



Andrej Babiš
Prime Minister of the Czech Republic

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Dear President,

Char Charles

The European Council will shortly start the decisive phase of discussions on the next Multi-annual Financial Framework. With the aim of streamlining this process and in view of our meeting on Thursday, 6 February, allow me to raise six points I deem absolutely crucial for the success of the negotiations ahead of us.

1. Reflecting Member States Priorities in the new institutional cycle. The previous Commission presented its MFF proposal already in May 2018. Unfortunately, this proposal was not consulted adequately in advance with the European Council and did not reflect accurately the priorities of the Member States. This approach created an unnecessary tension between the traditional policies and the so called new challenges. The new Commission as well as you, Dear Charles as the President of the European Council chose completely different approach to communication with Member States, much more open and respecting roles attributed to each institution by the Treaties. I am fully confident that you, with the help of the new Commission, are the right person for the challenging task of restarting the debate and finding the right balance. In order to succeed, we need to reflect the priorities of the majority of Member States as expressed in the Prague and Beja Declarations of the Friends of Cohesion Group representing 17 Member States. The joint position of these countries is crystal clear: The allocations for traditional policies must be maintained at their current levels.

2. Better balancing traditional and centrally managed policies. The Commission proposed to increase the overall volume of the MFF in real terms by 52 billion euro, while suggesting that the Cohesion Policy allocation drops by 37 billion euro and the Common Agricultural Policy decreases by 58 billion euro. That would mean that traditional policies should decrease by 95 billion euro while other budgetary items, in particular the centrally-managed programmes, would be boosted by almost 150 billion euro. This discrepancy has never been sufficiently justified by the Commission and is in stark contrast with the priorities of most Member States. The discussions held so far have not got us any closer to an agreement.

3. Keeping the convergence ongoing at its pace. The positive effects of the Cohesion Policy are being felt by investors and the peoples of all Member States on everyday basis. I want to stress that also the most developed Member States derive great benefits every year from the investments carried out with the assistance of the Cohesion Policy funding. Therefore, I find the increased pressure on further reduction of the Cohesion Policy funds, in particular in less developed Member States, unjustified. More importantly, the Cohesion Policy is a Treaty-based tool that has been successfully helping in fostering convergence that lies at heart of the European project. I cannot accept that the national allocation of the Czech Republic would be decreased as compared to the current MFF. I disagree with the methodology used by previous Commission to calculate the new cohesion allocations as those Member States who have stellar employment rates and perform well in terms of economic growth cannot be sanctioned by disproportionately lower allocations.

4. Promoting the absorption through making the implementation conditions of the Cohesion Policy mindfully attuned. It seriously concerns me that the proposal of the Commission suggests the future implementing rules much stricter than current, thus leading to a more difficult if not impossible use of the Cohesion Policy funds in time. The co-financing and pre-financing rates as well as the decommitment rule should be kept at their current levels. No additional conditions to the implementation creating further administrative burden should be introduced. We must be able to adapt the Cohesion Policy to current socio-economic environment, which differs among Member States and their regions. In order to achieve the most effective spending of the Cohesion Policy funds, more competences need to be given to the Member States in determining the investment

priorities. Member States must be able to place as much of their national allocation to infrastructure investment as they need. My government has prepared a National Investment Plan. It contains 20 thousand projects that our country needs to carry out in the next 30 years, worth more than 300 billion euro. The priority projects are focused on transport, health or energy and climate sectors. A significantly increased flexibility, especially in terms of transfers between the specific Cohesion Policy funds at the beginning as well as during the programming period, is necessary to help us in carrying out the investments that our country needs. I wish to illustrate the need for further flexibilities by using a recent example of how complicated it is to reallocate finance among operational programmes. The Czech Enterprise and Innovations for Competitiveness Operational Programme allocated 240.53 million euro for broadband development and needed these resources to be redeployed. It took nine months from the beginning of the discussions to get the green light from the Commission, under stringent transfer conditions. Nine months that these funds stalled and could not be implemented. I am persuaded it is now time to learn the lesson and remove barriers for the future programming period in terms of flexibility.

5. Looking for savings with utmost responsibility. As a former Finance Minister I am convinced that the proposed structure of the MFF is flawed. There is a vast potential for savings in the MFF proposal while no reduction in Cohesion Policy in real terms is necessary. The instruments dedicated to the Economic and Monetary Union, the highly increased funding for defence, the Integrated Border Management Fund or the Frontex agency as well as the increased funding for Horizon Europe and European Strategic Investments or the administrative costs are good examples of opportunities for better redistribution of resources in the budget.

6. Making the new MFF fair and realistic at the revenue side. I am strongly convinced that further preserving of the rebates is neither sustainable nor justified. Fairness has to be on our minds also when we discuss the revenue side of the budget. It is of utmost importance to me that no new own resource puts the less developed Member States in disadvantage. It is highly unlikely that we will all agree to a new own resource within very short time left and therefore we should focus on assessment of more realistic options.

Dear President, Dear Charles, I have strong confidence that under your guidance we will be able to swiftly find a compromise and reach a balanced and fair agreement that will work for the people and will provide the Union with the necessary means to face both the current and future challenges. You can count on my full support in this mission.

Yours sincerely

A handwritten signature in blue ink, which appears to be "Andrej Plenković". The signature is fluid and cursive, with a long horizontal stroke at the end.

His Excellency
Mr Charles Michel
President of the European Council
B R U S S E L S

CC:

His Excellency
Mr Andrej Plenković
President of Croatia
Z A G R E B