



03.04.2017

The post-2020 Multiannual Financial Framework - an answer for EU`s future

(Infoeuropa Centre, Bucharest)

– EVENT REPORT –

On April 3rd 2017, the European Institute of Romania (EIR), together with the Ministry of Foreign Affairs and the Ministry of Public Finance, organised the debate «The post-2020 Multiannual Financial Framework - an answer for EU`s future». The event was part of the public debates campaign aimed at preparing the Romanian Presidency of the Council of the European Union, and had two main sections: the post-2020 Multiannual Financial Framework - challenges and perspectives in the new European context, and the EU funds level of absorption and real convergence. The debate was moderated by Mrs. Gabriela Drăgan, Director General of the European Institute of Romania.

The event, hosted by the Infoeuropa Centre, brought together representatives of the Presidential Administration, Ministry of Foreign Affairs, Ministry of Public Finance, National Bank of Romania, Ministry of Regional Development, Public Administration and European Funds, National Commission for Prognosis, MPs, scholars, researchers, NGO representatives and journalists.

The main ideas debated during the two panels regarded aspects related to the current Multiannual Financial Framework (MFF) and ideas connected to the future structure of EU`s budget in the post-2020 period. Thus, the interventions from the **first panel** were focused on:

Mrs. **Gabriela Drăgan**, Director General of the European Institute of Romania:

- «Today we will be discussing about the Multiannual Financial Framework, a theme that entails the political priorities of the EU, meaning that all the other subjects are directly connected to this one; in the second part of our meeting, we shall debate over the added-value the EU funds have for Romania and the absorption rate»;
- «The first two priorities included in the MFF (Cohesion Policy and Common Agriculture Policy) make up for two thirds of the available total funding»;
- «The future MFF will have to reflect the multiple challenges faced by the Union. Brexit will inevitably lead to a reduction in revenue to the EU budget and will force the Member States either to identify new sources of funding or to re-structure expenditure that will need to take into account new challenges such as migration or security threats to the Union»;

Mr. **Leonard Orban**, Presidential Advisor for EU Affairs, Presidential Administration:

- «I salute the fact the European Institute of Romania has decided to continue the debates on EU related issues, given the fact that we see more and more people



belonging to the public sphere that question the positive results generated by the EU»;

- «I do expect that all the conditionalities related to these policies (Cohesion and CAP) to be extremely tough and complicated. Unfortunately, even though we have alternatives for increasing the envelopes for EU budget, the Member States are not in favour of such decision. For example, the EU's own resources which could be used as an alternative in order to have decent budgets at European level. Unfortunately, there is no political will and a wish to be used and therefore we should expect that after the 2014-2020 budget, which for the first time in the history of the EU was lower than the previous one, we will have a smaller post-2020 budget with a tougher conditionality»;
- «Factors that will make it hard to negotiate are: **Euroscepticism** (there will be a view of reducing contributions from net contributors to the EU budget), **Brexit** (without UK contribution the EU budget will decrease by about 13%), **the current concerns are not similar to the ones during the negotiations for the 2014 – 2020 budget** (the refugees who will be integrated into the Member States will involve additional expenditure and significantly higher allocations are expected to support the risk areas that are places of origin or transit routes for migrants, especially in Africa), **there are voices in the EU asking for a reform of the Cohesion Policy and the Common Agricultural Policy** (but a reform would not be in favour of Romania if we look at this concept of linking the Cohesion Policy to the increasingly sophisticated financial instruments)»;
- «I expect us to be able to present a list of valuable and very valuable projects that have changed the face of Romania. Unfortunately, in previous budget negotiations, we did not have something like this»;

Ms. **Ana Birchall**, Minister Delegate for European Affairs, Ministry of Foreign Affairs:

- «We are at the beginning of the preparations for the Romanian Presidency of the Council of the EU and as such, we will try to play the role of an honest broker and to have an impartial approach, to give to the European construct added value and consistency»;
- «Our country must firmly promote its position and pleadings regarding the Multiannual Financial Framework, all the more so as it will also **be a priority on the agenda of the Romanian Presidency of the Council of the EU** in the first semester of 2019»;
- «For Romania and the *Cohesion Policy Friends Group*, the Cohesion Policy and the Common Agricultural Policy are successful financial instruments that have ensured and can further ensure development. That is why, in the upcoming discussions, **Romania must support, including with concrete examples, the European added value of the Cohesion Policy**, especially as in the next period we will witness debates in which the concepts of European added value and public European good will be interpreted differently depending on how Member States report to the Union's policies and priorities »;
- «The scenarios presented in the White Paper do not bring much clarity about how the budget will look like»;
- «We will promote the need to maintain grants and we will have to strengthen at the same time, at national level the ability to use financial instruments»;



- «In all the debates we had, we promoted Romania's interests to maintain the Cohesion Policy and Common Agricultural Policy allocations»;
- **«For Romania, there is no other project more important than deepening the integration in the European Union»;**

Ms. **Elena Georgescu**, State Secretary, Ministry of Finance:

- «The post 2020 Multiannual Financial Framework is clearly linked with the future of Europe»;
- **«Mid-term review of the implementation of the current MFF** has highlighted the need for the following measures: supplementing the initial allocations, improving EU budget flexibility, expanding the scope of the global margin for commitments, adjusting of global payments thresholds, combining unused amounts and reorienting them towards the Flexibility Instrument»;
- «Regarding the implementation of the 2016 budget, the Commission's analysis underlines the under-implementation of the programs due to (1) the delay in the implementation of the 2014-2020 programs, (2) the late adoption of the legal basis for the current MFF (the process of nominating management authorities took longer than expected) »;
- «The European Parliament's main guidelines for the 2018 budget (estimated at 155-160 billion euros) are: economic growth, jobs, citizens' safety»;
- «For the current MFF, Romania has been allocated about 23 billion euros from the Cohesion Policy funds, an increase of 10% in comparison with 2017 -2013»;
- **«With regard to the future MFF**, Romania supports traditional EU policies, budgetary responsibility by reorienting the budget towards results and performance, maintaining the current 7-year period, simplifying its own resources system and is against correction mechanisms »;

Mr. **Daniel Dăianu**, member of the High-Level Group on own resources (HLGOR), member of the Romanian Academy, member of the National Bank of Romania's Board of Administration:

- «In 2019, when Romania holds the Presidency of the EU Council, we will face a challenging year: the Union being at a crossroad (speed versus direction), concluding the negotiations regarding Brexit, differences in vision regarding the future of the Union»;
- «The common needs that the Member States share are connected with external security and internal cohesion (combating terrorism, cyber-attacks, border protection, foreign and security policy, military capability) »;
- «The big economic problem lies in the Euro area (Eurozone), not in the Member States that have not yet joined the Euro area»;
- «The EU budget is very small (1% of GDP), but there is no appetite for growth, and on the other hand, a Eurozone budget is in the process of being created»;
- «The old dispute over the structure of the budget (urgent needs versus traditional policies) can lead to a reduction in structural and cohesion funds»;
- «There are analyses showing that the dynamics of resources are advantageous, to a large extent and often, for richer and more advanced countries. Myths that work



against us must be demolished. **Accession to the Eurozone requires serious reforms.** We do not have to rely solely on European funds, we have to rely on our own resources, mobilize them and use the budgets much better »;

- «**European public goods:** border protection, intelligence, science and technology, defense, foreign policy. For these goods, we must fight and we will have to come not only with statements of sympathy, but also with resources»;

In the **second panel**, the main ideas discussed concerned the absorption and added value of European funds in Romania.

Mr. **Gabriel Friptu**, Deputy Director General, Directorate of General Programming, SMIS, Evaluation System Coordination and European Programs, Minister of Regional Development, Public Administration and European Funds:

- «There must be a margin for filtering the thematic priorities within the MFF, as the current exercise is not very flexible»;

- «50% of the sums used by a Member State refer to the first four thematic objectives (research - innovation, digital agenda, business environment, CO₂ reduction) »;

- «**The difficulties encountered in running European programs** were related to: the first MFF exercise handled by the Romanian team, the 2007-2013 closure and the opening of the 2014-2020 funding lines; the legislative framework has changed during this period (public procurement law, state aid law, new approach to European regulations)»;

- «There will be events that mark the impact of the structural and cohesion funds in Romania starting in May this year»;

- «On the 31st March 2017 the absorption rate for the 2007-2013 funds was estimated at around 85% »;

- «There are two types of delays in the implementation of the 2014-2020 MFF programs: **Member States must provide IT data** related to beneficiaries (at the end of April the managing authorities will submit the documentation to the audit authority) and the **ex-ante conditionalities** (the Commission wants to be sure that what is financed by European funds is closely related to the needs of Member States) »;

Ms. **Florentina Tudor**, Director General, Management Authority for Rural Development, Ministry of Agriculture and Rural Development:

- «At the Ministry of Agriculture and Rural Development level there is a debate similar to the one today related to the Common Agricultural Policy»;

- «For **the National Rural Development Program there were allocated 9.5 billion euros for the 2014-2020 timeframe**»;

- «The NRDP (National Rural Development Programme) contains 16 measures out of which 13 were launched, on the principle of submission and selection of projects»;

- «To avoid the multitude of projects that do not meet quality thresholds it was decided to include a quality assessment of applications»;

- «Among the objectives set for 2014-2020: 3 393 agricultural holdings receiving support for investment in restructuring or



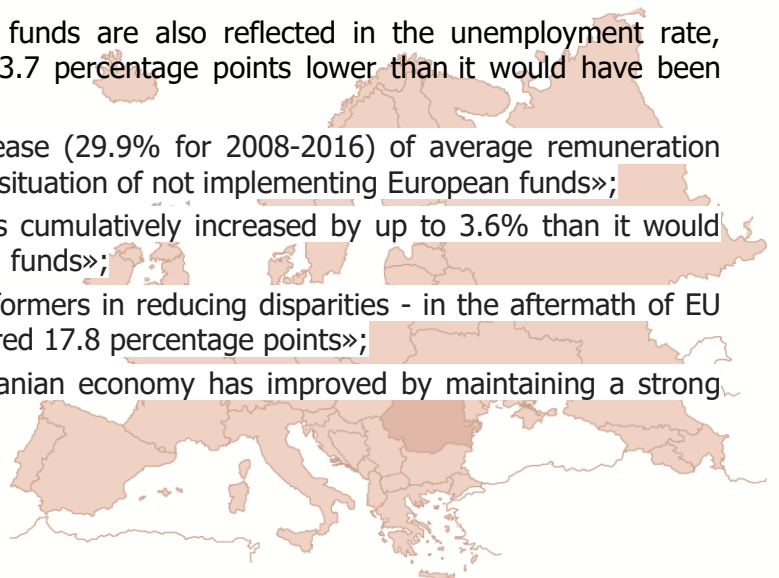
modernization, 279 supported enterprises for investments in the processing and selling of agricultural products, 1.35 million hectares area under agri-environmental and climate measures, 9 130 hectares of reforested area, 24 474 jobs created within the projects receiving support (non-agricultural activities) »;

Mr. **Valentin Lazea**, Chief Economist, National Bank of Romania:

- «**The macroeconomic impact of attracting structural funds also targets potential GDP growth** (from 3 to 4.5% depending on the absorption rate)»;
- «The first question each decision-maker should ask: what kind of funds should be attracted»;
- «I am not very pleased to have an 85% absorption rate on the old MFF and 0% on the current one, even if there are requests for payment and so on. It is up to of us to judge if we have not focused too much on the old exercise and too little on this year»;
- «Why are so many beneficiaries discouraged from accessing European funds? Because they fear the ex-post controls. The Court of Accounts refuses to give ex-ante instructions, to say how it sees the problem and to give guides and instructions on certain funds accessing procedures, reserving the right to say ex-post when things are already done »;
- «In the best scenario, where the pro-European forces will win in France, Germany and Italy, I do not know if our partners will agree to keep the Cohesion Policy and Common Agricultural Policy allocations in the post-2020 period»;
- «The preservation of the current European construction implies the acceptance of other expenses and taxes, which may also be applicable to Romania»;

Mr. **Ion Ghizdeanu**, Chairman, National Commission for Prognosis:

- «**The net effect of the implementation of European funds over the 2008-2016 timeframe is positive**, so that the actual gross domestic product is cumulated at the end of this period, 13.6% higher than it would have been in the absence of these funds»;
- «The cumulative increase in investment, driven by European funding, reached 29.5% in 2016»;
- «The benefits of European funds are also reflected in the unemployment rate, which is at the end of 2016, 3.7 percentage points lower than it would have been without those funds»;
- «There is a significant increase (29.9% for 2008-2016) of average remuneration per employee compared to the situation of not implementing European funds»;
- «The volume of exports has cumulatively increased by up to 3.6% than it would have been in the absence of EU funds»;
- «Romania is among the performers in reducing disparities - in the aftermath of EU accession, Romania has recovered 17.8 percentage points»;
- «The structure of the Romanian economy has improved by maintaining a strong and export-oriented industry».





In the **Q&A** session, at the end of the event there were discussions related to aspects such as:

- In the 2007-13 programming period, there was an artificial stimulation of the labor market (vocational training projects funded by POSDRU);
- In the current MFF compared with 2007-2013, a new constraint has emerged, that of reaching certain indicators;
- Is the operational program a public policy or not (to what extent are the funds earmarked in the national reform plans)?
- There is no assessment of competences in the labour market.

*Event report by
Eliza Vaş, Studies and Analyses Unit, EIR*

