

European People's Party priorities for the Multiannual Financial Framework (MFF) post-2020

Adopted by the EPP Political Assembly on 29 - 30 January 2018 in Brussels





The European People's Party (EPP) is a party of responsibility, conscious of its accountability to EU citizens and its role in managing the EU resources. The structure and the size of the next EU budget after 2020 will have direct effect on people's lives. We therefore approach the upcoming negotiations on the next Multiannual Financial Framework (MFF) very seriously.

Over the past six months, the EPP Expert Group on the MFF has worked to prepare this contribution to the structure of the future EU budget, after thorough consultations with EPP representatives in the European Parliament, Commission, Council and the EPP member parties.

EPP's priority is to enable the negotiations to be finalised before the 2019 European elections and have a budget reflecting today's realities and enabling us to overcome future challenges.

We are committed to doing our part in order to make this happen.

Handwritten signature of Manfred Weber in white ink.

Manfred Weber
EPP Group chairman

Handwritten signature of Joseph Daul in white ink.

Joseph Daul
EPP President

Our key principles

The EPP has long been the EU's leader in responsibly managing the EU budget. The first priority for any EU budget, of course, is always the **EU citizens** whose lives are affected by the way we choose to spend resources. We are in particular mindful of our responsibility towards future generations: we must enable the EU to deal with the new realities our young people will confront, as well as **empower our youth** to face the future with confidence. This is why, looking ahead to the post-2020 budget cycle, our **EPP priorities** are very clear: **boosting competitiveness, protecting the vulnerable, strengthening EU defence and security, stabilising our immediate neighbourhood, and making sure we are growing in an inclusive manner and in ways that our societies and our planet can sustain.** We will remain firmly committed to these priorities whatever challenges may arise.

The EU budget should also be used to rebuild trust and strengthen dialogue with citizens, in particular via the two EU political assemblies made up of democratically elected members – the European Parliament and the European Committee of the Regions – as well as to create greater synergies with national and regional parliaments.

As the EU institutions begin planning for the post-2020 budget, the EPP urges timely action to ensure a long-term plan that is both responsive and responsible, both bold and smart. The **EPP looks forward to the post-2020 decade with a great deal of hope.** We are confident we will continue to lead the European Union towards reaching its full potential.

1. The EPP aims to **close the EU's budget negotiations in the current legislature**, before the 2019 European elections. Yet achieving this will be very difficult if there is any delay in the Commission's proposal on the MFF. The EPP therefore calls on the Commission to put forward its MFF post-2020 proposal as soon as possible, ideally by the first quarter of 2018.

2. First, there has to be a **political debate on the priorities** of the next MFF; only then can the allocation of funds be discussed. The EU should build on the priorities set by the Europe 2020 strategy as the EU's agenda for growth and jobs. The EPP's plan for a **Prosperous and Secure Europe** built on a **highly competitive social market economy** calls for a comprehensive approach framed around the following priorities, ensuring as well that enough resources are allocated for any potential challenges that may arise:

-**Economic strength** (competitiveness, employment, trade, innovation, R&D, digitalisation, infrastructure, education)

-**Solidarity** (cohesion policy, fighting poverty and social exclusion)

-**Security and defence**

-**Global Europe** (neighbourhood policy, border control and migration, humanitarian aid and development policy)

-**Sustainability** (circular economy, agriculture, sustainable energy, climate change, intelligent growth)

3. The EPP realises that addressing **new priorities** while still supporting successful existing European programmes will **require new funding**. A balance will be needed between different policies, taking into account their social and economic impact. We can achieve better results while still doing so in a cost-effective way. Where possible, the EU budget should allow for **mobilisation of private capital** through financial instruments in order to increase the impact on the ground.
4. The post-2020 priorities and the **new EU27 format will require a considerable increase of the EU budget's general ceiling**, set as a percentage of GNI. New priorities require additional financing. **All rebates must be eliminated**. In addition, the MFF post-2020 should include new own resources; the most likely options here should be chosen from the Monti High-Level Group proposal.
5. Brexit should not influence the political priorities of the EU budget. And while Brexit will certainly impact the future EU budget in many ways, the EPP stresses that the **EU cannot wait for the outcome of Brexit before finalising the next MFF**.
6. The EPP calls for maximum flexibility within instruments together with the necessary predictability and efficiency. A **7-year MFF time span** would benefit citizens and businesses and, at the same time, ensure continuity for legislators as well as for administrators of funds at local, national and European levels by keeping the architecture of funds and instruments. And it would help ensure that negotiations could successfully **conclude before the 2019 European elections**.
7. All **money which is committed must be used** and spent in the most suitable way in order to maximise impact. The new **EU budget must enable full flexibility**. Fines and reflows should stay in the budget and be counted as extra revenue. The amounts agreed upon for the MFF should be fully used within the duration of the MFF and mobilised within the annual budget procedures. As unforeseen challenges arise, additional means, over and above those outlined in the MFF, should be provided.
8. The idea of linking the EU budget more strongly to the country-specific recommendations outlined under the economic governance principles should be considered with the objective of **supporting growth-enhancing structural reforms** in Member States. This could be done through positive incentives, for example, through financial rewards when structural reforms are fully implemented.
9. Specifically, the EPP calls on the European Parliament to **begin re-evaluating**, as soon as possible, the **legal bases of European policy areas**. This re-evaluation should be based on the previously expressed requirements needed either to simplify EU policies, to merely update them, if necessary, or to maintain their current legal bases. A clear, realistic and strong EP position will facilitate an early and positive decision by Member States on the post-2020 MFF.
10. In order to ensure smooth and efficient negotiations of the MFF post-2020, the EPP calls on **all institutions involved to join forces** and develop an efficient structural dialogue so that negotiations can move forward swiftly. The EPP also calls on the European Council to support the consultation as soon as possible for a post-2020 MFF in order to implement all decisions and fulfil requirements. We are committed to doing our part in order to make this happen.

Specific policy fields in the MFF:

Common Agricultural Policy in the MFF post-2020	page 5
Research & innovation policy in MFF post-2020	page 6
Social policy in the MFF post-2020	page 7
Investing in infrastructure via Connecting Europe Facility in MFF post-2020	page 8
Cohesion policy in MFF post-2020	page 9
Defence policy in MFF post-2020	page 10
Migration policy in the MFF post-2020	page 11
Neighbourhood policy in the MFF post-2020	page 13
European Monetary Union and the MFF post-2020	page 13

Common Agricultural Policy in the MFF post-2020

The EPP stresses the need for a **well funded CAP**, whose share in the total EU budget should be at least maintained in order to ensure that the agricultural sector is economically sustainable, meets growing demand, delivers on environmental and climate objectives and promotes growth and employment in rural areas. The European Union has to contribute to **strengthening agricultural competitiveness, stabilising incomes and closing the gap between rural and metropolitan areas**.

The future **CAP must remain a common policy based on its two-pillar structure** and on common EU rules and cooperation between the European and national levels. The **subsidiarity principle** must guide the actions of the EU, but **any renationalisation attempts of the CAP must be avoided**, as these would lead to imbalances for competition in the single market. Support for new technologies and a solid commitment to modernisation, **simplification** and efficiency of the CAP structure and instruments are all of key importance.

In view of improving the resilience of the agricultural sector, it must be enabled to efficiently cope with the volatility of farm incomes, with climate and health risks and with market crises. Fully EU-financed, **direct CAP payments must be maintained** as a first substantial layer of stability and a safety net to farm incomes. The EPP supports a fair allocation of direct payments but considers that any substantial modification of the direct payments system should be avoided. The EPP, therefore, **rejects any form of co-financing in the first pillar**.

At the same time, support and access to **second-pillar risk management tools should be increased**. A workable and efficient **EU fund for agricultural crises**, as an independent financial instrument, should be set up and placed outside of the budgetary principle of annuality, thus allowing budgetary transfer from one year to the other.

To enhance the economic and environmental sustainability of the agricultural sector, appropriate investment and innovation support should be provided, such as **more targeted direct investment support and improved access to financial instruments, notably EFSI**. The first pillar's **green payments should be maintained, but simplified**; and they should be performance-based. In addition, specific financial support schemes should allow for a rapid development of **smart and precision agriculture** — or Agriculture 4.0 technologies — and for the utilisation of the Copernicus programme developed by the EU.

Last but not least, the CAP must continue to fuel economic development in rural areas, where family farms remain the centre of life. **Synergies should be increased between cohesion funds** in rural areas (large-scale projects), **and the rural development fund** (agricultural, non-agricultural and forestry activities carried out by farmers). Initiatives **supporting young farmers** and promoting generational renewal should be accommodated by the future CAP and addressed by setting an EU-wide strategy based on current support measures for installation and new tools fostering farm transmission.

Research & innovation policy in MFF post-2020

The EPP supports the Framework Programme (FP) and its major role in **keeping Europe at the forefront of scientific research and innovation in the pursuit of excellence**. The main goals of the Framework Programme are to strengthen EU competitiveness, create growth and jobs, foster new knowledge and innovation in order to tackle the crucial challenges faced by Europe as well as to further **progress towards a European Research Era**.

The Union has had for many years an objective to reach 3 % of GDP investment in R&D, yet the progress to date has been too slow. It is of paramount importance that the EU remain competitive and provide a **significant increase in the budget** of the Framework Programme in the next MFF. The next Framework Programme should be designed in a way that stimulates further **increases in private investment and Member State expenditure on R&D**, and that creates greater impact stemming from Europe's scientific and technological strengths regarding jobs and growth. EPP is asking for a mechanism providing **synergies between FP9 and national budgets**.

The next Framework Programme, with a more ambitious budget, should more effectively support breakthroughs in innovation, through a **European Innovation Council**. This should focus on the differing needs of innovators as they start up and scale up their enterprises; it should simplify the funding landscape and enable start-ups and SMEs to access expertise and build partnerships with investors, corporations, universities and research organisations.

Citizens should be more closely involved in the programming, implementation and outputs of Framework Programme funding, in particular through a new «mission-driven» approach.

The EPP calls for further **simplification** wherever possible: through, for example, greater use of lump sums as an option for beneficiaries and greater acceptance of usual accounting practices, as well as through the implementation of a single audit approach.

The next MFF should address the existing **innovation gap between Member States** by providing a **level playing field**, through an evaluation system based on proposal's added value and possible results. It should also rationalise the number of different instruments and initiatives and avoid partnership arrangements whereby EU budget management is delegated to intermediaries or third parties, all while striking the right balance between bottom-up and top-down approaches throughout the Programme.

Mechanisms for **international cooperation** can be improved, in particular for science and technology, to meet the Sustainable Development Goals; at the same time, the access of third countries to EU funding and projects should entail reciprocity arrangements and adequate protection of Union interests.

It is necessary to make it much easier for initiatives to **combine funds** from the Framework Programme and ESIF programmes, Development Funds and Creative Europe, and for **synergies with financial instruments** including EFSI. The EPP is calling for the simplification of national and regional rules, including state aid rules. The EPP expects grants to remain an indispensable tool for R&D support, without which many activities and actors, particularly in science and fundamental research, could not function. Financial instruments can complement the toolbox.

The future FP9 should maintain the **principle of excellence and should not include any geographical *juste retour* mechanism** in the funding process. Rather, it should provide tools to support countries and regions in developing a competitive innovation ecosystem. To best support R&I actors, **FP9 should be based mainly on grants, rather than on financial instruments such as loans**. The EPP is asking for continued support for Joint Undertakings, as mixing public and private funding has proven very successful.

To strengthen the impact of FP9, industries such as the Cultural and Creative Industries (CCIs), one of Europe's fastest growing sectors, should be further supported in order to adapt to today's citizens' needs and to **foster industrial innovation**.

The **Smart specialisation** as an ex ante **conditionality for the ESI Funds** is a successful basis for further **alignment between cohesion policy and FP**. For Member States and regions that implement their smart specialisation strategies by setting up interregional, intercity and cross-border projects, a "fast-track" should be developed for receiving funding.

An **'equal treatment' approach** in relation to procedures, including on state aid rules, should become the leading principle. In particular, projects that pass all of the eligibility and evaluation criteria of the Framework Programme and are awarded a "seal of excellence" should be eligible for funding by ESI Funds without being subject to State Aid rules.

Social policy in the MFF post-2020

Investing in our people and society and enhancing the EU's human capital are paramount for the EPP. The social market economy as a key EPP value is the driving force for our social policy priorities. In today's ever-changing world, the EPP wants to ensure that no one is left behind – providing equal educational opportunities, work - family life balance, stable pensions and assistance in seeking employment.

Social Europe needs to be reinforced. The EPP thus welcomes the implementation of the **European Pillar of Social Rights, supported by the country-specific recommendations** in the European Semester. While the principle of subsidiarity must be respected, the **European Semester should become** more than ever **the primary tool** for examining social conditions in the Member States and for making them responsible for reforms.

To reduce the existing fragmentation of current financing, the EPP is in favour of **increased complementarity** of policy actions and of **integrating all social funds** under a common regulatory framework, with a series of streamlined rules.

In view of the post-2020 MFF structure, the EPP continues to **prioritise tackling youth and long-term unemployment**, as well as **unemployment of elder workers, as these are still unacceptably high**. The EU should enhance the Youth Employment Initiative, support dual education and include NEETs (young people who are in neither employment, education or training). We must **emphasise lifelong learning and strengthen digital skills**: a new instrument should be developed to help active workers remain on a process of lifelong learning throughout their careers.

Controls to prevent misuse of EU financing must be intensified. The EPP is against establishing European instruments such as European unemployment schemes in the absence of a proper EU financing system. The EPP also remains sceptical regarding the Child Guarantee.

The EPP calls on the **Youth Employment Initiative**, including the **Youth Guarantee**, to be safeguarded. We also wish to continue the **European Social Fund** and the **European Globalisation Fund**, as well as all the facilities under the **EaSI programme**, to foster labour mobility with **EURES** (European Job Mobility Portal) and, especially, the **Microfinance Facility** in order to support the creation of SMEs.

The EPP is in favour of introducing **major flexibility within the instruments** and facilitating the absorption of funds by stakeholders and Member States. We recommend making **“bench learning” an obligation for all Member States** and implementing this into the European Semester measures by enabling Member States to study the best-practice solutions available all over the EU and to draw direct conclusions relevant for their tasks.

Finally, the EPP welcomes the Commission’s reflection on the possibility of creating an **“umbrella” fund for Human Capital development** within the post-2020 MFF. This would require major reforms, such as establishing a direct link between the social fund and the priority reforms agreed with the Member States and the European Semester budget process, guaranteeing significant simplification to facilitate implementation of the future instrument. The EPP welcomes these major reforms; however, it highly recommends keeping **ERASMUS+** as a strong and independent “EU trademark” and letting its high expertise **work autonomously**.

Investing in infrastructure via Connecting Europe Facility in MFF post-2020

Without infrastructure, there is no free movement. Infrastructure is Europe’s heartbeat: it interconnects our citizens, businesses and goods within Europe and with the wider world. **Enhancing the EU ageing infrastructure** — be it transport, telecoms or energy — **is a priority** for the EPP. Connecting Europe Facility (CEF) is the driving policy instrument for completing the European Internal Energy Market, improving the transport infrastructure and completing the Digital Union. An **upgrade of CEF for the next MFF will be paramount**: to make it **simpler**, more **effective** and more effectively **controlled**. Moreover, as building and improving infrastructure helps reduce economic, social and territorial disparities, thus enhancing cohesion, a **better connection between cohesion and infrastructure policy** can be envisaged.

Transport and Tourism

While it is estimated that traffic needs will further grow, the differences in quality of infrastructure among Member States remain significant. CEF funding for the **Trans-European Transport Network (TEN-T)** is key and continues to have the EPP’s full support. CEF should be extended to **increase investment in road infrastructure**. CEF should focus on TEN-T’s **core network**, including interconnections with neighbouring countries. The EPP is asking for a **significant increase in funding allocated for CEF** and for an **extended synergy with all ESIF**.

In the context of the necessity for growth and job creation, tourism is one of our priorities; the EPP calls for the creation of a **budget line for tourism in the next MFF**.

Energy

Completing the Energy Union and removing energy islands are essential for securing a sustainable and affordable energy supply for Europe. **Projects of common interest** that are aimed at ensuring the **diversification of energy sources** — including renewable energy, supply routes, creating cross-border interconnections in both electricity and gas and **enhancing energy efficiency** in line with the adopted 'energy efficiency first' principle in view of our transition to a low carbon economy by 2050 — shall continue to receive the necessary funding from the EU budget and CEF funding.

Telecoms

CEF has a pivotal role in advancing the completion of the **Digital Single Market**. The realities of the 21st century show that for the EU to ensure growth for businesses and jobs for citizens while retaining its international competitiveness, the EU's **telecoms infrastructure requires urgent investment**. CEF Telecom must continue to support the **Digital Service Infrastructures** (DSIs) and **broadband networks** by enabling their accessibility, including in remote regions, and by improving interconnectivity and interoperability.

The EPP recalls that SMEs are key drivers of economic growth, competitiveness, innovation and employment and recognises their important role in ensuring recovery and in boosting a sustainable EU economy; this is why the next **MFF should reflect a friendly environment for SMEs**.

The EPP supports **innovative financial solutions like blending**. Financial instruments like loans or grants, as well as public-private partnerships, are complementary sources of funding, and Member States should choose the most efficient way of financing the investment. The EPP further calls for improving the funds' administration while enhancing the effectiveness of controls.

Cohesion policy in MFF post-2020

The EPP stresses that **cohesion policy is and should remain the main investment policy of the EU**, covering all Member States and their regions and supporting economic development through, amongst other initiatives, **thematic concentration** by supporting knowledge, innovation, digitalisation, climate change adaptation and social inclusion. At the same time, the future cohesion policy should continue to have as one of its objectives the **reduction of disparities between European regions** and the avoidance of new disparities. Investment in growth and jobs, including social and environmental progress, remains at the centre of the operational programmes. The EPP highlights that cohesion policy investments lead to clear and direct effects in the European economy as a whole.

In order to increase the ownership and responsibility of Member States and regions for cohesion policy, the EPP supports **changes to the co-financing rates** for more developed regions, for transition regions and for less developed regions. Coherence and consistency with the European Semester must be improved by **strengthening the link between cohesion policy and country-specific recommendations**.

The share of **cohesion policy in the total EU budget** should at least be **maintained** in the future. The **funding** going to **European Territorial Cooperation** is currently set at 2.8% for the 2014-2020 period. Considering the added value of these cross-border initiatives, this amount **needs to be increased**.

The **visibility** of cohesion policy has to be enhanced. All legal provisions as regards information and communication have to be thoroughly implemented, to ensure transparency and the wide dissemination of the Funds' achievements.

Tackling low absorption rates is a priority for the EPP, so that every country is capable of effectively and efficiently spending its Structural Funds allocation.

The EPP supports a **reformed shared-management approach** for the European structural and investment funds in the post-2020 period and calls for more flexibility for Member States with regards to the procedures for amending operational programmes in response to newly arising challenges and socio-economic developments. Further **simplification** should be reached in a **single rule book** for all cohesion funds.

Smart specialisation should be the leading mechanism in the cohesion process by facilitating cooperation between more developed and less developed regions, urban and rural areas and by facilitating EU integration. For Member States and regions that implement their smart specialisation strategies by setting up interregional, intercity and cross-border projects, a “fast-track” should be developed for receiving funding.

The EPP supports the **strong urban dimension** of cohesion policy and believes that the future cohesion policy should strengthen its direct support to local governments to respond to their growing needs through enhanced financing and tailored instruments of territorial development.

Financial instruments should always be tailor-made and **complementary to grants**, in order to maximise output on the ground.

Synergy with other policies and instruments, including Horizon 2020, EFSI and other financial instruments, should be enhanced so as to maximise the impact of investment. A next step would be to further **consolidate the rules governing ESI Funds**, including the establishment of common rules for instruments that contribute to the same thematic objective(s). Such a step would result in greater impact, synergies, effectiveness and simplification. An **“equal treatment” approach** in relation to procedures, including on state aid rules, should become the leading principle. The general **exemption for the state aid rule check should be extended to territorial cooperation projects**. Further **simplification** should be ensured both at the level of programming, through limiting the number of regulations and avoiding unnecessary changes which can cause uncertainty, backlogs and errors and at the level of effective implementation, in order to **reduce the administrative burden** for authorities and beneficiaries and to **increase the accessibility** of funds.

Defence policy in MFF post-2020

Europe is faced with **multiple security challenges** stemming from instability in its Southern and Eastern Neighbourhoods. The additional uncertainty both of Brexit and concerning relations with the US further strengthens the argument for the added value of EU defence policy.

The EPP stands firmly committed to NATO as the single most important instrument for maintaining European security for the foreseeable future. At the same time, the EPP believes **that increased EU cooperation** and Member State coordination in the area of security and defence **can complement and strengthen NATO**. The EPP **thus welcomes the launch of the Permanent Structured Cooperation (PESCO)**, aimed at jointly developing defence capabilities and making them available for EU military operations.

While **military spending in Member States** is significant, its **effectiveness** must be **improved** and its national level of **expenditure increased**. In addition, we should use the EU budget as an incentive leading to more and **better cooperation** on defence and procurement projects among Member States. The EPP welcomes the Communications on the European Defence Action Plan (EDAP) and the European Defence Fund (EDF). The EPP also supports an approach to **EU defence based on three pillars: research, capabilities development** and a **financial toolbox** in support of national procurement, acquisition and maintenance.

The EPP calls for a **solid MFF allocation for defence-related purposes**, such as research, industrial development and cyber defence: these should be grouped together, **under one heading**.

Multinational military forces and a **European civil protection force should be established** to rapidly respond to external and internal risks; similarly, common, structured **European cyber cooperation** is needed to counter increasing cyber threats to European and Member States' ICT infrastructure, which endanger the normal functioning of institutions.

We need an **EU White Book on Security and Defence** translating general considerations on foreign affairs into common European defence interests and priorities. This White Book would bring together Europe's strategic thinking with the loose ends of capability initiatives. We demand the launch of a **European Capability and Armaments Policy** as the umbrella for the internal aspects of Common Security and Defence Policy (CSDP) efforts, framing on-going efforts to establish supportive measures and synergies in the areas of defence research, capability development procurement and space policy (e.g. space observation capabilities, drones, cyber defence capabilities, main battle tanks and fighter jets).

The EPP asks that the Defence Fund leads to the prioritisation of an EU security and defence budget in the next MFF; **the European Defence Fund must be sufficiently sourced**, for which the envisaged €500 million per year on research and €1 billion on development and acquisitions are an absolute minimum.

Migration policy in the MFF post-2020

Migration policy will continue to be one of the main concerns of our citizens in the years to come. This issue has been acknowledged for its high political importance vis-à-vis the next MFF. Being operational and supporting Member States **requires the necessary means and substantial funding resources**. EU funding is a crucial component of the efforts to achieve these important objectives.

As has been proven in recent years, the EU's migration and security funds are of real EU-added value. Although both areas are considered national competences, Member States have turned to the EU for support when individual actions have proven insufficient. This added value of EU action and funding has been increasingly demonstrated with prominent examples: in the area of security, in support for the implementation of the Passenger Name Record (PNR) and EU IT systems and in the better protection of our borders; in the area of migration, in the **establishment of hotspots** and the **support for return, resettlement and relocation**.

For the years to come, the main challenge for Member States, EU institutions and agencies will be moving from crisis-management mode to a permanent, future-proof European policy on asylum and migration. For the EPP, it is important to **distinguish between legal and illegal migration**. The EPP supports the following proposed flagship initiatives, which depend also on the ability to leverage funding in support of these political priorities:

- **Reform of the Common European Asylum System**, the return and reintegration of irregular migrants, maintaining viable legal pathways, promoting the effective integration of non-European citizens and managing migration flows in partnership with countries of origin and transit;
- **Better management of our external borders** in order to help manage migratory pressures and keep out security threats: important initiatives here are the new Entry-Exit System, the European Travel Information and Authorisation System and, of course, the European Border and Coast Guard;
- Concrete support for Member States to **protect citizens from terrorist attacks**, including for initiatives to counter radicalisation both online and off, and in order to achieve the interoperability of our information systems for borders, migration and security.

In designing the new generation of migration and security funds, within the context of the next MFF, it is therefore important to profit from the successful experience gained and from the lessons learned through the implementation of the **Asylum, Migration and Integration Fund (AMIF)** and the **Internal Security Fund (ISF)** programmes. The following three key elements should define the new architecture: adequate funding, flexibility and complementarity with other funds.

1. An **adequate level of funding** resources for migration and security is needed to be able to support the creation, development and maintenance of a wide range of new, medium and long-term initiatives, **including the relevant agencies** instrumental for implementation on the ground.
2. **Flexibility** should be also ensured to address possible challenges of future migration flows and security threats. The geopolitical environment remains versatile and unpredictable, thus calling for robust budgetary architecture and sufficient flexibility for manoeuvre. It is important to have a **balance between pre-allocated funding for Member States**, allocated geographically, **and thematic envelopes**. Funding could also include a robust midterm review which would adjust the allocation of funds in light of actual needs on the ground, on the basis of updated statistics and in order to reward performance in implementing EU priorities.
3. **Strengthened coherence, complementarity and effectiveness with other EU funds**, in particular the Structural Funds and the external policy-funding instruments, are also required. No single instrument can address the magnitude of needs with regards to migration and security, both at EU and Member State level, whether this is about preventing terrorist attacks, returning those who have no right to stay or better integrating legally residing non-EU citizens.

Finally, it is important to further **improve the performance monitoring** and impact assessment of funding under the next MFF. A set of indicators and benchmarking tools can support on a regular basis the operational and political accountability regarding the implementation of funds.

Neighbourhood policy in the MFF post-2020

While the current 2014-2020 external relations budget is only 6% of the MFF, the EU manages to act effectively and efficiently as a global player, promoting stability, security and prosperity. It is the EPP's priority to continue in that vein and **demonstrate to our citizens that we are exporting stability rather than importing instability.**

It is **important that a specific, separate (external action) heading is maintained** to support the EU's ambitious international agenda, such as the European Neighbourhood Policy (ENP) and global strategy, and to ensure visibility to the EU's external action.

The **specific Neighbourhood Instrument (ENI) should continue to receive support from the EU budget.** Developments in our immediate neighbourhood affect EU citizens directly. This is why neighbourhood policy must remain a priority.

Neighbourhood funding is a key lever in all "burning" areas: migration and security as well as in spreading prosperity and stability through economic development and better governance. This policy would be undermined — or blurred totally — without a special financial instrument (ENI) to support it.

The EPP is **against the idea of one fund to cover all external actions** (Eastern and Southern Neighbourhoods, as well as Africa, Asia and Latin America). It is only an illusion of simplification which will cause permanent internal fights as to which area is most important. The ENI instrument should nevertheless undergo a review in order to ensure **more flexibility** within the instrument, **more blending** and more of a **link with other funds.**

The EPP supports the need to maximise all existing instruments and resources for Africa, inside and outside the EU budget, and the EPP stresses the need for additional funding in order to **finance an Investment Plan for Africa.**

European Monetary Union and the MFF post-2020

The **EPP is committed to the euro** and the Economic and Monetary Union (EMU) and highlights the role which the joint currency plays in bringing prosperity and stability to the European Union. The euro deepens and enables the Single Market and makes the EU competitive. The EPP supports further reforms to **separate euro area members from their domestic banks** as well as to improve the **functioning and flexibility of labour markets** and to **boost capital markets** in order to help the EU become the global champion of **innovation.**

In the context of current reflexions on the place of the EMU within the EU budget, the Commission has called for a dedicated budget line to provide for structural reform assistance (building on the Commission's Structural Reform Support Programme), for a stabilisation function and for a convergence instrument to give pre-accession assistance to Member States that intend to adopt the euro and the backstop to the Single Resolution Fund.

The EPP supports the notion of a **'budget line within the EU budget'** — rather than a **separate euro area budget** — as the euro is the currency of the whole EU and open to all Member States. Those that are willing to join should be helped to be well prepared for doing so.

With regards to the discussions on reinforcing the link between EU finances and growth-enhancing structural reforms at the national level to achieve greater convergence and enhance the value added of EU finances, the **EPP supports the existing Structural Reform Support Service/Programme (SRSS/P)**, which provides technical assistance to Member States upon their request. A **dedicated instrument to support structural reforms could be foreseen**, which could further build on this work by the SRSS/P. This instrument could be linked to the macro-economic imbalance procedure: Member States with excessive imbalances would be expected to agree on the implementation of necessary reforms, being supported by a new instrument for assistance.

The EU budget already provides a significant and stable flow of financing to Member States; this has had for them a stabilising effect. There is, however, a valid case for **creating a euro area stabilisation function** to complement the national stabilisers in the event of severe asymmetric shocks. Such a function should be developed within the EU framework and could be open to all EU Member States. A European Investment Protection Scheme in the form of a financial instrument and a rainy day fund are two options for consideration. Whatever the instrument, **it should not lead to permanent transfers between countries**. Nor should it undermine the **incentives for sound fiscal policy-making** and **structural reforms** at national level. Also, it must be linked to respect for the rules.

**If you have any question
you would like to ask
please contact us.**

Rue du Commerce 10
1000 Brussels
T +32-2-2854140
E connect@epp.eu