the Republic of Poland on the EU Multiannual Financial Framework Package for the years 2014-2020. 2.01.2012

[11] Article 312 point 2 of the TFEU – "The Council, acting in accordance with a special legislative procedure, shall adopt a regulation laying down the Multiannual Financial Framework. The Council shall act unanimously after obtaining the consent of the European Parliament, which shall be given by a majority of its members." Moreover, the European Parliament takes joint decisions with the Council in the form of detailed regulations that implement the draft legislative acts of the European Commission on MFFs.

adopted in June 2011 by a vast majority of the European Parliament. That mandate to a large extent reflected Poland's expectations concerning both the size and structure of the future EU Multiannual Financial Framework. First and foremost, taking into account the new competencies of the EU and the ambitious strategic goals of the Europe 2020 strategy, Poland has suggested increasing the 2014-2020 MFF by at least 5% in comparison to 2013. Moreover, Poland wishes to protect the generous cohesion policy, considering it to be "one of the Union's most significant, visible, and successful policies"[12] that contributes to convergence and the generation of economic growth in the EU. MEPs have cautioned against making disbursement of structural funds dependent on macroeconomic conditionalities which the Polish government strongly opposes too. The European Parliament also advocates a more fair distribution system of direct payments between the Member States and that the funds allocated to the CAP in the budget year 2013 should be at least maintained during the next financial programming period. From Poland's perspective, the EP's postulates to increase expenditure on infrastructure and the European Neighbourhood policy are also important. All these postulates give hope that in the negotiations on the future Multiannual Financial Framework, Poland will be able to count not only on her traditional allies e.g. "the friends of cohesion", but also on a vast majority of MEPs.

In that situation, the Polish Presidency welcomed the proposal of MEPs on the organisation of a multilateral conference on the 2014-2020 Multiannual Financial Framework. The conference was organised in October 2011 and gathered not only representatives of EU institutions and the Member States but also of civil society, in its broad sense, and NGOs. It was a unique occasion to exchange views on EU priorities and their funding. Moreover, in the area of the Cohesion Policy, the conference revealed a discrepancy between governments of EU Member States and their regions. To given an example, Wales turned out to be much more for structural funds that the London-based government. More importantly, it seems that the initiative of the Polish Presidency will become a regular event. Denmark, already in October 2011, declared that it would organise a similar event during its Presidency. The Danish conference was held in Brussels on 22-23 March 2012 and focused on the issue of the MFF volume, which was understandable as the Council was about to formulate its opinion on the MFF. Net contributors which had already stated that the draft legislative act of the European Commission was too ambitions, argued that the future MFFs should be reduced by at least 10%. In such moments, Poland relies on the European Parliament which would do everything in its power to defend the future European Union budget.

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[12] Article 64 EP//TEXT+TA+P7-TA-2011-0266

ABSTRACT

The Polish Presidency of the Council of the European Union was the first to start formal negotiations on the EU's multi-annual budget, i.e. the Multiannual Financial Framework (MFF). It was a significant merit of Poland's chairmanship that the negotiations focused on the MFF project of 2011 prepared by the European Commission and that representatives of the European Parliament were invited to take part in the debate, since the EP traditionally supports a generous EU budget. The project of the Commission balances the demands to freeze the multi-annual budget voiced by countries that are net payers and the Parliament's appeal for an increase of the future MFF by 5% compared to 2013. Inclusion of the European Parliament in these negotiations follows from the regulations of the Lisbon Treaty and is important because in times of crisis it is this institution that protects the interest of the EU as a whole. Such a state of affairs is a positive signal for Poland that in negotiations of the 2014-2020 budget it can rely not only on its traditional allies, e.g. the so-called friends of the cohesion policy but also on a vast majority of the members of the European Parliament.