

MINISTRY OF REGIONAL DEVELOPMENT  
**National Coordination Authority**

# Czech Perspective on Future of Cohesion Policy after 2020

25 January 2018

Permanent Representation of the Czech Republic to the EU, Brussels



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# H.E. Martin Povejšil



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# Focus of the meeting

- Benefits of cohesion policy in the Czech Republic
- Introduction of Starting points for the position of the Czech Republic on the future of cohesion policy post-2020
- Thematic scope of the future cohesion policy
- Simplification



# Ms Olga Letáčková



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# Who is contributing

## **Ms Olga Letáčková**

» Deputy Minister for Coordination of EU funds and international relations Section, Ministry of Regional Development

## **Mr Petr Zahradník**

» Member of ECOSOC, Economist

## **Mr Petr Pavelek**

» Deputy Minister for Public Budgets, Ministry of Finance of the Czech Republic

## **Mr David Škorňa**

» Director of Partnership Agreement, Evaluation and Strategies, Ministry for Regional Development of the Czech Republic

## **Ms Kateřina Neveselá**

» Director of Management and Coordination of EU Funds, Ministry for Regional Development of the Czech Republic

## **Mr Erich Unterwurzacher**

» Director, Directorate General for Regional and Urban Policy



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# Benefits of cohesion policy in the Czech Republic

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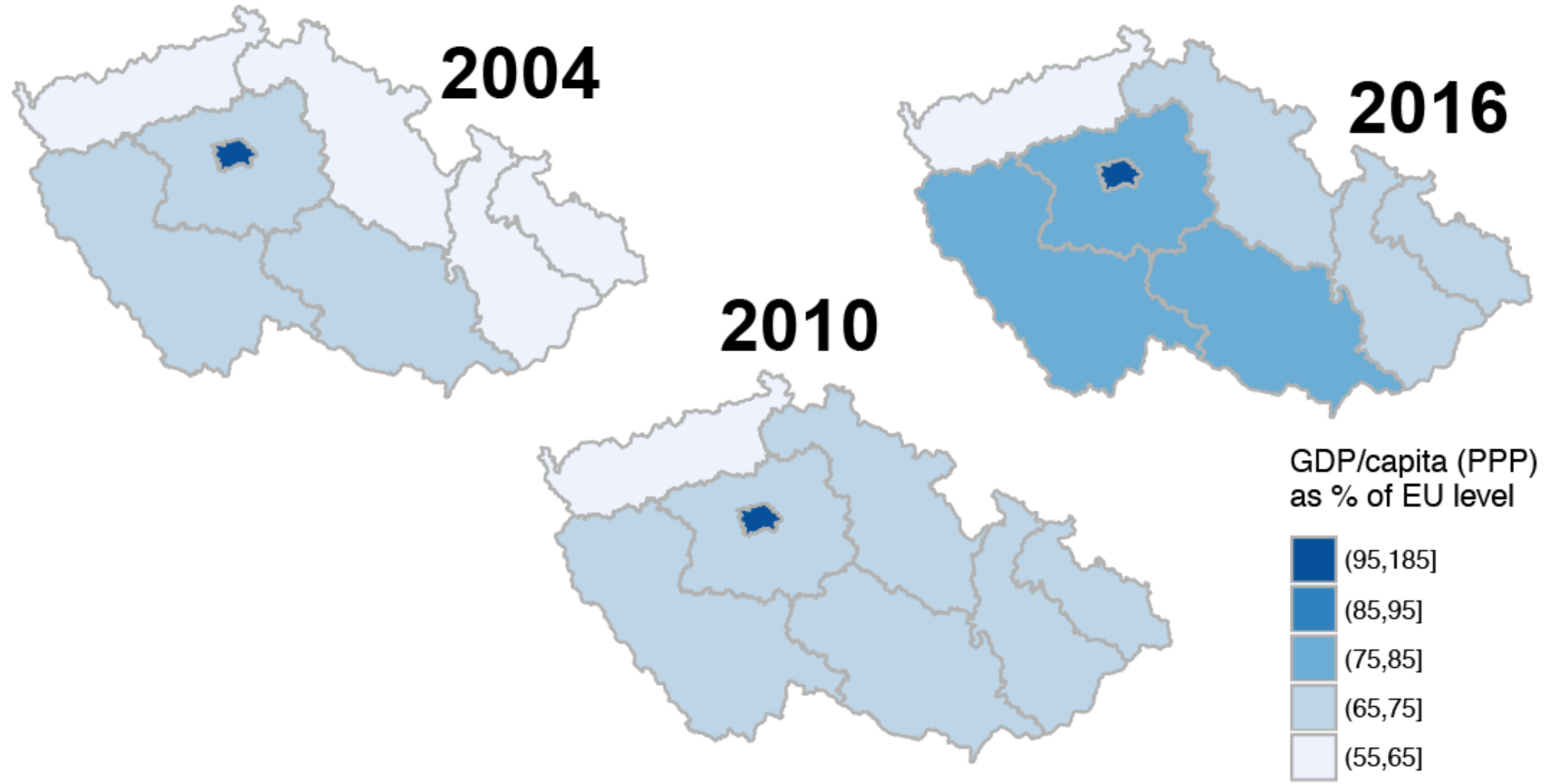


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# Czech regions have been catching up to the EU level



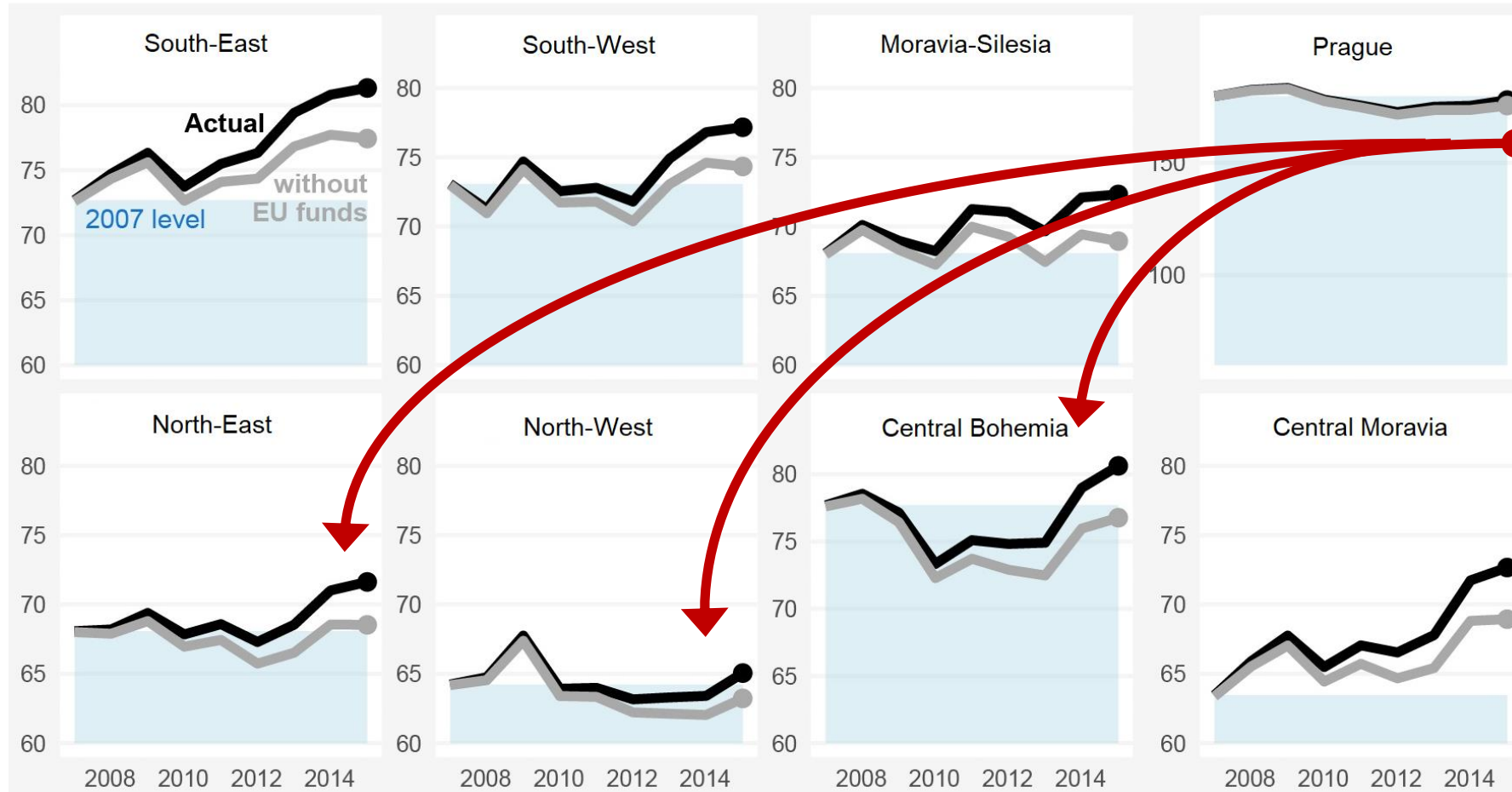
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# Cohesion policy has played a key role in this story

## Impact of EU funds on convergence of regions (GDP/person as % of EU avg)



Without cohesion policy, three Czech regions would have seen no or minimal GDP convergence.

EC 2016, RHOMOLO (ex post evaluation of 2007-13), Eurostat



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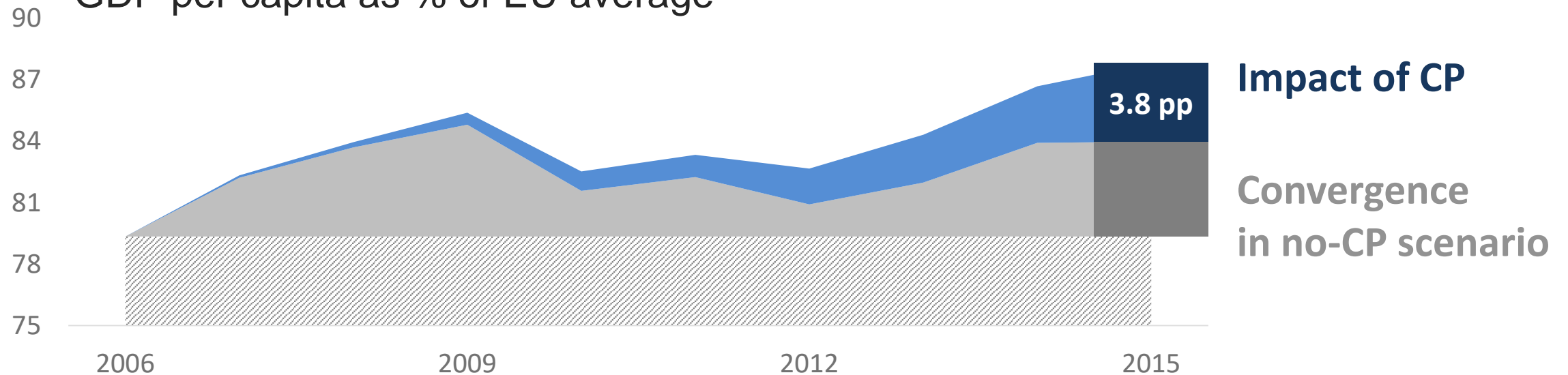


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# CP is a source of dynamism for the economy as a whole

## Contribution of cohesion policy to CZ convergence, 2007–15

GDP per capita as % of EU average



GDP in 2015  
was **4% higher**

About **one fifth** of all CZ  
GDP growth

Almost  
**half** of all  
convergence

Real wages  
were  
**3 % higher**

Productivity  
was **3% higher**

All figures compare to non-CP scenario in 2015. Calculations based on EC (2016), ex post evaluation 2007-13, QUEST III model (a, c-e) a RHOMOLO (b)



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# **EU Cohesion Policy in the Czech Republic: Achievements and Expectations for the Future**

Petr Zahradník

Prepared for the Discussion Seminar organised by the Permanent Representation of the Czech Republic to the EU  
and the Czech Ministry for Regional Development

Brussels,  
January 2018



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## CZ CONVERGENCE WITHIN THE EU CONTEXT

	Convergence record (2005 – 2016)	GDP/ cap (Ø EU; 2005)	GDP/ cap (Ø EU; 2016)
IRL	+36	147 (ranked 2)	183 (ranked 2)
ROM	+23	35 (ranked 28)	58 (ranked 27)
LIT	+22	53 (ranked 24)	75 (ranked 19)
POL	+18	50 (ranked 25)	68 (ranked 21)
SVK	+17	60 (ranked 21)	77 (ranked 17)
EST	+15	60 (ranked 21)	75 (ranked 19)
LAT	+15	50 (ranked 25)	65 (ranked 24)
MLT	+15	81 (ranked 18)	96 (ranked 13)
BUL	+12	37 (ranked 27)	49 (ranked 28)



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## CZ CONVERGENCE WITHIN THE EU CONTEXT

	Convergence record (2005 – 2016)	GDP/ cap (Ø EU; 2005)	GDP/ cap (Ø EU; 2016)
LUX	+11	247 (ranked 1)	258 (ranked 1)
CZE	+9	79 (ranked 19)	88 (ranked 15)
GER	+6	117 (ranked 9)	123 (ranked 6)
CRO	+5	55 (ranked 23)	60 (ranked 26)
HUN	+5	62 (ranked 20)	67 (ranked 23)
AUS	+1	127 (ranked 4)	128 (ranked 3)
SWE	0	123 (ranked 6)	123 (ranked 6)
DEN	0	124 (ranked 5)	124 (ranked 5)
BEL	-3	121 (ranked 7)	118 (ranked 8)



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## CZ CONVERGENCE WITHIN THE EU CONTEXT

	Convergence record (2005 – 2016)	GDP/ cap (2005)	GDP/ cap (2016)
SLO	-4	87 (ranked 16)	83 ranked 16)
POR	-5	82 (ranked 17)	77 (ranked 17)
NET	-7	135 (ranked 3)	128 (ranked 3)
FIN	-7	116 (ranked 10)	109 (ranked (9)
FRA	-7	111 (ranked 11)	104 (ranked 11)
SPA	-8	100 (ranked 14)	92 (ranked 14)
UK	-11	118 (ranked 8)	107 (ranked 10)
ITA	-12	109 (ranked 12)	97 (ranked 12)
GRE	-25	93 (ranked 15)	68 (ranked 21)
CYP	-36	101 (ranked 13)	65 (ranked 24)



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## CZ CONVERGENCE WITHIN THE REGIONAL CONTEXT

EU = 100	2007	2011	2014	2015	Convergence Record (2007 – 2015) to Ø EU
CZE	80	81	84	87	+7
Prague	172	171	173	178	+6
Central Bohemia	75	73	77	81	+6
South-West	71	70	76	77	+6
North-West	62	63	63	64	+2
North-East	66	67	70	71	+5
South-East	72	73	79	81	+9
Central Moravia	62	66	70	74	+12
Moravia-Silesia	68	71	70	72	+4



- **THE DEVELOPMENT OF THE CZ NET POSITION TO THE EU BUDGET (BN. CZK)**

- **THE STRUCTURE OF CZ REVENUES FROM THE EU BUDGET AND ITS DEVELOPMENT IN TIME (%)**

[illegible]



## **COMPREHENSIVE ANALYSIS OBSERVATIONS**

- **CONTRIBUTION TO GDP GROWTH (REAL CONVERGENCE PERFORMANCE);**
- **CONTRIBUTION TO THE LABOUR MARKET PARAMETERS (THE LOWEST UNEMPLOYMENT RATE IN THE EU AND ONE OF THE HIGHEST WAGE INCREASES);**
- **HIGH IMPORTANCE IN THE PUBLIC SECTOR INVESTMENT;**
- **SHORT-TERM DEMAND STIMULUS (0.8 P.P. TO GDP GROWTH), VERSUS SUBSTANTIAL SUPPLY-SIDE FACTOR (0.4 TO 0.5 P.P. TO GDP GROWTH);**
- **SUBSTANTIAL IMPACT ON THE REGIONAL AND LOCAL DEVELOPMENT INFRASTRUCTURE;**
- **COHESION POLICY HAS BEEN A SUPPLEMENTARY INSTRUMENT (SNOW-BALL EFFECT)**



## **NEXT PERIOD WILL ACCELERATE FOCUS ON EFFICIENCY AND ADDED-VALUE**

- **RESULT AND PERFORMANCE ORIENTED EU BUDGET AND COHESION POLICY**
- **EU ADDED-VALUE;**
- **MORE FLEXIBILITY;**
- **EU BUDGET RESTRUCTURING**
- **FINANCIAL INSTRUMENTS;**
- **INTENSIFIED RELATION WITH THE EU ECONOMIC GOVERNANCE (EU SEMESTER);**
- **STABILISATION FUNCTION AND A FOCUS ON THE EURO-ZONE;**
- **BREXIT IMPACT**



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**Thank you very much for your attention**

**Petr Zahradník,  
Member; European Economic and Social Committee,  
Adviser; Czech Chamber of Commerce's President,  
Economic Consultant, Česká spořitelna**

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# Ms Olga Letáčková



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# Introduction of Starting points for the position of the Czech Republic on the future of cohesion policy post-2020

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# Starting points for the position of the Czech Republic on the future of cohesion policy post-2020

- Document „Starting points for the position of the Czech Republic on the future of cohesion policy post-2020“
  - » The aim is to **create a unified opinion** of the Czech Republic on the future form of cohesion policy and enable the Czech Republic to **actively engage** in the debate on the future of EU cohesion policy after 2020 as well as to **promote and defend the interests** of the Czech Republic;
  - » It looks in detail at the **key elements** of future cohesion policy;
  - » A brief summarising document was prepared;
  - » It was approved by the government of the Czech Republic in September 2017.

# Key elements of cohesion policy

- Shared management
- Thematic concentration
- Performance framework and the n+3 rule
- Ex ante conditionalities
- Country-specific recommendations
- Macroeconomic conditionalities
- Territorial dimension
- European Territorial Cooperation
- Linking European Structural and Investment Funds to other EU programmes
- Financial instruments
- Simplified cost options



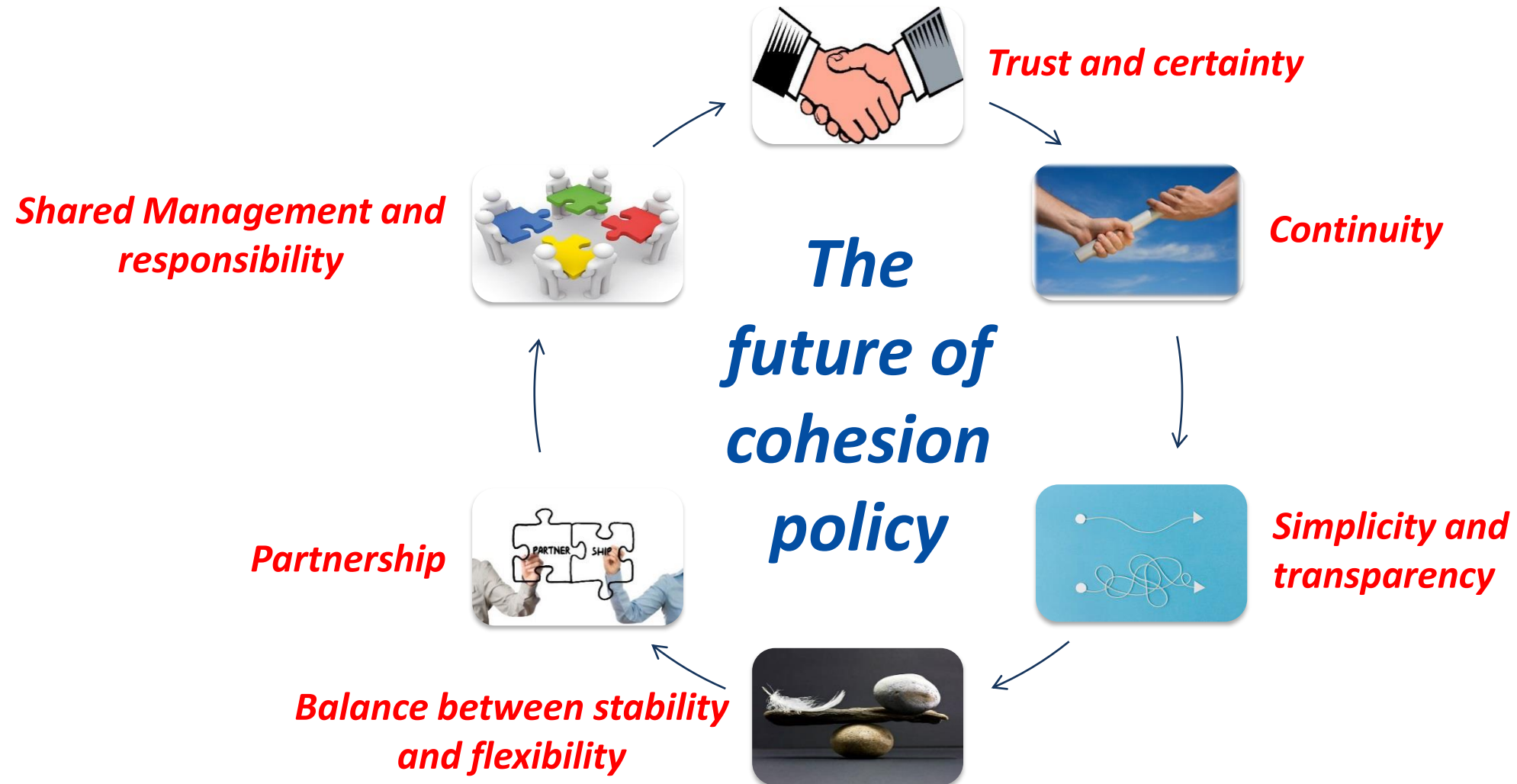
# Preliminary position of the Czech Republic on the future of cohesion policy post-2020

- The Czech Republic supports
  - » preserving cohesion policy as one of the main policies within the MFF;
  - » preserving the 7-year programming period;
  - » simplicity, transparency and harmonization of the rules across EU programs;
  - » setting more flexible rules for MS to use funds in their regions in compliance with their objectives;
  - » place-based approach and territorial dimension should remain core instruments;
  - » less strict rules for the minimum shares of funds.

And ... more intensive communication of Cohesion Policy benefits

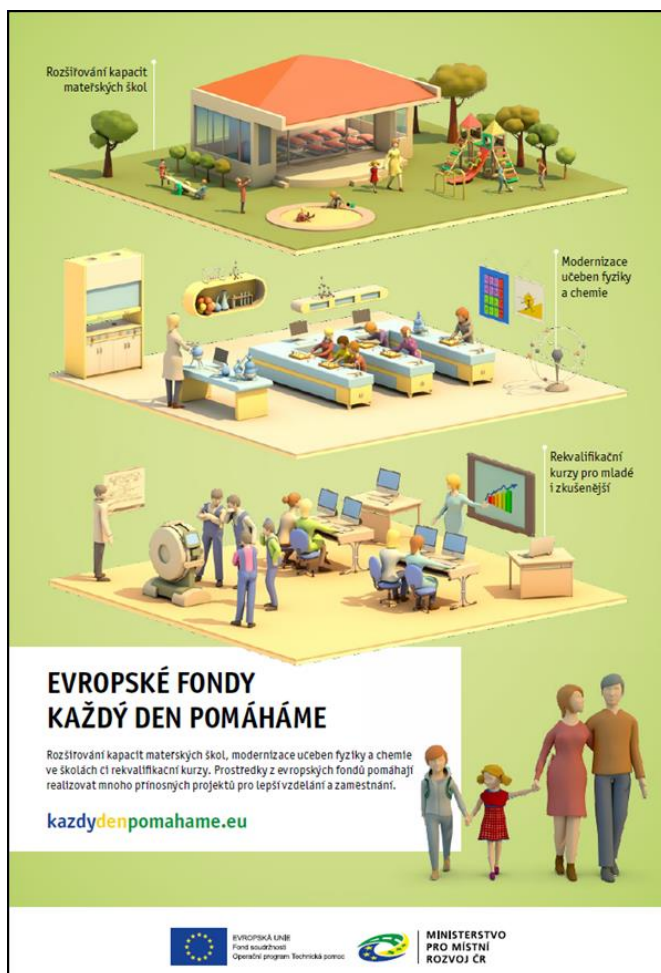


# Key principles of future cohesion policy



# Visibility of cohesion policy: Shared responsibility of EC + MS + beneficiaries

## massmedia campaigns



## website + facebook



## helpfull tool for beneficiaries



## events + open days + photo exhibitions





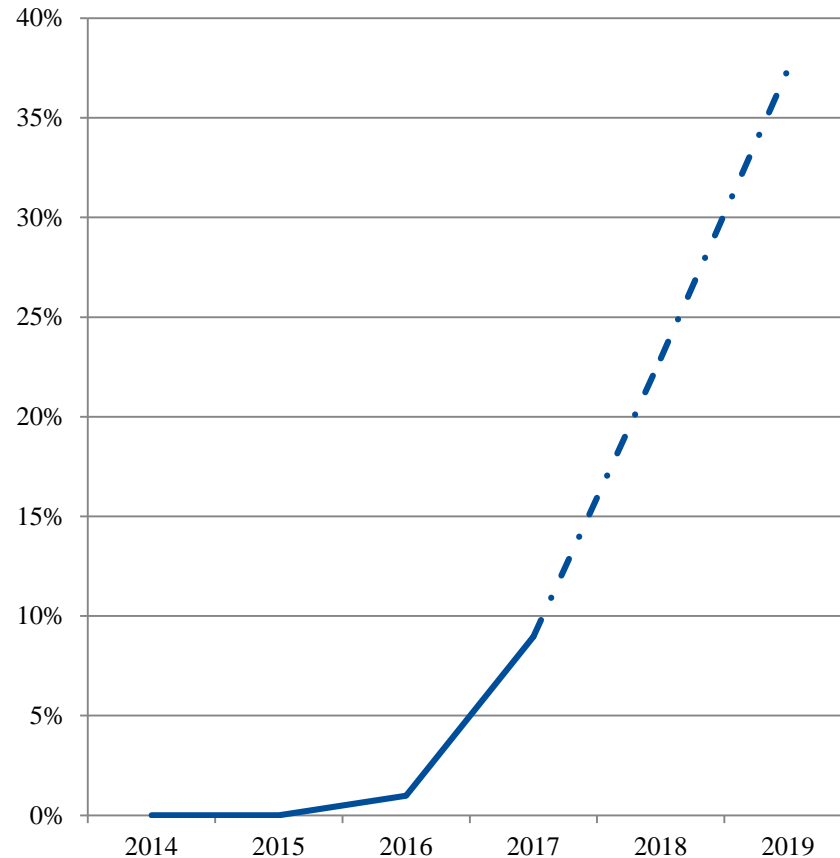
# **Future Cohesion Policy in the context of MFF post 2020**

*Petr Pavelek, Deputy Minister of Finance*

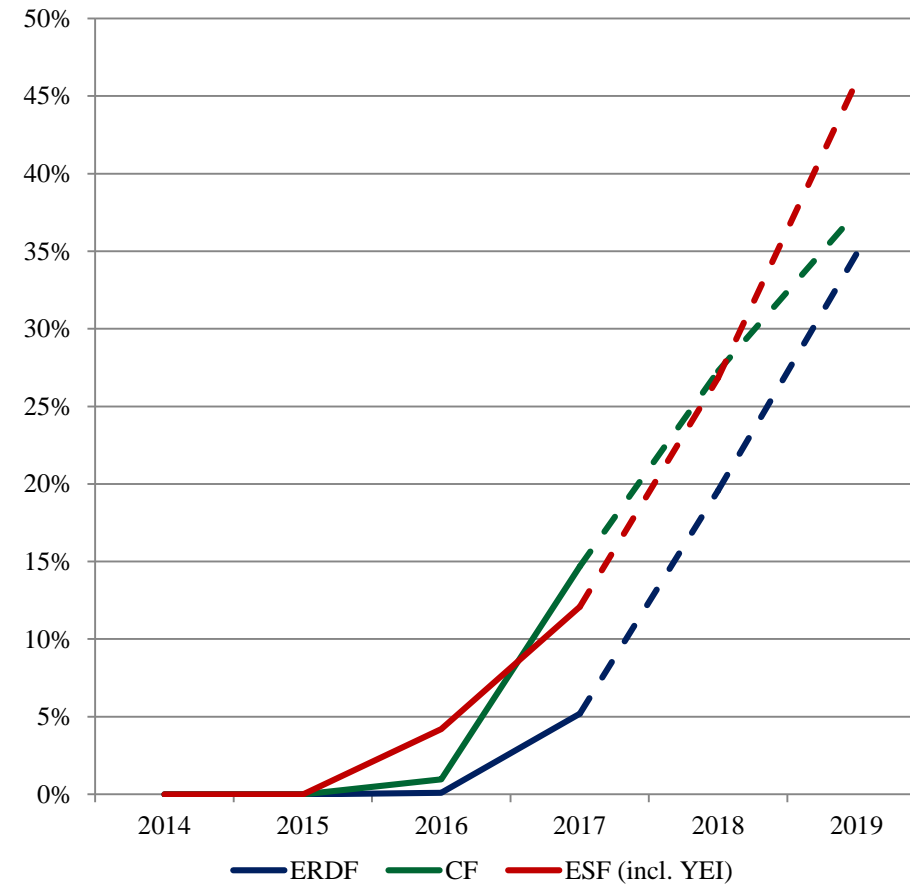
*Brussels, 25 January 2018*



## Implementation ESI funds in the Czech Republic (ERDF+CF+ESF) (% of total 2014-2020 allocation)



## Implementation of ERDF, CF and ESF in the Czech Republic (% of per Fund 2014-2020 allocation)





# MFF post 2020 context

- End of May 2018 - **presentation of the MFF 2021+ package** followed by the sectoral legislation
- **Key MFF elements** – volume, structure of expenditures, revenue side, key implementation conditions – will be included in the European Council Conclusions
- Commission's ambition = to finalize the negotiations on MFF regulation **by spring 2019 (agreement of institutions)**
- i.e. European Council conclusions to be agreed in February 2019 at the latest



# Future Cohesion Policy in the context of the MFF negotiations

**Key financial aspects of Cohesion policy** - part of European Council conclusions on the MFF

- **Methodology for calculation of cohesion policy allocations**
  - Methodology, use of indicators
  - Transfer of Cohesion Fund resources to the Connecting Europe Facility
- **Financial conditions for implementation of Cohesion policy**
  - Co-financing and pre-financing rates
  - Performance reserve allocation
  - De-commitment rules (n+x)
  - Macroeconomic conditionalities



# Future cohesion allocation - context and position

- **Context:**
  - Good performance of the Czech economy in recent years
  - 3 regions exceeded 75% threshold in GDP per capita - newly in category of transition regions => Impact on the future allocation
- **Position of the Czech Republic:**
  - Future cohesion policy **should focus on reducing the disparities among regions and MS**
  - **Resources should be concentrated on the less developed and transition regions and cohesion Member States**
  - Calculation methodology based primarily on **GDP/GNI per capita**, as this indicators reflect adequately the level of development of regions/MS
  - **Safety net** system at the level of Member States and regions



# Economic development of the Czech Republic and its regions

GDP per capita of CZ and its regions - 2011-2015 (PPP)					
	2011	2012	2013	2014	2015
	EU 28 = 100	EU 28 = 100	EU 28 = 100	EU 28 = 100	EU 28 = 100
Czech Republic	<b>83%</b>	<b>83%</b>	<b>84%</b>	<b>86%</b>	<b>87%</b>
Prague	175%	173%	174%	175%	178%
Central Bohemia reg.	74,9%	74,7%	75%	79%	81%
Southwest region	73%	72%	75%	77%	77%
Northwest region	64%	63%	63%	64%	65%
Northeast region	69%	67%	68%	71%	72%
Southeast region	75%	76%	79%	81%	81%
Central Moravia reg.	67%	67%	68%	72%	73%
Moravia-Silesia reg.	71%	71%	70%	72%	72%



# Financial aspects of Cohesion Policy setting

CZ will consider all elements as a **package**:

- **EU co-financing rate**
  - preferably maintained at 85%, ready to discuss slight increase in national co-financing
  - set at the level of MS (not for the categories of regions)
- **Decommitment rule**
  - n+3 preserved
- **Pre-financing**
  - preferably maintained at the current level (in order avoid problems for national budgets at the beginning of the implementation)



# Future implementation

- It is necessary to ensure sufficient flexibility for Member States to use their future funds in line with their priorities and needs
- **More flexibility for Member States**
  - With regard to minimum shares of Funds
  - To allocate the funds among the regions
- **We are ready to discuss the link of Cohesion Policy to the European Semester**
  - Should not hamper the main goal of Cohesion policy
  - Should not negatively affect the implementation and programming of the Cohesion Policy



**Thank you for your attention!**

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# Thematic scope of the future cohesion policy

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# Thematic scope of the future cohesion policy

It is long way to get from needs through priorities to results and impact.

There are several key determinants:

- Few and well justified priorities is logical approach / thematic concentration as part of priorities selection.
- There has to be room for greater flexibility.
- Proper balance between national-regional-local priorities; EU targets (but post-2020 EU strategy is missing); SDGs ...
- Cohesion policy vs. directly managed instruments (what-where-how ...)
- Link to the European Semestr (sectoral; horizontal; structural; innovative ...)

# Important features of the future thematic concentration from the viewpoint of the Czech Republic

## When setting up thematic concentration for post-2020:

- Need to reach a balance between thematic support and specific needs of MS and their regions
- The choice of thematic objectives must not be too limited or uniform for the whole EU

## On the implementation side:

- Thematic concentration within or among particular thematic objectives should not be tied by limits or intricate rules
- It should provide for reasonably flexible reactions while ensuring long-term investments

# Mr David Škorňa

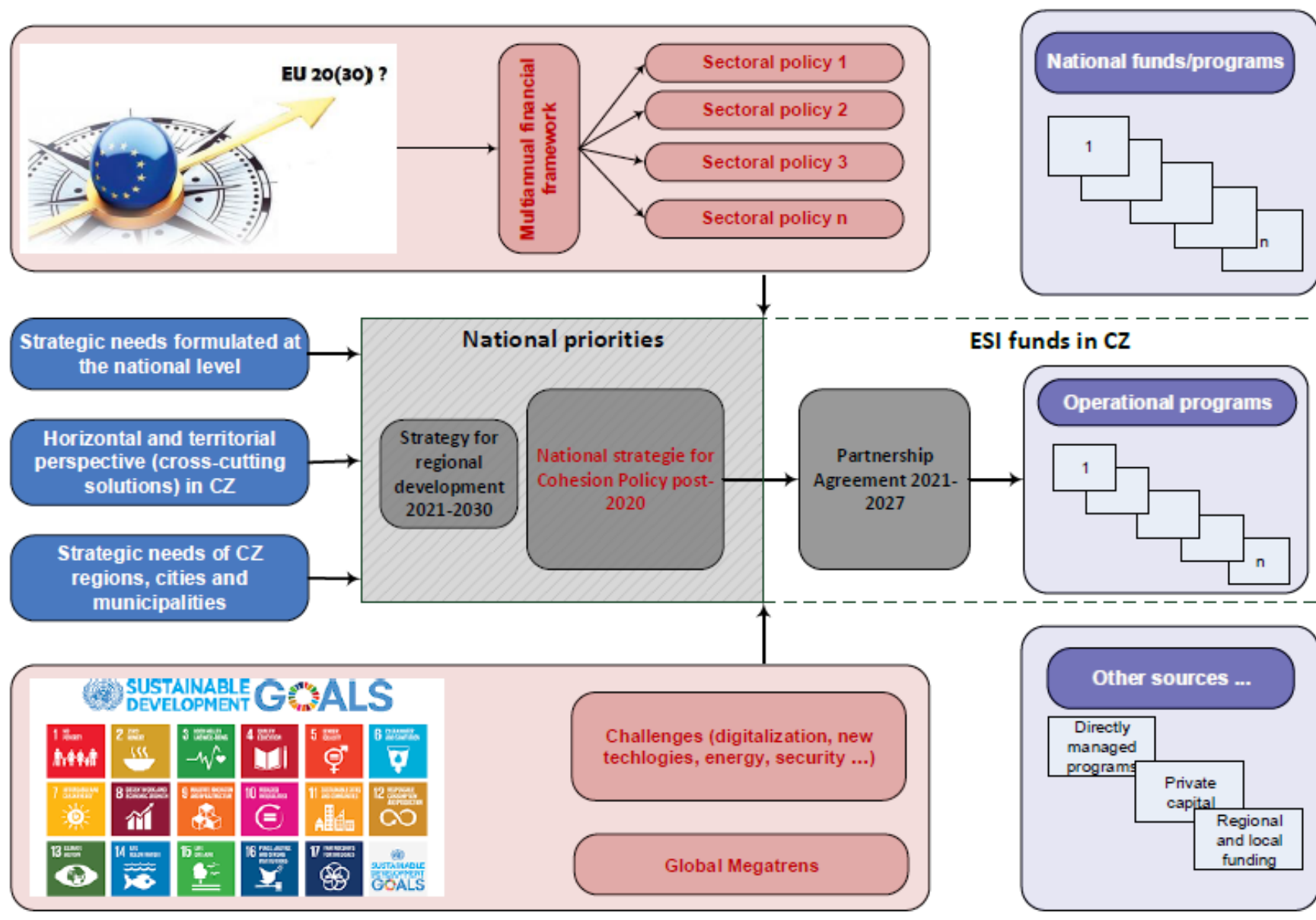


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# Prospective thematic focus of future financing



# National Concept of Cohesion Policy Implementation in the Czech Republic after 2020

## Main aim:

- » to identify the key priorities and objectives of the Czech Republic after 2020
- » as basis for future Partnership agreement

## Key documents influencing the process:

- » European Level: 7th Cohesion Report, MFF, New Regulations on EU Funds ...
- » National Level: Strategic Framework of the Czech Republic 2030, National Reform Program, Regional Development Strategy of the Czech Republic 2021+, etc.

## Structure:

- » Analytical part (ongoing works); prioritization; priorities proposal; implementation architecture framework; link to the directly managed programs.

# Process of priorities selection at the national level



# Ms Olga Letáčková



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# Simplification

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# Simplification as a package – CZ view

## Main questions to be answered:

### » „simplification“?

- **never-ending process** / one round process / **self-learning process** / broader approach / targeted simplification in case of need...

### » Prize for simplification?

- **time** vs. money **invested**...

### » Expected results of simplification?

- **Cost savings** / time savings / smoother interpretation....

### » Clients of simplification?

- Commission / Member State (Managing Authority) / **Beneficiaries**



# Ms Kateřina Neveselá



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# Simplification as a package – MAIN PRINCIPLES

**Clear definition of rules obligation**

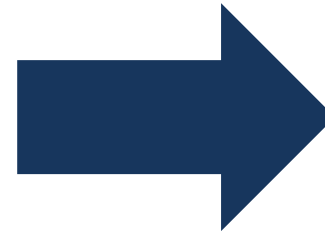
**Transparency of rules**

**Continuity**

**Predictability**

**Harmonisation of rules**

**Transfer of best practice**



**Contribute to:**

- efficiency
  - effectiveness
  - attractiveness
  - Competitiveness
- of cohesion policy**



# Practical Examples – RE/PROGRAMMING

## *Deadlines and scope of strategic documents*

### PROBLEMS

- **200 pages** per OP x # of OPs
- OP or PA – **overlaps**
- **Length** of approval/revision process
- **Low flexibility** in modification of OP



### PROPOSALS

- Clear **distinctions** between documents
- More **strategic** character of PA/ OP
- Modifying the **definition of changes** that require a decision by the EC
- Adjustment of **deadlines** – especially for modification notified to the EC
- **Flexible mechanism** for reallocation of particular amount within OP



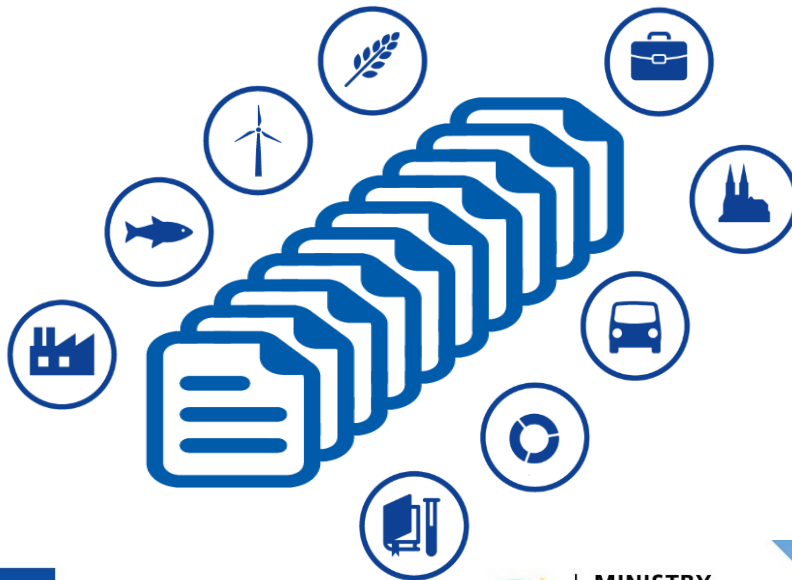
# Practical Examples – MONITORING/ REPORTING

## PROBLEMS

- **Data** items at beneficiary's level
- Identical indicators BUT **different definition**
- **100+ pages** of AIR
- **2 monitoring systems** (EC and MS)

## PROPOSALS

- Focus on **main/basic** information
- **Harmonisation** of terminology
- Use the **appropriate indicators**
- Ensure an **interface** - E-cohesion



**Clear message**  
**Time saving**



# Practical Examples – CONTROL/AUDIT

## PROBLEMS

- Duplicities of activities
- Character of findings (?)
- Contradictory decision
- Different types of irregularities



## PROPOSALS

- Clear **division or role** / competencies
- Definition of **scope of audit**
- **Respecting of competencies** and national rules and to have reliance on national authorities
- Definition of **audit decision** making proces – responsibility
- **Preventive, methodological and educational** role of audit



# Practical Examples - PUBLICITY



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Only **EU emblem** with  
reference to European  
Union (no fund or  
programme)  
+ single rulebook on  
visibility and  
communication for all  
EU funds



# Practical Examples – INTEGRATED PROJECTS

## PROBLEMS



### ESF

1. rule
2. rule
3. rule ...



### ERDF

1. rule
2. rule
3. rule ...



## Reality of Multifund project

Practice



Investment part of projects



Soft part of projects

## PROPOSALS

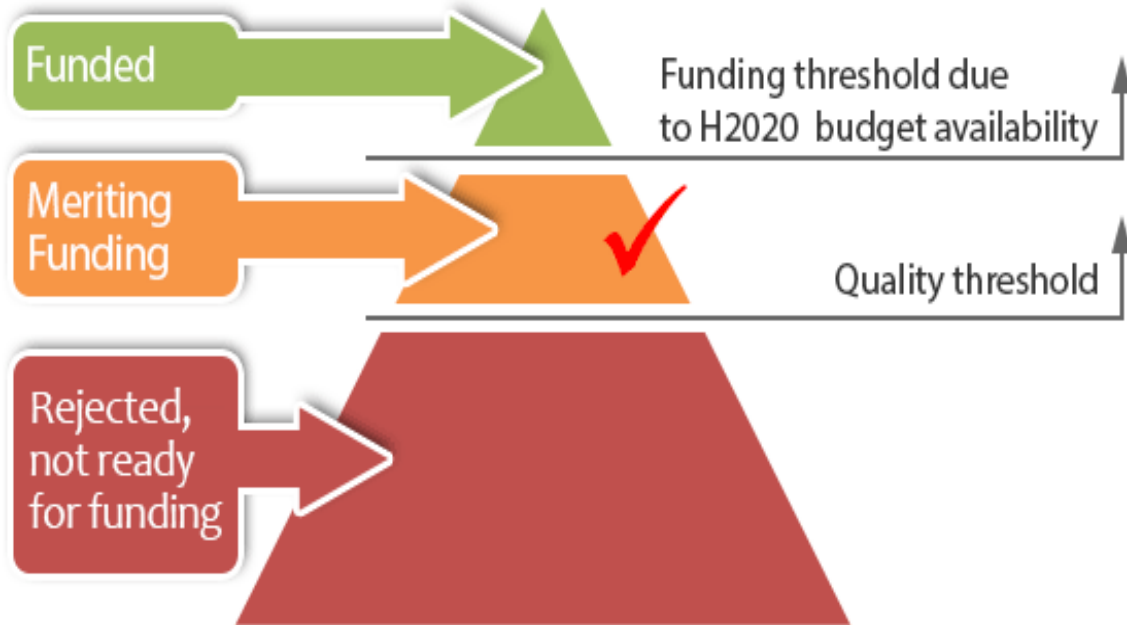
- Cross-Financing
- SCOs
- Monitoring
- Indicators
- Sustainability ...



*Simplification of multi-fund projects in future?*

# Practical Examples - SYNERGIES

## *Seal of excellence – support of SMEs - R&D activities – 1 BENEFICIARY*



**BUT**

### Differences:

- Application form
- Eligibility rules
- State aid
- Monitoring and indicators ...



*Identify the best practice in both management modes and share them in both management modes – HARMONIZE*

# Practical Examples - RULES

## Current rules of ESIF



## PROPOSALS for the future of ESIF



# Simplification

**Where is the will there is a way ...**



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# Mr Erich Unterwurzacher



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