

Initial Position of the Slovak Republic to the EU Cohesion policy post 2020

Introduction

The aim of the present document is to assume the Initial Position of the Slovak Republic to the EU Cohesion policy post 2020, which will enable the Slovak Republic (hereinafter referred to as the “SR”) to actively shape the debate that takes place at both, European Union (hereinafter referred to as the “EU”) and national levels, on the future of this important EU Policy. The document focuses on the most important aspects of EU Cohesion Policy. As we expect the European Commission (hereinafter referred to as the “EC”) to submit the legislative proposals for Cohesion Policy after 2020 for the discussion only in 2018, the drafting of the submitted material was based on the documents published so far by the EC, the European Parliament, the Committee of the Regions, the European Court of Auditors, the implementation practice from previous programming periods, as well as from the results of discussions already carried out in this area at the level of the SR and the EU.

Based on recent EU documents (White Paper on the Future of the EU, Reflection Paper on the Future of Finances), it is clear that the post-2020 EU budget will strike a balance between the existing policies and new challenges; stability and flexibility; promoting national priorities and securing public goods and the EU added value; focus on procedural expenditure rules and focus on results through simpler and more transparent rules and instruments; direct expenditure, subsidies, financial instruments, grants and public-private partnerships; co-financing; combined funding; many areas of activities; many instruments and a higher degree of strategic coherence; coordination, and fewer instruments.

The events organized during the Slovak Presidency of the Council of the EU in the second half of 2016 provided an important space for discussing Cohesion policy after 2020. Many topics are still up to date; some important links have been endorsed also by the conclusions of the General Affairs Council (GAC) of November 2016, which are also a good basis for the ongoing formal and informal discussions on the future shape of Cohesion policy after 2020. The SR's initial position has been also influenced by **cooperation with the “Visegrad” countries** (hereinafter referred to as the “V4 countries”) and efforts to identify common views on certain issues.

In order to actively cooperate and contribute to the formulation of Cohesion policy after 2020, the **“Partnership for Cohesion Policy 2020+”** working group was created in the SR. The working group consists of a wide range of socio-economic partners representing the state administration, territorial self-governments, territorial cooperation bodies, academic community, interest and professional groups, organizations representing employers and employees, as well as non-governmental non-profit organizations. Dialogue with partners began in March of 2017 with a first meeting of this working group, where the **Questionnaire on Cohesion Policy after 2020** was introduced. Its results, as well as **the conclusions of the “EU Cohesion Policy – Experiences and Perspective after 2020” seminar** with the participation of international experts, held in Bratislava in May 2017, were used to develop this initial position.

To make the process of negotiations on the future shape of Cohesion policy successful, the supporting analytical and conceptual documents are at the elaboration stage at the national

level, aiming to assist in an effective process of preparation of strategic and program documents of the SR after 2020.

The importance of Cohesion policy has been fully reflected in the mitigation of the effects of the global economic and financial crisis on the Slovak economy, the negative effect of which would be significantly higher without using financial support from the EU Funds. In view of the quantifiable socio-economic impact of the EU Funds, most assessments have concluded that Cohesion policy in Slovakia influences the growth of Gross Domestic Product (hereinafter referred to as the “GDP”). In 2003, GDP per capita reached 55% while, today, it is 77% of the EU¹ average. Studies show that investments made through Cohesion policy accounted for about 25%² of the real GDP convergence, and increased GDP by 3.5%³.

Investments from the EU Funds have influenced the convergence process of Slovak regions and contributed to the mitigation of regional disparities in the SR. Without Cohesion policy, the convergence process would halt in 6 out of 8 regions of Slovakia⁴. Also, without support from the EU Funds, there would be a significant drop in employment. Despite that, in terms of the assessment of regional disparities in OECD countries, the SR still belongs in the assessment of some indicators to the countries with relatively large regional differences. For these reasons, the EU Cohesion policy also has for the SR its justification in the next programming period.

The EU Cohesion policy makes a significant contribution to the economic, social, and territorial cohesion and convergence of the EU's regions and should, therefore, remain one of the key pillars of the EU budget post 2020. Its positive effects are clearly demonstrable, and several studies and assessments have confirmed the legitimacy of this policy also at the EU level, such as Ex-Post Evaluation by the EC for 2007 – 2013⁵, Ex-Post Evaluation and Forecast of the Benefits to the EU-15 Countries Resulting from the Implementation of Cohesion Policy in the V4 Countries⁶, etc.

The SR advocates maintaining a strong position of the EU Cohesion policy in the next multiannual financial framework of the EU post 2020, including maintaining its percentage as high as possible in the EU's overall budget as the EU's main investment policy for supporting the growth and jobs. In achieving the economic, social, and territorial cohesion of the EU, more attention needs to be paid to the changing situation of the different regions of the EU, making use of their diversity and advantages in favor of achieving their competitive advantages. The SR therefore advocates maintaining the strategic stability of EU Cohesion policy post 2020. At the same time, however, it proposes a greater degree of flexibility to support the specific needs and the own, endogenous development potential of the individual EU regions. EU Cohesion policy cannot be perceived as an “emergency” policy, at the expense of which crisis situations are to be financed by the new challenges of the EU.

¹<http://ec.europa.eu/eurostat/tgm/table.do?tab=table&plugin=1&language=en&pcode=tec00114>

²http://www.ewaluacja.gov.pl/media/33004/one_pager_en.pdf ; <http://www.ewaluacja.gov.pl/strony/badania-i-analazy/wyniki-badan-ewaluacyjnych/badania-ewaluacyjne/how-do-eu-15-member-states-benefit-from-the-cohesion-policy-in-the-v4/>

³http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp1_sk_report_en.pdf(page 18)

⁴http://ekonom.sav.sk/uploads/journals/334_impact_of_coheion_policy_on_regional_development_of_slovakia.pdf

⁵http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp1_swd_report_en.pdf

https://ec.europa.eu/info/sites/info/files/swd-2016-452-final_en.pdf

⁶www.ewaluacja.gov.pl https://www.ewaluacja.gov.pl/media/33004/one_pager_en.pdf

Basic features of EU Cohesion policy

At the EU level, a strategic document (or a set of key economic, social and territorial cohesion objectives) needs to be published that will respond to the current challenges in the EU's development and, in the medium term, define the EU's main common priorities and objectives after 2020 (a successor of the EU 2020 Strategy), to the fulfillment of which shall also contribute EU Cohesion policy.

With regard to the need to strengthen different forms of innovation in the EU regions, the SR supports the wider use of “Smart Specialization Strategies” within EU Cohesion policy. Studies⁷ and the experience show that the use of these strategies in directing support from the EU Funds is the most effective in more developed regions, transnational research cooperation as well as in supporting intersectional cooperation in less developed regions. In less developed and innovative regions with limited possibilities of diversification, the smart specialization approach should not impose limitation in the European Structural and Investment Funds (hereinafter referred to as “ESI Funds”) support. In smart specialization sectors existing link of actors with large enterprises and direct foreign investment should be considered, including the effort to keep and assure the return of a highly skilled workforce, in particular researchers and experts from abroad. These strategies could be broadened in the future and turned to more comprehensive strategies, which would also include other aspects, such as education or training.

In the context of the new technological revolution (Industry 4.0), a support for the informatization of society, including the coverage of operating costs for the information and communication technologies in an e-government environment⁸, is also important for the SR.

In order to make the use of the EU Funds more effective, **the support should be concentrated on a reduced number of priorities**, with the Member State being able to choose them **from the list of common EU objectives**, while respecting the principle of partnership and multilevel governance. Common objectives of the EU should include, in particular, support for research and innovation linked to the private and public entities; informatization of society; a low-carbon economy; the circulation economy and green economy; environmental protection; development of transport infrastructure; education and training; social inclusion; promoting growth of, and sustaining, employment; with a particular emphasis on the integration of marginalized Roma communities. The way to achieve these objectives at both, the national and regional levels, should be **flexible**, i.e. it should not be the subject of EU legislation, but of the common management of funds between the EC and each EU Member State. Individual Member States should be given enough space to adapt their thematic scope of the common objectives set at the EU level to their territorial capacities and the level of development of a given territory, and to the allocation of resources from the relevant EU Funds. This means, for example, that a territory, which does not have sufficient background to build infrastructure for the transfer of new knowledge in the innovative technologies should be more oriented towards promoting innovation in services; or, a territory with a high proportion of Natura 2000 protected areas should be more oriented to the goods and services linked to the green economy or related research activity, etc. In practice, such an approach requires the active involvement of socio-economic partners in line with multilevel

⁷ E.g., <http://ec.europa.eu/transparency/regdoc/rep/1/2017/SK/COM-2017-376-F1-SK-MAIN-PART-1.PDF>
http://ec.europa.eu/research/openvision/pdf/rise/crespo-balland-boschma-rigby_regional_diversification.pdf

⁸ Eligibility of operating costs only for the information and communication technology serving the general and public interest as part of the EU policies.

governance principles, and **the application of the thematic concentration upon a territorial approach. The SR therefore proposes to abolish mandatory earmarking of the thematic scope of support for individual categories of regions, as well as mandatory minimum limits for the individual thematic objectives or EU Funds.**

Cohesion policy after 2020 should also be **concentrated on support of all EU regions**, while less developed regions should be supported more intensively. However, the direction of support to the more developed regions is equally valid. It is crucial for the EU to maintain and promote the leadership of the most developed regions that accumulate economic activity and are the source of the EU's global competitiveness. It is clear that this category of regions is particularly associated with the specific problems related to the large cities, metropolises or agglomerations, such as high traffic intensity, environmental pollution, homelessness and long-term unemployment, social exclusion, negative demographic developments, insufficient training of the workforce, etc. At the same time, the support for more developed regions can also help less developed regions through synergy effects, the distribution of good experiences, the transfer of skills/knowledge, etc.

The horizontal principles identified as EU Cohesion policy principles should be applied and monitored in the conditions of EU Member States as a mandatory criterion at the program and project level.

Cohesion policy should continue to be based on a multilevel shared management model and a partnership principle, thereby ensuring responsibility for implementing Cohesion policy among all stakeholders at the European, national, regional, and local levels.

The macroeconomic indicator of GDP still appears to be one of the appropriate indicators for defining the eligibility of regions for the support, and determining the amount of national allocation. However, to more comprehensively assess the region's level of development achieved, and for the purposes of defining individual groups or categories of regions, it is appropriate to **complement the GDP per capita in the purchasing power parity with other indicators**, in order to take into account, in particular, the social aspects of life in the region, as well as the environmental, demographic or territorial aspects, provided that such data is available and applicable in all EU Member States. The GDP is primarily an indicator to measure economic performance rather than development, but has a long tradition and high statistical quality. At the same time, it is a simple and straightforward indicator based on the clear methodology and, as a key economic indicator, it will not be possible to replace it completely. However, it is often distorted because of the high number of unregistered people, who carry out their work in the region and commute to work to other regions; or registrations of big companies with national coverage, or different cost levels of living costs in individual regions. Cohesion policy after 2020 should therefore take such “statistical effects” into account when defining a strategy of support of individual EU regions.

We believe that, in the current programming period, there are disproportionately large differences in the amount of allocations to the different categories of regions at NUTS 2 level, especially in the category of less developed and transition regions. In the upcoming period, we will support a mitigation of significant disparities in the amount of EU Funds allocated to individual categories of EU regions, which only show relatively low percentage differences in the level of development attained.

The SR advocates maintaining the current level of the maximum level of the co-financed support from the EU Funds.

The SR supports the fact that in the case of projects financed by the Structural Funds and the EU Cohesion Fund, the value added tax (VAT) continues to be eligible expenditure in cases, where VAT is non-refundable under national law. A clear definition of VAT as an eligible expenditure significantly increases the rate of implementation of the EU Funds. At the same time, it is necessary to establish the clear VAT eligibility rules for the beneficiary-operator-user relationship in cases, where the goods and services are subject to VAT.

The SR expects **a wider choice of use and combination of various support instruments** to achieve the set objective of the beneficiary's operation. At the SR level, the socio-economic partners expressed **their support for strengthening the resulting orientation** of Cohesion policy, including through the use of appropriate incentive tools.

Although the **performance reserve** has not yet been allocated under the conditions of the EU Member States, experience from the programming process has shown that this instrument **does not provide the desired degree of motivation** for Member States, which have often come up with less ambitious and easier to achieve targets when identifying milestones. For the more efficient use of this instrument, there is a possibility of establishing a specific EU-level reserve that could be one of the incentives for the Member States, and also a source of funding for the new unexpected challenges eligible for the support by Cohesion policy. After being allocated to concrete Member States (based on the predefined objective criteria), these resources should be implemented in line with the principles of shared management of the EU Funds. Similarly, also potential “decommitments” of the Member States could be transferred to such a “reserve” after 2020.

Duration of the EU Multi-annual Financial Framework is one of the factors of the balance between stability and flexibility in financing after 2020. The SR supports the **maintenance of the seven-year programming period** of 2021-2027, including the **n+3** rule. Even though the shorter duration of the programming period would bring more flexibility and facilitate adaptation to any unexpected developments, the current length allows foreseeability and sufficient time to launch investments, as well as the implementation of any preventive measures to increase the investment performance at the beginning of the programming period.

Shared Management of Cohesion policy

For the implementation of Cohesion policy, we support **maintaining shared management** as the most appropriate model, where we need to openly discuss how to improve this model as much as possible. The focus is to be on the achievement of the expected results, the significant simplification of the implementation mechanism, and the removal of the administrative burden for both, the managing authorities and beneficiaries. There is a need to **increase trust between the EC and the Member States** and focus more on the preventive measures. The EC should be more closely involved in the process of implementing Cohesion policy, particularly in addressing the specific issues of the EU Member State concerned.

In order to make better use of the EU Funds, it is essential to apply the principles of partnership and multilevel governance consistently, and to actively involve the economic and social partners in all Cohesion policy processes, i.e. planning, implementation, monitoring, and evaluation.

The strategic dimension of Cohesion policy requires the application of strategic planning and coordination with the EU Common Agricultural Policy and the EU Common Fisheries Policy and the associated preparation of strategic documents. At national level, **the common strategic document for EU Funds**, should clearly name only the main strategic priorities and objectives at the level of each region, and their contribution to the fulfillment of EU objectives, the way of financing, as well as the identification of *ex ante* conditionalities for the successful implementation of the EU Funds in the respective Member State/region as negotiated with the EC. At the time it should fully respect the legislative specificities for individual EU policies. This document should also be less descriptive and should remove requirements that create duplication at the level of programming documents, too. At the same time, it is necessary to ensure the complementarity of this strategy document with other EU instruments. Given its strategic character it will be necessary legislatively harmonized the rules of all EU policies and instruments included in the future strategic framework at EU level.

Similar simplification shall also be implemented at program level. **Program documents** should be brief, without descriptive parts, so they can react flexibly to the changes in the regional context. The time period necessary for the preparation and approval of strategic and programming documents (i.e. the programming process) should be reduced significantly in the light of the proposed changes to be able to launch the process of implementation of these documents as soon as possible.

In connection to achievement of strategically important EU objectives, the SR supports the idea to keep eligibility of expenditures on major projects, under shared management, that significantly contribute to economic, social and territorial cohesion in affected EU Members States.

Simplification must also be achieved in the monitoring and evaluation processes. In terms of Cohesion policy, this, in particular, requires simplification of the scope of the annual and interim implementation reports that Member States are obliged to send to the EC. The EC should, where appropriate, significantly strengthen its engagement and assistance in monitoring during the implementation of the program.

In the next programming period, it is also necessary to **reduce the number of mandatory indicators monitored**. With regard to the need to strengthen the result orientation of the Cohesion policy, significant attention will have to be paid to the **result indicators** in the monitoring and evaluation system. The system of indicators that a Member State will have to report to the EC must be **more consistent and based only on monitoring the EU common indicators and ongoing fulfilment of their milestones**. For this purpose, the terminology and method of monitoring the indicators between the individual ESI Funds should be harmonized.

In order to facilitate the dissemination of the results of Cohesion policy, we welcome and support a common communication strategy as a fundamental framework set up by the EC to help the Member States consistently disseminate information on the support from the EU Funds. Information provided to citizens should be presented in a comprehensible, easily understandable, but also innovative form corresponding to the era of digitization. It is necessary to improve the visibility of the concrete benefits of Cohesion policy for citizens by improving publicity methods, thereby bringing Cohesion policy into a wider public debate.

Territorial Dimension of Cohesion policy

We consider it necessary to promote a wider use of an integrated approach that will allow **all types of territories** to be supported, while respecting the principle of adequacy, with specific measures for specific regions of the EU. Important in this context will be the demonstration of the impacts of the EU Funds assistance on the territorial cohesion.

Insufficient links between the local and regional levels, as well as limited resources, do not allow the sub-regional and local development potential to be sufficiently developed and exploited. It is therefore important to reinforce the integrated territorial approach at the regional and local levels, **which must be one of the key elements of the Cohesion policy implementation mechanism after 2020**. It is therefore essential in the programming phase to identify areas of intervention to be supported at national level (e.g. major infrastructure projects, research and innovation with an impact on the whole territory, etc.). Other interventions need to be implemented only on the basis of an integrated territorial approach that will synergistically link the regional and sub-regional/local levels and consider the urban-rural, and city center-periphery relations.

The public sector support should focus primarily on the growth and employment-promoting investments to ensure better investment sustainability. In this context, key are the administrative capacities, especially at the sub-regional/local levels, for the process of preparation, management, and implementation of the integrated territorial approaches.

The correct linking of the top-down with bottom-up approach will be an important part of such an integrated territorial approach. The assumption is that multi-level governance is effective, if partners from all levels are involved, who work together identifying the needs and investment priorities, as well as finding optimal solutions for regional development.

To streamline the implementation of the integrated territorial approach, it is necessary to simplify the rules and allow for an administrative-undemanding mix of different sources through a **wider and simpler use of multi-fund programs** that enable the priority problems of individual regions to be comprehensively addressed, and support to be concentrated on the key objectives and investments at the sub-regional level, with a focus on the overall increase in their competitive advantage.

The possibility of combining the ESI Funds as part of the support of the regional and sub-regional development through a number of the integrated instruments poses an excessive administrative burden both, in the programming and implementation process, at national, regional, and local levels. With a view to significantly simplify the support of the regional and sub-regional/local levels, the **various integrated approach instruments supported by the ESI Funds** (such as the CLLD, Integrated Territorial Investments, Joint Action Plan) should be **merged into one type of the integrated territorial approach**, following a full harmonization of the rules applicable to the local development support. The objective of financial management, control, and audit of the economy, efficiency, effectiveness, and purposefulness of the EU Funds spent within such an integrated territorial approach should only be to verify, whether the set objectives and priorities identified in the integrated territorial strategy have been met. Similarly, as is the obligation to set a minimum portion as the contribution of the relevant EU Fund to the implementation of the sub-regional/local development (e.g. in the LEADER approach or sustainable urban development), a similar approach should be chosen for the benefit of such an integrated territorial approach for all ESI

Funds. The aim of such approach would be to support the implementation of the regional integrated territorial strategy through the sub-regional/local integrated territorial approaches (by retaining the key features of the LEADER approach) without the need to differentiate and report the eligible scope of support of the individual ESI Funds in the process of its implementation.

The SR finds it important and **reasonable to specifically support development of urban functional areas**. Cities concentrate more economic activity and can better provide services to catchment areas and, however, they have unused development potential. Sustainable development of cities should also be **governed by the integrated territorial approach**. The urban dimension of the Cohesion policy should be further developed also by means of innovative measures and best practice experience at EU level. It should also lead to improvement of the ability of cities to coordinate activities performed in their territories and in their function areas.

European Territorial Cooperation (hereinafter only as the “ETC”) must **remain a part of the EU’s Cohesion policy**. The SR supports the use of financial resources of the ETC in all three types of territorial cooperation – trans-national, inter-regional and cross-border – in order to perform joint activities of partnerships built in various Member States in EU regions.

In order to enhance the visibility of the positive impact of the ETC objectives, we recommend **increasing the financial allocation for ETC programmes**. In this respect, it will be necessary to set clear demarcation lines for the eligible content of the support from the ETC and mainstream Cohesion policy programmes. Equally, it is desirable to further simplify implementation of such programmes. **ETC programmes should remain exempt from the obligation to meet ex ante conditionalities**.

As part of **trans-national cooperation programmes**, it is necessary to support such areas and activities that lead to comprehensive development of the territory and to the increase of the quality of life of inhabitants of cooperating territories. **Cross-border cooperation programmes need to focus on areas of support** implemented directly in the territory of regions, **which bring visible outcomes of long-term nature** with significant cross-border impact and which reflect actual needs of the cross-border territory.

The SR will also welcome **uniform and clear rules for the process of implementation for all types of ETC programmes and for all EU Member States**, including third countries that will be specified in a joint legislative regulation of the EU. Due to the specific nature of ETC programmes, such approach will be beneficial and it will contribute to achieving a higher level of reliability of cooperating partners and stability of processes.

The concept of macro-regional strategies is another contributing factor to the economic, social and territorial development of the EU. Therefore, the concept should form a part of the EU’s Cohesion policy framework also after 2020. Due to the nature of ETC programmes and in order to achieve synergy effect in the use EU Funds, the SR supports a stronger connection of such programmes to macro-regional strategies.

For legal instruments, such as the European Grouping of Territorial Cooperation (**EGTC**), **it is necessary to clarify, strengthen and firmly determine their roles in the ETC**. **A bigger motivation in using this instrument** can be also found in the very implementation of the ETC (e.g. by means of preferring this legal form in the evaluation process).

The Link with EU Economic Governance

A closer link with EU economic governance and Cohesion policy in the 2014 – 2020 programming period has clearly led to certain positive effects and to launching multiple reform measures in Member States that would otherwise be implemented much harder or that would not be implemented at all.

In the future, we can see the room for achieving **bigger level of strategic coherence between Cohesion policy and EU economic governance**. We need to create a consistent mechanism that set clear relations and prevent duplicity between instruments that contribute to meeting the same objectives, e.g. ex ante conditionalities and Country Specific Recommendations.

In order to ensure that EU economic governance brings expected outcomes and contributes to effective implementation of the principal European (economic) strategy as the successor of the EU 2020 Strategy, it is necessary to make **more closely, in a coordinate manner, connected to other EU policies**.

Country Specific Recommendations should be broken down to different EU policies they refer to (including the Cohesion policy). However, connecting the Cohesion policy to the economic governance must not weaken achieving the traditional objective of this policy – convergence and reduction of regional disparities. **The Cohesion policy must not be the only instrument of the EU to implement structural measures in Member States**.

Due to the fact that structural reforms are not a short-term process, the Country Specific Recommendations should be of more **long-term nature (not on the yearly basis)**. The link between Cohesion policy and EU economic governance will be more effective if the relevant Country Specific Recommendations are harmonised with the Cohesion policy planning and if there is a consistent **system for monitoring** their progress during entire programming period.

Country Specific Recommendations should be **formulated in closer cooperation of EC and the particular EU Member State** and lead to implementation **structural measures and requested horizontal (cross-sectional) measures at national level**, which will, in line with EU's strategic objectives, strengthen the economic, social and territorial development of Member State and the EU as a whole. In connection to the need for solution of problems of a specific territory, it will be necessary for relevant Country Specific Recommendations to apply a territorial dimension. The Country Specific Recommendations with territorial dimension should be formulated in line with the principles of partnership and multi-level governance in cooperation with national and regional partners.

Ex ante conditionalities should be set for the process of programming sufficiently in advance, they should follow up experience obtained in the process of their implementation in the 2014 – 2020 period and they should be strictly bound only to thematic objectives of Cohesion policy. In future, it will help to strengthen the efficiency of ex ante conditionalities if there is a **reduced number** of them identified there and if they are focused more particularly on removal of only such persisting obstacles that continue to hinder from more efficient and effective implementation of thematic objectives of Cohesion policy in Member States. Therefore, it is desirable for such ex ante conditionalities to be **tailor made to individual Member States of the EU and their regions**. In relation to the regional focus of Cohesion policy as well as in order to implement structural reforms effectively, it will be

desirable if ex ante conditionalities reflect the territorial approach, **as well as specific features of different regions**, whereas their identification should be made in partnership with representatives of the EC, national and regional levels. Ex ante conditionalities should be **in line with Country Specific Recommendations in those areas that are eligible for support from Cohesion policy**.

Conditions related to macroeconomic performance and general principles of the EU should apply to the entire budget of the EU, not only to Cohesion policy, because they must apply to and be enforceable in all EU Member States.

Cohesion policy, as a separate policy of the EU, cannot become hostage to any conditionalities that are not directly relevant, connected and in line with objectives of this policy. Macroeconomic conditionality should not prevent from a broader implementation of economic, social and territorial cohesion objectives. The support to Cohesion policy is predominantly aimed at regional and local levels. Regional and local actors (as beneficiaries) should therefore not be sanctioned for not meeting economic commitment of the state they cannot influence directly. Therefore, **for the period after 2020, we do not support existence of macroeconomic conditionality that is only bound to implementation of Cohesion policy objective**.

Further Possibilities of Simplification of Cohesion Policy

The Cohesion policy reform in 2013 introduced many beneficial strategic features, which, on one hand, increased the number of implementation regulations and guidelines upon request of Member States; on the other hand, it did not simplify the implementation at all. One example of the above is public procurement (hereinafter only as the “PP”), where, even despite improvement of the PP environment by means of meeting of a general ex ante conditionality, there has been no simplification of the process of PP control, which is directly related to implementation of projects funded by EU Funds. As a result of this approach, Cohesion policy is overregulated and excessively burdened also by rules of other EU policies. It causes more opacity at the level of entities responsible for implementation of Cohesion policy and delayed adoption of managing and programming documents at national level. Implementation of Cohesion policy must not be used for ensuring compliance of Member States with EU rules, in particular in the field of PP and state aid.

The extent of legislative regulations and guidelines at EU level must be significantly reduced and simplified. In comparison to the 2007 – 2013 programming period, the number of the documents increased during years 2014 – 2016 and the total number of pages more than doubled (from app. 1,750 pages to app. 4,050 pages). Some of the documents were published by the EC with significant time delay, as late as during the current implementation of the 2014 – 2020 programming period. **Therefore, EU Common Provisional Regulation should, in the future, provide Member States with substantive legislative framework only. Specific issues, relevant to individual Member States, should be subject to mutual arrangement between the EC and EU Member State;** however, they should be mutually share in order to ensure transparency of the process.

The draft of EU legislative regulations for Cohesion policy should be published jointly and immediately after publishing draft of Multi-annual Financial Framework post 2020. Even despite objective reasons (negotiation related to Brexit, European Parliament elections), the

package of EU legislative regulations for Cohesion policy for the period after 2020 should be **adopted sufficiently in advance**, no later than 6 months prior to the eligibility of expenditures for the new programming period after 2020. In this context, it is necessary to consider dividing the EU legislation for Cohesion policy into two separate EU regulations: regulation on thematic priorities, areas of support and general principles and a joint regulation on implementation rules that should apply independently of 7-year budget cycles.

In the present programming period, the **designation** process has not proven to be an efficient tool and had impact on delayed commencement of implementation of Cohesion policy for 2014 – 2020. Unless the mechanism of Cohesion policy implementation changes significantly after 2020, which is what is considered desirable, we see no reason to repeat this process. The audit should rely on preceding outcomes of audits and any verification of the system functioning should be reduced to only newly introduced features.

We support the orientation to results and reporting of expenditures adjusted to it. In this context, we support **mandatory use of simplified cost options**, which demonstrably reduces the error rate and administrative burden for beneficiaries and entities responsible for ESI Funds implementation. The application of simplified cost options and other new methods focused on results must be among key features of the future mechanism of Cohesion policy implementation. Therefore, the process of ESI Funds implementation should apply to all suitable projects, without setting any top limits as part of overall eligible costs of projects, as preconditions for its implementation. The PP cannot form any obstacle to application of simplified cost options. At the same time, it is necessary to introduce new methods of simplified cost options (e.g. draft budget, lump sums at EU level, payments based on the conditions fulfilled).

More result orientation by means of mandatory introduction of simplified cost options will also bring **simpler controls at the level of beneficiaries on the part of bodies responsible for Cohesion policy programmes implementation**. Due to the above reasons, it is necessary to focus on prevention of double checks. In particular, the SR supports the “single audit principle”. In the field of auditing and controlling system, there must be a significant shift from formal compliance verification (based only on verification of administrative doubts and controls of strict compliance with the EU legislation) towards achieving outputs/partial results and progress in implementation and verification of functioning and effectiveness of national management and control system. The payments mechanism on the basis of performed requirements seems to be a suitable mechanism to reach that aim. Such mechanism shifts the verification and control from compliance to output and result. When performing audits, it is desirable to introduce a **single database of audit findings** at EU level, which will make it possible to share experience of Member States and their most effective measures adopted to eliminate and correct the identified deficiencies.

In the field of the PP, it will be desirable to **unify and clearly define PP rules only at the level of EU legislative regulation**, which will reduce the impact of excessive regulation, i.e. so called “gold-plating” on national level. Equally, it is necessary to set, at EU level, **uniform rules for performance of the control by managing authorities**. Rules should be defined at EU level clearly and in a sufficiently comprehensible manner in order to not provide additional room for various interpretations by Member States, EC or the European Court of Auditors. In the PP processes, the SR promotes the possibility of broader **use of MEAT criteria**, which are aimed at the most economically advantageous offers and the best quality and price ratio. A broader application of MEAT criteria has impact on increased quality of

goods and services, better cost effectiveness, improvement of reliability or reduction of operational costs.

State aid rules should be **set adequately and comprehensibly** already at EU level in order to prevent various interpretations in their application at EU Member States level. Therefore, the SR supports more efficient **coordination between state aid rules and EU legislative regulations** for Cohesion policy, namely, by means of closer cooperation of individual DGs of the EC in the process of their preparation. It would also help to simplify the implementation, if **approval of individual programmes by the EC also meant that it accepts compliance with state aid rules application**. Regarding application of state aid rules, it is also necessary to discuss **exclusion of certain specific areas of support to Cohesion policy from the notification obligation to the EC** by means of setting of new areas of support in the General Block Exemption Regulation (GBER), and only keeping their notification obligation to the EC. It would primarily concern activities which, by their nature, significantly contribute to the growth and employment and this create European added value leading to meeting joint objectives at EU level.

From the viewpoint of further simplification, it is necessary to focus on full **harmonisation** of rules for ESI Funds (e.g. in the field of thematic concentration fulfilment at the level of operations, use of joint instruments for ESI Funds, support to multi-fund financing, need of harmonisation of financial flows, etc.), as well as Cohesion policy and other EU instruments, in order to achieve more palpable synergies and the multiplication effect. That will ensure better complementarity of various EU instruments, e.g. between Cohesion policy and the Horizon 2020 Programme or the Connecting Europe Facility. There is also additional room for **merging or terminating certain EU programmes and instruments after 2020**, which, even now, cause duplicity of financing for the same type of beneficiaries (e.g. activities of small and medium enterprises at EU level can equally use funds from COSME, Horizon 2020, EFSI – European Fund for Strategic Investments, as well as from ESI Funds). From the viewpoint of cost efficiency, rationalisation of administrative capacities as well as overall reduction of the administrative burden at EU level, several similar instruments at EU level should contribute to meeting objectives of only one principal policy of the EU.

The existing EU legislation applicable to the eligibility of operations depending on the location did not provide Member States with desired effects. Due to an unclear interpretation, its application in the implementation process was complicated and could not be sufficiently utilised. Therefore, the SR proposes omitting the provision from the legislative text in the future period.

Increased use of integrated and multi-fund approach of ESI Funds must form an inseparable part of implementation in the future programming period. Beneficiaries should also have the opportunity to implement multiple activities eligible to support from ESI Funds as well as at the level of operation, without the need to submit separate projects, thus, facing the uncertainty in the process of their approval. Thus, increasing the maximum amount of EU Funds for financing part of the operation whose costs are eligible to support from another EU Funds could be one of possible solutions. Beneficiaries should also be provided with the possibility to apply such additional means of cross-financing by all ESI Funds. The SR also proposes providing systemic 10% flexibility at the level of priority axis without the need of programme modification. The EC should only approve the financial plan and programme indicators above that amount and their changes.

The SR also supports reducing the administrative burden also for mandatory systems of electronic exchange of data between Member States and the EC.

The European Fund for Strategic Investments is a joint initiative of the European Investment Bank, the European Investment Fund and the EC to help overcome existing investment gap in the EU in mobilizing private financing for strategic investments. This feature of the fund should remain also in the future programming period and should not replace grant support provided from Cohesion policy. Cohesion policy and the European Fund for Strategic Investments should have synergic effects and act in coordinated manner in order to contribute to the economic growth and growth of investments in EU regions.

Rules applied to centrally managed financial instruments are less demanding and more flexible than conditions related to the use of financial instruments at national level even despite the fact that they pursue the same aim, support to investments that are expected to be financially viable, but they do not have sufficient financing provided from market sources. One example is the Initiative to support small and medium enterprises as a centrally managed instrument at EU level, which has, compared to financial instruments implemented at national level, more flexible rules in the field of territorial delineation of the support, level of national co-financing, choice of financial intermediaries, etc.

Therefore, from the viewpoint of the SR, it is important to continue in **simplifying rules, in particular, for financial instruments implemented at national level**, in order to have all preconditions for their successful implementation available and to be able, to much larger extent, to make their use in EU Member States more attractive. At the same time, it is desirable to maintain the voluntary nature of choice in Cohesion policy so that the managing authorities could choose if they use the support in the form of grants, financial instruments or a combination of those options. The choice of the form and sources of financing should be adequate to aims that are to be achieved.

Regarding the discussion on simplification of EU Cohesion policy, certain EU Member States have made effort to set a differentiated approach to application of legislative rules of EU after 2020, which exceeds the framework of simplification and acknowledges differences in the scope of financing, institutional and administrative structures or performance and results of implementation of this EU Policy. Overregulated intervention logic of Cohesion policy is equally applied in all EU Member States, i.e. also in countries whose contribution from EU Funds is low and which thus also pose a low risk for the EU budget. However, in such Member States, the demanding administrative requirements at the level of beneficiaries cause low demand for the use of EU Funds also after 2020. **However, the SR does not consider requirements for developing alternative parallel management and implementation systems of Cohesion policy at EU level as a systemic step** and as a measure that is in line with equal treatment in application of the Union law, due to different levels of development of EU regions. A joint effort of all EU Member States should therefore preferably concentrate on achieving our joint aim which is simplification of the future mechanism of Cohesion policy implementation to the maximum possible extent so that the system of implementation of this important EU Policy in the programming period after 2020 was efficient and remained interesting for all EU Member States and regions.