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'I' ITEM NOTE

From: Presidency
To: Permanent Representatives Committee (Part 2)
Subject: EU internal reforms
- Presidency Progress Report

The Permanent Representatives Committee will find in Annex the Presidency's Progress Report on the work carried out under the Polish Presidency on the subject above.

The Permanent Representatives Committee is invited to take note of this progress report.

Polish Presidency Progress report on EU internal reforms

I. INTRODUCTION

1. The European Council of 27 June 2024¹ underlined the need to lay the necessary internal groundwork and reforms to fulfil the Union's long-term ambitions and address key questions related to its priorities and policies as well as its capacity to act in the face of a new geopolitical reality and increasingly complex challenges. To that end, the European Council set out a roadmap for future work on internal reforms and invited the Commission to present in-depth policy reviews containing operational elements on the following four strands of work: values, policies, budget and governance. The European Council also called on the Council to take work forward and present a follow-up report by June 2025, reflecting on these four strands².
2. The aim of the present report is to provide an overview of the work carried out in the Council during the Polish Presidency, in the continuation of the work undertaken under the Swedish, Spanish, Belgian and Hungarian Presidencies.

II. COUNCIL FOLLOW-UP WORK ON INTERNAL REFORMS

3. Work on internal reforms has continued in the Council on the four strands of the roadmap. Following the discussion on EU governance during the Hungarian Presidency, the General Affairs Council held discussions on EU Values, the future Multiannual Financial Framework (MFF) while the future of several EU policies was discussed in the sectoral configurations.

1. EU Values

4. Council discussions focused on assessing and, if needed, enhancing relevant tools and processes aiming at safeguarding the EU values, as well as at building democratic resilience. Concerning the Rule of Law, the discussions underlined that the EU's existing toolbox is well-equipped, but further reflection is needed on how to use its full potential, also in the future in an enlarged Union. The rule of law conditionality for the protection of the EU budget, the clarification of existing

¹ EUCO 15/24

² See the progress reports presented by the Spanish and Belgian Presidencies to the General Affairs Council (doc. 16403/23 and doc. 10411/24) on the work carried out during their Presidency on the Future of Europe.

procedures, the extension of mandate of the European Public Prosecutor's Office (EPPO) to cover the violation of Union restrictive measures were mentioned in this context.

5. The Council Conclusions of 7 March 2025 on the application of the EU Charter of Fundamental Rights: "Funding to promote, protect and enforce fundamental rights"³ highlight the essential role of civil society organisations and human rights defenders in promoting fundamental rights and protecting European democracies. Member States underlined the importance of transparent and accessible funding mechanisms, advocating for stronger synergies between EU and national funding to effectively mainstream fundamental rights across EU policies.
6. The Presidency conclusions on strengthening EU democratic resilience⁴ issued on 27 May 2025 and supported by 25 Member States also underline the importance of civil society organisations in the promotion and the protection of the values and rights enshrined in Article 2 TEU and the Charter of Fundamental Rights of the European Union. The conclusions invite the Commission and the High Representative to step up actions in safeguarding information integrity and countering FIMI campaigns, including disinformation, in particular when they are targeting EU security and values or the democratic functioning of institutions, undermining the rule of law, the rules-based international order, or manipulating and falsifying historical facts.
7. In this vein, the Polish Presidency held an expert-level conference on 'The Role of Civil Society in the Protection of the Rule of Law'. As part of the ongoing civil dialogue supported by the Presidency, the event focused on challenges facing civil society in strengthening EU values and building democratic resilience within the European Union.

2. EU Policies

8. Council work has continued, amongst others, on the EU policies already identified as priority areas in the framework of the internal reform, in particular on Competitiveness and Single Market, Common Agricultural Policy and Cohesion policy. Other Policies such as Freedom, Security and Justice, Common Foreign and Security Policy (CFSP) and Common Security and Defence Policy (CSDP) were also noted as key. Furthermore, European Defence has become a high priority in the face of the evolving geopolitical situation.

³ doc. 6878/25

⁴ doc. 9463/25/1/25 REV1

1. Competitiveness and Single Market

9. The Competitiveness Council has taken work forward on the future of Single Market – a prerequisite for long-term competitiveness. Against the background of the Draghi and Letta reports and in the framework of the Conclusions of the European Council⁵ and of the Declaration on the New European Competitiveness Deal of 8 November 2024, a number of in-depth discussions in the Council focused on the main challenges to further integration of the Single Market and on the measures needed to revitalise the EU economy. The Council paid special attention to removing existing barriers, including in particular in the services sector, strengthening protection of the Single Market from unfair competition from third countries, increasing productivity and achieving sustainable growth. Member States generally share the analysis of the Draghi report and its emphasis on the pivotal role of the Single Market, innovation and resilience. All these works were carried out intensively with a view to provide valuable input to the new Single Market Strategy, which was published by the European Commission on 21 May.
10. The Commission initiatives on the “Competitiveness Compass” and on the “Clean Industrial Deal” and the Affordable Energy Action Plan were discussed notably in the Competitiveness Council as well as in the Transport, Telecommunications and Energy Council (Energy) in March 2025. Ministers underlined the need to take a more pragmatic and flexible approach to the trajectory of achieving the EU’s decarbonisation goals. They supported the recovery of critical materials to reduce waste and dependency on third countries, the diversification of energy supplies and critical raw materials to lower energy prices, increased investments in grids and storage infrastructure, strengthening the security of critical infrastructure, the creation of lead markets for green products through public procurement, and other measures to avoid fragmentation of the Single Market. Throughout the discussion, many Member States emphasized also the need to safeguard the level playing field, to ensure equal development opportunities for clean industries across all Member States, and to consistently implement the principle of technological neutrality across financing instruments and programmes. In June 2025, the Presidency, supported by 25 Member States, adopted Conclusions on strengthening the Energy Union through reinforcing energy security.
11. Following the European Council request in March 2025 to give priority to simplifying and reducing regulatory and administrative burdens, by at least 25%, and by at least 35% for SMEs,

⁵ In particular Conclusions of the European Council of 17-18 April 2024, of 6 March 2025 and of 20-21 March 2025.

lowering energy prices and mobilising private savings to unlock necessary investments in the EU economy, work on these three issues accelerated with a view to a rapid adoption of the related legislative proposals.

12. Following a discussion in the Council of October 2024 on the climate and environment policy aspects of the Draghi report and in the Council of December 2024, the Environment Council of March 2025 focused on the support to the EU competitiveness and underlined the need to ensure just transition. The Member States agree on the need to align decarbonisation and industrial policies, to achieve lower, more competitive energy prices for both business and households and for a stable, predictable and pragmatic regulatory and investment framework. The Competitiveness Council called to keep a pragmatic approach and boost the competitiveness of traditionally strong industries which are the foundation of many value chains and EU downstream sectors, play a vital role in advancing the twin transition and in strengthening defence capacities. Apart from lower energy prices, further technological development and financing for industry were identified as needed.

2. Agriculture and food security

13. Work has continued following the adoption of Council Conclusions⁶ on “A farmer-focused post-2027 Common Agricultural Policy (CAP)” in December 2024. The Council highlighted the strategic importance of the CAP, underlined its key goals of ensuring food security while guaranteeing a fair standard of living for the agricultural community and reasonable prices for consumers, and recalled that dedicated and appropriate resources and instruments are needed for the CAP in order to efficiently respond to its multiple objectives. The Council also invited the Commission to take these Conclusions into account when preparing the legislative proposals on the post-2027 Common Agricultural Policy to be presented as part of the upcoming MFF proposals.

14. Initial reactions at the Agriculture and Fisheries Council in March 2025 indicated broad support within the Council for the goals outlined in the Commission Communication on “A vision for Agriculture and Food” of February 2025, in particular the emphasis on agriculture as a strategic sector and the focus on competitiveness and on ensuring decent and fair incomes for farmers. The

⁶ Council Conclusions on a farmer-focused post-2027 Common Agricultural Policy: Towards a competitive, crisis-proof, sustainable, farmer-friendly and knowledge-based future EU agriculture, doc. 16694/24.

need for the CAP to have an adequate and independent budget based on the existing two-pillar structure was also stressed. The importance of cutting red tape and simplifying policies, stepping up innovation and ensuring the diversification of income sources to boost resilience was also underlined during the policy debate at the AGRIFISH Council in May 2025.

15. The Council mandates on the proposals from the legislative package aimed at strengthening the position of farmers in the food supply chain have been approved, including the targeted amendment of the Regulation on a Common Market Organisation.

3. Cohesion Policy

16. Following discussions in the General Affairs (Cohesion) Council on the future of the Cohesion Policy, the Council adopted, in March 2025, Conclusions on Cohesion and Cohesion Policy post-2027⁷ that emphasize the role of Cohesion Policy in contributing to competitiveness and convergence of the EU. On the one hand, the Council reaffirmed that Cohesion Policy should continue to be based on its key principles of mainly shared management, multi-level governance, partnership, as well as place-based approach, alongside the principles of proportionality and subsidiarity. The Council stresses that Cohesion Policy should continue to contribute to achieving strategic goals and priorities of the EU while reducing regional disparities in Europe. On the other hand, the Council called for further simplification, flexibility and reduction of the administrative burden and invited the Commission to propose more uniform implementation rules, explore options for a more performance-based approach and to make Cohesion more result-oriented.

17. In response to emerging new challenges, the Commission put forward a set of targeted amendments in the context of the mid-term review of the cohesion policy that would give the Member States an opportunity to align their programmes with the new political priorities. The Council mandate for negotiations with the European Parliament has been established.

18. During the informal meeting of ministers responsible for Cohesion Policy, Territorial Cohesion and Urban Matters held in Warsaw on 21 May 2025, the Joint Declaration of Ministers was approved. It offers a strong political message to place cohesion, integrated territorial development and multi-level governance at the core of the EU future development. The Joint Declaration sets out clear priorities: strengthening Cohesion Policy as an important investment tool for resilience

⁷ doc. 6787/25

and competitiveness; developing a territorial vision to guide EU action; addressing place-specific challenges — including ensuring access to affordable housing; and improving coordination through territorial impact assessments and stronger urban policy.

4. European Defence and Security

19. Given the urgent need to bolster European defence and security in the face of Russia’s revisionist policy, in the framework of the European Council Conclusions, and against the backdrop of the report of Sauli Niinistö, the White Paper for European Defence and the ReArm Europe Plan/Readiness 2030 and the Preparedness Union Strategy were presented by the Commission in March 2025.
20. Following the call of the European Council of 6 March 2025 and of 20 March 2025 to decisively ramp up Europe’s defence readiness within the next five years and in the light of the White Paper and the ReArm Europe Plan/Readiness 2030, the Council has adopted as a matter of urgency the Regulation establishing the Security Action for Europe (SAFE) through the reinforcement of the European Defence Industry Instrument. The Council has also established mandate for negotiations with the European Parliament on the European Defence Industry Programme (EDIP). Regarding the process of the incentivisation of defence-related investments within the EU budget, the Council has started the works on the amendments to existing EU funding programmes which will support faster, more flexible and coordinated investments in Europe's defence technological and industrial base (EDTIB)⁸. Additionally, the Council preparatory bodies have started the examination of the Proposals for simplification “the Defence Readiness Omnibus” published on 17 June 2025. The objective is to simplify administrative and legal regulations in order to facilitate the operations of SMEs and mid-caps from the defence sector as well as to remove obstacles preventing companies from quickly reacting to the needs of the EU Member States’ armed forces.
21. In March and April 2025, at the Economic and Financial Affairs Council, Finance Ministers discussed defence financing and its treatment in the economic governance framework. Further to the Commission’s proposal put forward together with the White Paper on defence, the Council has initiated a coordinated request for activation of the national escape clause. The majority of the Member States have decided to request the activation of the clause. Further to the assessment of

⁸ Proposal for a regulation of the European Parliament and of the Council amending Regulations (EU) 2021/694, (EU) 2021/695, (EU) 2021/697, (EU) 2021/1153, (EU) 2023/1525 and 2024/795, as regards incentivising defence-related investments in the EU budget to implement the ReArm Europe Plan.

these requests and subsequent Recommendations from the Commission, the Council plans to adopt Recommendations to activate national escape clauses for the Member States concerned in July.

22. In the broader context of European security and resilience, the Council welcomed the findings of the Niinistö Report on the Union's preparedness and readiness. The report highlighted the need for a fundamental shift in mindset and a redefinition of preparedness as a strategic capability across all policy areas. Discussions in the Justice and Home Affairs Council in January 2025 focused on the ways to increase the security of EU citizens, including boosting societal risk and threat awareness as well as enhancing preparedness at an individual and organisational level, while at the informal meeting of the General Affairs Council in February 2025 a discussion took place on the best ways to strengthen readiness and resilience.

5. Freedom, Security and Justice

23. The Council has pursued the work in this area on the basis of the Strategic guidelines for legislative and operational planning within the area of freedom, security and justice⁹, approved by the Justice and Home Affairs Council in December 2024 and subsequently endorsed by the European Council in December 2024.

24. The Council has worked as a matter of priority on files with a migration dimension. At their meetings in January and March 2025, Ministers discussed the challenges for the EU in the areas of migration and security, addressing notably new and innovative solutions in migration management, including in return policy, as well as important issues linked to the external dimension of migration. The Council is examining the Commission proposal for a new legislative framework on returns adopted on 11 March 2025 as well as the Commission proposals on the safe countries of origin and the application of the safe third country concept.

25. The Council also held regular discussions on the evolving challenges and threats to the EU's internal security including the ones stemming from the complex geopolitical situation. The Justice and Home Affairs Council in June 2025 held an exchange of views on the ProtectEU - European Internal Security Strategy presented by the Commission on 1 April 2025.

⁹ doc. 16343/24

3. EU Budget

26. The future EU budget will play a pivotal role in addressing common priorities, emerging challenges and in ensuring that EU policies are financed in an adequate, ambitious and sustainable manner. Therefore, work on this strand within the next Multiannual Financial Framework (MFF) will be essential.
27. Ahead of the presentation of the Commission proposal on the next MFF, expected in July 2025, and following the Commission Communication “The road to the next multiannual financial framework” of 12 February 2025, the Polish Presidency organised a Ministerial discussion on the MFF post-2027 in February 2025, accompanied by an expert-level conference on the same topic. Since then, several discussions on the topic have taken place, particularly in the course of preparations for March 2025 European Council. Initial reactions indicate that many Member States support a budget that is both ambitious and more streamlined with greater flexibility, and where spending is closely linked to EU policy priorities. Member States have also widely acknowledged that the repayment of Next Generation EU, which will kick off in 2028, along with the current geopolitical landscape will require particular mobilisation and modification of the current approach.
28. As regards the spending component of the EU budget, Member States have broadly recognised the need to allocate sufficient funding to new challenges in the next MFF. Many referred to security and defence, in particular stepping up investments in Europe’s security, including defence capabilities, as well as protection of the EU’s external borders, and competitiveness. Many have called for a balanced approach between these new challenges and traditional policies, such as Cohesion policy and the Common Agricultural Policy, as well as Migration and Border Management. At the same time, the importance of ensuring continued support for Ukraine and preparing for future enlargements were also stressed. The possible move from payment-based to performance-based instruments and the possibility to reinforce the existing Rule of Law conditionality are also among the elements some Member States have considered relevant for the upcoming negotiations.
29. Regarding the revenue side of the EU budget, Member States have differing views on new own resources (NOR) and progress based on the current Commission proposal remains difficult.

4. EU Governance

30. The Council's work on this strand aims at exploring the full potential and flexibilities of the current EU Treaties in order to maintain and reinforce the EU's capacity to act and to ensure the effective functioning of the EU institutions, including in a larger Union.
31. Work has continued in the Council following the discussions at the General Affairs Council of December 2024 on the Chapter of the Draghi report on "Strengthening governance", which aims at achieving three overarching goals: refocusing the work of the EU, accelerating the work of the EU and simplifying rules. There is a broad agreement in the Council on the need to simplify legislation and Member States highlighted the importance of effective impact assessments, including ex-ante competitiveness checks, stress tests, and careful evaluation of implementation burdens, particularly concerning SMEs. These elements are currently being integrated into the ongoing work in the Council within the framework of the first "Omnibus" simplification packages.

CONCLUSIONS

32. The discussions held during the Polish Presidency have shown that the Commission's pre-enlargement policy reviews are looked forward to as an essential fact-based analysis and milestone in the EU reforms process, assessing the impact of enlargement on EU policies, as well as highlighting its opportunities to the citizens both in the EU and the candidate countries.
33. **Values.** Securing values enshrined in Article 2 of the TEU, including in a larger Union, will require more comprehensive efforts to strengthen democratic resilience, including by effectively countering FIMI campaigns, including disinformation, supporting free, independent and pluralistic media, ensuring free and fair elections, promoting civic education, strengthening civil society and protecting the rule of law. In this context, the European Commission will propose the European Democracy Shield. As Member States consider the current rule of law toolbox to be well-equipped, further reflection might explore ways to improve its effectiveness in an enlarged EU.
34. **Policies.** The work on EU internal reforms continues, in parallel to the enlargement, with a focus on advancing policies that contribute to the EU's long-term competitiveness, convergence and growth. In particular many focused on more integrated Single Market, strong Cohesion Policy and more resilient and interconnected European energy systems, less dependent on external supplies. The need to align the twin transition with industrial policies and provide stable, predictable and pragmatic regulatory and investment framework is key in this regard. There is a broad consent that

EU reforms should contribute to competitiveness and resilience of European agriculture, while supporting farmers, the development of rural areas and providing the level-playing field, also beyond enlargement.

35. **Budget.** In order to adapt to a new geopolitical environment and a rapidly changing world, the upcoming MFF needs to effectively address both present and emerging challenges. New budget will need to strike a balance between new challenges and existing policies which are at the heart of the European project and most directly impact daily lives of European citizens.

36. **Governance.** Maintaining subsidiarity and proportionality throughout the reforms process, as well as pragmatic approach will be key to ensure enforceability of EU policies and legislation. An ambitious agenda for better regulation and impact assessment, including simplifying procedures, reducing reporting requirements, and law codification is a shared priority. Reducing administrative burdens on businesses, especially SMEs, will enhance legal certainty within the Single Market and increase the competitiveness of the EU.