

**Ministry of Regional Development
National Coordination Authority**

**Key points for the Czech Republic's position on the
direction of cohesion policy after 2027**

JUNE 2024

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1. EXECUTIVE SUMMARY

The European Union (EU) faces major challenges, mainly linked to the climate crisis, digital transformation, demographic change and the EU's global competitiveness. The EU's share of world GDP has been declining over the last three decades. EU GDP growth is slower than the global average, especially compared to the US or China. The drive towards economic convergence is a major contributor to the EU's competitiveness on the global stage, but the level of competitiveness varies across the EU. While convergence growth is satisfactory at Member State level, differences within countries are beginning to widen. Economic activity, especially progressive activity, is increasingly concentrated in a smaller number of dynamic areas, which generally coincide with large metropolitan regions. In contrast, many regions are lagging behind modern development trends, and often such regions are trapped so called development traps. These regions need special attention in cohesion policy.

Cohesion policy is the only EU policy aimed directly at regional development. **To achieve its objectives, cohesion policy must reject "one-size-fits-all" approaches** applied uniformly to all countries and regions, **be more user-friendly and take more account of the specific needs and opportunities of a given region and its citizens.** It needs to harness the potential of regions, build quality governance and train people who are able and motivated to develop the region. This could be the key to the success of cohesion policy after 2027.

This document summarises the Czech Republic's current ideas on the shape of cohesion policy after 2027, as set out in the response to the European Commissioner for Cohesion and Reform and the Joint Declaration of Ministers responsible for cohesion policy signed in Prague in May 2024, and discussed through the Ministry of Regional Development's Sectoral Coordination Group and the EU Working Level Committee. **Cohesion policy has been a key investment policy for the Czech Republic since EU accession and ensuring its continuation in the future is a priority for the Czech Republic.**

The main priorities of the Czech Republic for cohesion policy after 2027 can be summarised as follows:

- ❖ maintaining a strong cohesion policy and applying the principle of "do no harm to cohesion",
- ❖ preserving the long-term nature and investment role of cohesion policy to reduce disparities between the levels of development of EU regions and addressing climate and demographic challenges,
- ❖ adequate budget, including maintaining the current categorisation of regions,
- ❖ promoting the link between reforms and strategic investments,
- ❖ maintaining shared management based on the principle of partnership and mutual trust between the European Commission and the Member States,
- ❖ building and strengthening institutional and administrative capacity at all levels,
- ❖ supporting all regions using a place-based approach, including an increased focus on regions with specific transition needs and using integrated tools,
- ❖ keeping Interreg programmes in shared management,
- ❖ greater use of financial instruments in appropriate areas and reducing the administrative burden on final beneficiaries, financial intermediaries and fund managers,
- ❖ simplifying the use of funds and building links between cohesion policy and other EU and national policies.

The European Parliament elections will take place in June 2024 and the new European Commission will be presented shortly. **It is crucial to use this period to discuss with partners at European level to make clear to them our ideas on the shape of cohesion policy after 2027.** This document will therefore also serve as a basis for debate and negotiation at European level.

During 2025, the proposal for the Multiannual Financial Framework and legislation for cohesion policy post-2027 will be published. Therefore, debates are already underway at national level regarding the shape of cohesion policy after 2027. Moving **forward, it will be essential to confirm the relevance of the main priorities outlined in this document** and possibly add other priorities based on current developments and needs at national and European level. **The final set of priorities should then be elaborated in collaboration with partners to ensure that the Czech Republic is well-prepared and timely for discussions and negotiations** on the post-2027 cohesion policy at the European level, as well as decisions regarding the specific focus of the available funds.

2. INTRODUCTION

Expert discussions on the future and shape of cohesion policy (CP) after 2027 have been ongoing since last year. The European Commission (EC) informed the Czech Republic (CZ) in February 2023 on its actions and outlined its ideas. **In a reply prepared by the Ministry of Regional Development (hereinafter MRD) in cooperation with national partners¹, the EC was provided with the Czech Republic's basic concept for the shape of the CP after 2027** (see Annex 1).

The CP undeniably contributes to the long-term development of the CZ. The benefits can also be seen in the growth in the maturity of our regions, where from the initial situation in the 2014–2020 period, when, with the exception of Prague, all other NUTS II regions (seven) were in the less developed category (i.e. with GDP/capita below 75% of the EU average), we have only four regions in the less developed category in the current 2021–2027 period. The greatest successes have been achieved by the funds in the areas of transport, environment and social inclusion. **This is why the MRD is active in the discussions on maintaining the CP beyond 2027 and has prepared a Declaration² in cooperation with ten other EU Member States**, which emphasises the maintenance, strengthening and simplification of the CP beyond 2027 (see Annex 2).

The elections to the European Parliament (EP) took place on 6-9 June 2024, and in the coming months a new EC will also be created to decide on the future and shape of the CP after 2027. **It is crucial to use this period to discuss with partners at European level so that our ideas are clear to them.** We can expect the publication of the draft Multiannual Financial Framework for 2028+ (MFF) in mid-2025 and the draft legislation for the post-2027 CP a few months later (see Chapter 3 for more details).

The aim of this document is to summarise the Czech Republic's ideas on the shape of the CP after 2027, which have been discussed continuously with all partners (see notes 1 and 2), **into one document and to approve the document at the level of the Czech government.** The document will serve as a basis for professional and political negotiations at European and national level. The priorities mentioned in this document will be further elaborated in a more detailed form (Czech position) in cooperation with the partners according to the text of the Government Resolution.

¹ The draft response of the EC was discussed within the MRD Sectoral Coordination Group in February 2024.

² The draft declaration was discussed within the MRD Sectoral Coordination Group in February and May 2024, and subsequently approved by the EU Committee at the working level on 7 May 2024. The declaration was signed by the following countries: the Czech Republic, Bulgaria, Croatia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

3. DISCUSSION

Situation in the EU

A new draft MFF and cohesion legislation for the post-2027 period can be expected in mid-2025. Discussions are currently underway at various levels, the outcomes of which are expected to influence the future shape of the MFF and the CP. **The current starting position of the CP seems to be the worst ever.**

The CP is currently under pressure, the rate of absorption of committed funds has been slow for a long time and the volume of reimbursements from the EU budget is not high even in comparison with Recovery and Resilience Facility (RRF). However, the two instruments are different both in terms of timing (long-term investment policy versus crisis temporary instrument) and in terms of implementation and disbursement (for the RRF and for reforms). At the same time, the possibility of shortening the EU's medium-term budget from seven to five years is being discussed at EU level to be in line with the political cycle of the EP and the EC.

The views of the various European institutions on the future of the MFF and the CP differ, with the **EP's recent opinions emphasising the need for a strong future CP or and stronger territorial dimension. On the other hand, it also advocates a five-year MFF in line with the political cycle of the EP and the EC.**

The European Committee of Regions is also in favour of a strong CP with an adequate budget, a strengthened territorial dimension and its support for the CP is based on the Cohesion Alliance 2.0³, which aims to ensure broad support for the across Member States and key actors.

In the case of the EC, the most recent input to the debate is the 9th Cohesion Report of March 2024. **The EC's positions in various discussion forums show internal inconsistencies regarding the future setting of the CP and MFF. The situation is also complicated by the EC's approach to creating new instruments that overlap with the CP and compete with each other.** Regarding the future set-up of the CP, elements such as the creation of a single fund, a single regulation covering all programmes under shared management, simplicity and increased flexibility of the new MFF, etc. are mentioned. Although **these are ideas that are not yet based on concrete proposals, some of them may have major implications for the future design of the CP, including a reduction in allocation.**

The positions of Member States are gradually taking shape, both in the context of the inputs to the **EU Strategic Agenda 2024–2029⁴,** and within specific groupings. At the moment, the most advanced is the joint declaration of the ministers responsible for the CP initiated by the CZ. **In the future, it will be necessary to take into account budgetary constraints in all Member States (including the CZ) and potential disunity of the "pro-cohesion" states, as well as pressure from the so-called "frugal states".**

³ The Cohesion Alliance is a coalition of all those who believe that the CP must remain a pillar of the EU's future.

⁴ The EU Strategic Agenda 2024–2029 is the European Union's blueprint for setting priorities and policy directions over a five-year period, focusing on growth, security, sustainability and global influence.

Selected reports evaluating cohesion policy

Two years ago, a **High-level group of experts** was asked to carry out an independent analysis of the impact of the CP. Their report was published in February 2024 (the High-Level Group Report). While the **experts recognised the importance of the CP** in promoting harmonious progress, fostering economic, social and territorial development across the EU, they also added that **the CP needs to be reformed and focus more on mobilising the untapped economic potential in the EU.**

According to the **9th Cohesion Report** of March 2024, the CP is delivering tangible results. Every region in Europe has benefited from EU-funded investment. However, some challenges remain. **Convergence at national level hides internal disparities and some regions** (e.g. in France, Spain but also Germany) **have fallen into a development trap and are experiencing economic stagnation.** In order to continue making economic progress in the EU regions, **the CP must adapt and modernise in certain areas.**

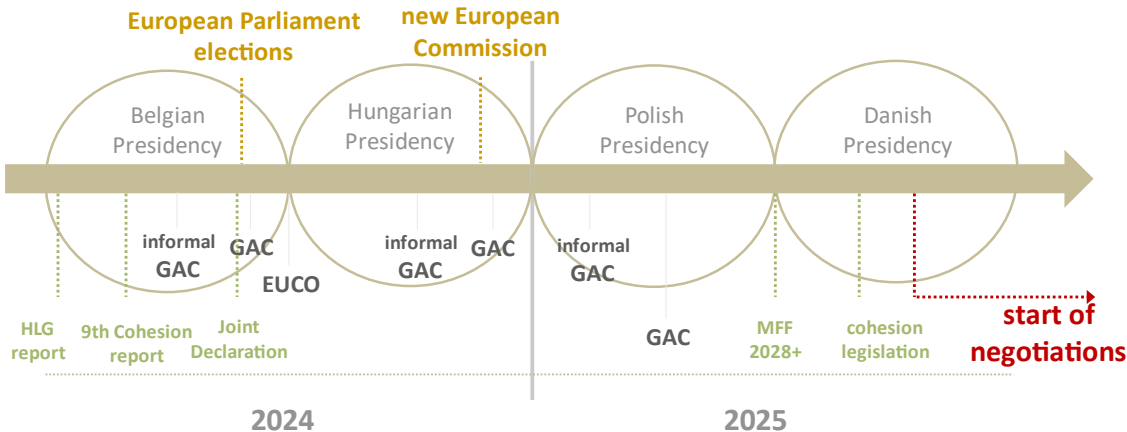
Enrico Letta, the former Italian Prime Minister, was commissioned by the European Council in 2023 to produce an independent **report on the future of the EU's internal market.** The core idea of his April 2024 report is the need for a "new internal market". In the report, Enrico Letta points out that any development of the internal market must include a social dimension, ensuring social justice and cohesion promoting inclusive prosperity, equal opportunities, workers' rights and social protection. He also mentions that **the CP is key to the success of the single market.**

Negotiation schedule

The results of the EP elections and the creation of the new EC will be a key milestone for the preparation of the new MFF and cohesion legislation. Above all, with the establishment of the new EC, work on the preparation of the new MFF and cohesion legislation will gain momentum. Another factor was the adoption of the Strategic Agenda 2024–2029 at the June European Council. **The publication of the draft MFF, which must take place before 1 July 2025, can be expected during the Polish Presidency of the EU Council.** This could be followed by the **publication of the draft legislation for the post-2027 CP**, which will launch the "official" negotiations (see diagram).

During 2024 and 2025, important General Affairs Council (GAC) meetings will be held, for which mandates for the CZ are being prepared. It is essential to present a unified position of the CZ on the GAC also at these meetings and to try to push forward the anchored ideas and proposals.

Diagram Negotiation Schedule



Source: MRD

4. MAIN PRIORITIES OF THE CZECH REPUBLIC

Basic principles of cohesion policy

The common goal of the CP is to ensure that all regions have the chance to develop and achieve similar levels of economic and social success. All regions should be supported and strengthening economic interaction between the more dynamic and the more vulnerable is central to achieving convergence. The CP should focus on a number of key objectives that respond to the current and future challenges and needs of EU regions.

Maintaining a strong and investment/focused CP is essential. Long-term investment and structural reforms are key to supporting regional convergence and overall EU economic growth. Financial support should be not only sufficient but also effective. **The CP should focus more on achieving the set objectives/outcomes.**

Establishing and, in particular, respecting **the principle of "no harm to cohesion"** is an important step to ensure that **other EU policies and instruments do not undermine the achievements made or planned in the area of regional convergence.** It also means that all new policies and instruments must be designed to support, not undermine, the CP efforts to reduce disparities between regions.

The post-2027 CP should be built on several key principles. First, the policy **strengthens European integration and helps build the resilience of Member States and regions, in particular to negative social, economic and geopolitical trends (including unexpected crises).** It brings European values closer to citizens, strengthens democracy, ensures economic and social security and contributes to the EU's open strategic autonomy. Second, convergence should be one of the EU's main strategic priorities. **Convergence objectives should be mainstreamed into the EU's various policies and instruments.** Third, the **CP increases the efficiency and competitiveness of the Single Market,** ensuring that all Member States can fully benefit from the economic opportunities the EU offers.

The EU faces urgent challenges, some of which are unprecedented in its history. As a result, the CP must constantly adapt to new conditions. The geopolitical situation, in particular the war in Ukraine, is having a significant impact on the European regions and thus on the CP. **The regions affected by the impact of the Russian aggression against Ukraine face specific challenges.** This situation highlights the **need to strengthen cohesion and solidarity within the EU in order to ensure the stability and security of these regions.** It is important that the CP continues to include measures to support these regions.

Issues of solidarity and security will also be relevant in the context of the enlargement of the EU to include new Member States, which will also have a significant impact on the CP. **The CZ should support EU enlargement and contribute to ensuring that the future CP makes use of the processes and experience of previous enlargements in this respect.**

Cohesion policy budget

Convergence of the EU regions is a prerequisite for a strong and robust EU, and therefore it is necessary to ensure an adequate budget for the CP in the next MFF, which takes into account the key needs of the regions, current and future challenges within the EU, including the possibility of future EU enlargement. Furthermore, in the post-2027 CP, the distribution of allocations should continue to be linked to regional categories and GDP.

In order to ensure continuity of support between budget periods, the **allocations for each Member State should be as stable as possible. However, the CZ expects that, in line with the trend of recent**

programming periods, the allocation of the CP will continue to decrease. This fact will therefore have to be taken into account not only when setting priorities but also when determining forms of support and specific instruments to better target resources and efforts on key areas or measures with the greatest potential for achieving the objectives of the CP.

Structural reforms

The EU as a whole is currently facing many challenges and crises that will require structural changes. Given the long-term nature of the CP and its historical experience with structural reforms, a stronger link between these two areas seems a logical step. **The CP should actively promote the linking of reforms with strategic investments,** which can then contribute to increasing productivity and stimulating sustainable growth at the level of Member States, regions and the EU as a whole.

The most important structural challenges are green and digital transformation. Their impact can be asymmetric, given the different starting points of regions. CP objectives should also contribute to regional competitiveness, respond to the socio-economic impacts of digitisation and automation, and support investment in security and mobility. For this reason, it is necessary to emphasise the use of tailor-made solutions which will provide a degree of flexibility for the territory concerned. **Both of these challenges are fundamentally linked to demographic trends and forecasts in this area, which themselves pose an additional structural challenge.** The sharp decline in the working age population, labour shortages and, in particular, the low number of skilled workers with specific skills linked to the digital and green transformation can be seen (as shown in published reports - see Chapter 3) as potential obstacles to adapting to the new conditions imposed by these transformations. In regions that are more intensely affected by negative demographic changes (including brain and talent drain, talent development traps), these transformations may result in negative impacts rather than delivering their intended benefits. For this reason, it is important to look for long-term and stability-providing solutions offered by the reforms, including consideration of both health and social services.

The adoption and effectiveness of tailored approaches requires, among other things, strong and active institutions, good governance, quality administrative capacity and the ability to involve relevant partners in a participatory manner in strategic planning at European and national level. **Institutional and administrative capacity building is thus a prerequisite for successful implementation of the CP, which also contributes to them in the long term** (including a spill-over effect into national administrations). The reports issued at EU level (see Chapter 3) and evaluations carried out by the MRD show that the quality of institutions varies not only across the EU, but also in the CZ. Improving the functioning of institutions requires strengthening local government, increasing stakeholder involvement based on a partnership approach, including civil society and **setting up a system of participation, integrating the added value of organised civil society and actually implementing the participation - partnership principle.** In addition to **administrative capacity, it would also be appropriate to move towards improved data collection and analysis to support an evidence-based approach to CP.**

Shared Governance and the principle of partnership

Shared management means that both the EC and the Member States are responsible for managing EU funds. **The aim of shared management is to ensure that decisions are taken as close to citizens as possible and that EU-level actions are justified in the light of national, regional and local needs.** These needs must come from the bottom up, i.e. from municipalities, cities, regions and from the actual implementation of Member States' participation towards the EC.

An important aspect is that **shared management works on the basis of the principle of partnership and participation**, according to which partners and stakeholders should be involved in all phases of implementation, from planning to implementation, monitoring and evaluation.

Shared management increases the sense of ownership of the EU's objectives, as Member States and the EC share decision-making power and responsibility and jointly finance programmes. **Shared management should be based on mutual trust and a clear and balanced division of tasks and responsibilities** between the EC and the Member States to facilitate the implementation of the CP. **Shared management should therefore be maintained for the CP after 2027.**

Human Resources

The contribution of CP to the competitiveness of the EU and its regions needs to be supported through investment in human capital. **Investment in education plays a crucial role in fostering innovation. They are key to creating the skilled, resilient and adaptable workforce that is essential for sustainable innovation and economic development.** Today's technological and green transformation requires a skilled workforce capable of facing new social and economic challenges.

Human resources are also fundamentally related to the issue of reforms, building institutional capacities and competences of the state and regions. **Emphasis must be placed on strategic planning, effective management, cooperation and exchange of experience (at all levels, including European). In addition, attention should be paid to the adequacy, stability and expertise of administrative capacities at all levels of development, including support for absorption capacity.**

Flexibility in cohesion policy

The current setting of thematic concentration combined with the contribution to the climate objective does not provide sufficient flexibility to address the needs of the regions. Even current studies focusing on regions in a development trap, affected by brain drain, dealing with the negative impacts of demographic change, etc. point to a certain extent to an overly strict thematic concentration that limits the possibilities to take into account the specific situation of regions. **It is therefore appropriate that the post-2027 CP should be more flexible and allow for addressing the real needs of the regions that will lead to their development.**

Especially during the programming period 2014-2020, the CP has demonstrated its ability to react quite flexibly to crises and unexpected events that have occurred (COVID-19, migration and energy crisis). This was confirmed by the conclusions of the ex-post evaluation of the EC. Despite the long-term nature of the CP and the fact that it is not the primary instrument for dealing with crises, it is advisable to use the current experience to ensure that **the CP ability to respond flexibly to such events is part of the cohesion legislation and set-up from the beginning of the programming period.**

Supporting municipalities, cities and regions

The CP should be a policy for all EU regions, as it can respond appropriately to a wide range of problems in both developed and lagging regions. It should continue to help regions develop harmoniously, prepare them for current and future challenges and ensure their resilience to these challenges and respond adequately to them.

Many regions are still lagging behind modern development trends and are often trapped in long periods of underdevelopment (the so-called "middle-income trap"). **Indeed, lagging regions need special attention in the CP, as they suffer from various structural and other serious impacts and imbalances. Support**

for these regions will require the allocation of EU funding and the involvement of territory-specific support instruments (e.g. a significant strengthening of absorption capacity to draw on available resources) **in the future**. In this context, there is also a need to continue targeted support to regions with specific transition needs. In the case of the CZ, these are the Karlovy Vary, Ústí nad Labem and Moravskoslezský regions. Their development should be assisted by comprehensive development plans, which, as in the current period, will have to be created, implemented and evaluated taking into account the needs and possibilities of these regions, respecting the principle of partnership and involving local actors in all these activities. The Moravian-Silesian Region, for example, is an example of the potential to leave the position of a lagging region, where the above-mentioned instruments have proved their functionality.

As a proven principle in the CP, the place-based approach needs to be further developed and started to be used more in real implementation. It should be based on an integrated strategy of the territory, linking the potentials of municipalities, cities and regions to improve the quality of public services and development. The unique strengths and challenges of individual municipalities, cities and regions need to be harnessed, using local expertise. The place-based approach applied in the post-2027 CP should organically build on, maintain and develop the integrated tools and approaches applied so far in the territory, making use of their good experiences and thus contributing to the harmonious development of the territories concerned. Focusing integrated territorial investments on these regions has already proved to be an appropriate way to support metropolitan regions and urban agglomerations in accordance with the Regional Development Strategy of the Czech Republic 2021+ in several periods. In the future, support for activities in these regions should be even more closely linked to EU strategic priorities (digitisation, climate change, energy efficiency, support for innovation, etc.). Community-led local development is another example of a successful integrated instrument.

On the one hand, the 9th Cohesion Report acknowledges convergence trends at EU and Member State level, but on the other hand it also notes divergent trends at lower levels. In the case of the Czech Republic, these include the issues in the Karlovy Vary and Ústí Regions, as well as the challenges of uneven development within other regions. Particularly in peripheral areas, there is a tendency toward marginalization, even though the core areas of the regions exhibit almost exclusively positive trends. Support should also be directed toward rural areas to strengthen urban-rural links.

If the CP is to adhere to its main theses and ensure the harmonious development of the territory, it must also be enabled to address these problems, as the effects can be adverse both at national level and for the EU as a whole (development traps, regional discontent, regional centrifugal tendencies, etc.). In the debate with the territorial partners, particular attention will have to be paid to this negative trend and consideration will have to be given to the use of a functional, preferably integrated, instrument in this case as well.

Interreg programmes

National borders between Member States limit the development potential of border regions and pose obstacles to their integration within the EU. They do not only create physical barriers in the form of insufficiently connected infrastructure, but also "soft" barriers that limit, for example, economic activity or the provision of public services across the border. For these reasons, however, **borders also represent untapped potential for the development of these regions. Cross-border cooperation implemented through Interreg programmes offers these EU regions opportunities to address these problems and opens up further scope for support. At the same time, it makes a significant contribution to EU integration** by helping to build mutual trust and understanding between people living in border regions. In view of these important benefits, it is important that **there is greater flexibility in terms of focus for future**

CBC programmes and that the expected reduction in the allocation to the CP has the least impact on Interreg programmes.

Equally important is **transnational and inter-regional cooperation** within wider geographical areas of the EU, which **provides opportunities for regions to work together to find solutions to similar problems they face, to share know-how and experience and to establish strategic cooperation.** All these components of Interreg programmes thus contribute to strengthening EU cohesion and have a clear European added value. **They should therefore have a strong place in the CP and shared management framework post 2027.**

Financial instruments

The CZ supports the discussion leading to a broader use of financial instruments in the future CP. This approach aims to increase the efficiency of the use of financial resources and to achieve long-term economic benefits. Traditionally used grants provide immediate financial support but often do not lead to long-term financial self-sufficiency of the beneficiaries. In contrast, **financial instruments such as loans, revolving funds and guarantees increase the efficiency of the use of public funds by encouraging investments that provide a greater return.** This cycle allows funds to be reused and made available on a permanent basis for other projects and increases the overall impact of financial support.

The CZ supports the use of financial instruments in the CP where their feasibility and appropriateness are viable and reasonable, with the aim of increasing the efficiency of financial resources and maximising the effects of the CP. This is also important given the expected decline in the allocation of the CP in the future period.

It is essential to keep legislation on financial instruments as simple and stable as possible. At the same time, it is necessary to reduce the administrative burden on fund managers, financial intermediaries and final beneficiaries. A stable and predictable legislative environment allows for better planning and implementation of projects, which in turn leads to higher success and efficiency rates.

Simplifying the rules

The CZ has long experience with the implementation of the CP. It is crucial to make use of this experience and to continue working with partners **to simplify the use of funds.** The common goal is to reduce the administrative burden at all levels. **Attention should be focused on those European and national rules whose form causes ambiguity in interpretation, and which hinder simplification of fund management** (e.g. rules for identifying SMEs and eligibility rules).

Economic, social and territorial cohesion cannot be achieved without other policies that take account of uneven territorial impact. **Building bridges between the CP and other EU and national policies strengthens their ability to deliver their objectives. However, there is a need to avoid the creation of similar ad hoc instruments at the EU level,** which then create **overlaps between EU policies/tools and lead to fragmented efforts** to achieve EU (and hence Czech) objectives. Such tools also result in, **excessive administrative burden** in planning and defining boundaries between support measures, as well as unnecessary complexity for beneficiaries and authorities who struggle to navigate the support system effectively. Before introducing new instruments at EU level, it is essential to carefully examine their benefits and effectiveness.

A greater focus of the CP on a performance-based approach could in some cases lead to a reduction of the administrative burden and increase the efficiency of fund usage. However, there are pitfalls and limits to

using this approach. It cannot be automatically adopted, and some caution and **careful assessment** is needed before implementation.

Evaluating existing and new approaches to funding that do not involve costs could be another way of simplification. **The use of simplified cost methods reporting methods has been tried and tested in practice in the CZ and its wider use where possible and appropriate could help to reduce the administrative burden on both beneficiaries and managing authorities of operational programmes** (but also control and audit bodies).

5. CONCLUSION

The year 2023 will mark 30 years of the Single Market and 2024 20 years since the EU's enlargement in 2004. **The countries that joined the EU at that time (including the CZ) saw their GDP per capita rise from 52% (2004) to almost 80% (2023) of the EU average. The CP undoubtedly contributed significantly to this result.**

Discussions at EU level and the expert reports issued to date confirm the importance of the CP in supporting harmonious progress, promoting economic, social and territorial development for the whole EU. At the same time, there is a consensus that the **CP needs to be modernised** in the light of the current challenges related to the climate crisis, digital transformation, global competition and demographic change.

The MRD, as the focal point the governing point for the area of CP in the CZ, started the debate with partners on the shape of the CP after 2027 as early as 2023 and **will continue it at all levels** through platforms, roundtables, conferences and meetings. The aim will be to **prepare in a timely and high-quality manner for the publication of the MFF and the post-2027 CP legislation**, which can be expected next year during the Polish and Danish presidencies of the EU Council respectively.

This material summarises in general terms the **current ideas of the CZ on the shape of the CP after 2027, which were communicated to the EC by means of a letter and a declaration.** The individual priorities from Chapter 4, or other priorities that emerge in the course of discussions, should **be further elaborated into a more detailed form (Czech Position) so that the CZ is sufficiently equipped with arguments and ready to push its proposals to the EC and other Member States in the negotiations.**

It is essential that **the CP remains a strong and investment-focused policy, adequately resourced in the EU budget and shaped by shared governance in partnership between the EU and Member States.** The CP should be designed flexibly to support **all regions and their needs**, which are conditioned by place, people and potential. **The CP must be aligned with other policies at national and EU level, be simpler and more user-friendly.** The CZ needs to **better prepare for the transition from traditional grant schemes (subsidies) to more sustainable and repayable forms of support** such as loans or guarantees, as the trend of decreasing allocations to the CZ under the CP will undoubtedly continue.

Finally, we must **promote sufficient, stable and high-quality administrative and institutional capacity at all levels.** Effective strategic planning, cooperation and stakeholder communication are essential to enable applicants (or beneficiaries) to develop and submit quality projects that meet the common vision and objectives of the post-2027 CP.

6. LIST OF ABBREVIATIONS

CZ	Czech Republic
EC	European Commission
EP	European Parliament
EU	European Union
EUCO	European Council
GAC	General Affairs Council
GDP	Gross domestic product
MRD	Ministry of Regional Development
CP	Cohesion policy
MFF	Multiannual financial framework

7. ANNEXES

1. Letter from Deputy Prime Minister and Minister for Regional Development Ivan Bartos to European Commissioner for Cohesion and Reform Elisa Ferreira, February 2024.
2. Joint Statement of Ministers responsible for Cohesion Policy, Prague, May 2024.



Ivan Bartos

Deputy Prime Minister for Digitization and Minister of Regional Development

Date

14 February 2024

Ref. No.

MMR-11559/2024-27

Dear Commissioner,

following my previous response to your letter dated February 23, 2023 (Ares(2023)1709536) concerning the continuation of political debate and the opening of the new dialogue on the future of cohesion policy, I am writing to you to introduce our national priorities for the post 2027 period.

The principle of partnership and joint discussion is essential point for us, and therefore we have actively engaged in various platforms that involve a broad spectrum of relevant partners and stakeholders. These initiatives facilitate national discussions, ensuring a comprehensive understanding of our common vision for the upcoming period. Moreover, we have recently conducted in-depth evaluations to assess the impact of EU funds in the previous programming period. These evaluations serve as valuable inputs for shaping our decisions regarding the effective use of cohesion policy resources in the future.

I would like to focus now on specific aspects that have emerged from our discussions at national level.

We firmly believe that **maintaining a robust and adequately financed cohesion policy post 2027** is an imperative, especially given the current post-pandemic and geopolitical circumstances and an expected enlargement of the EU. We advocate for a strong investment policy characterised by clear political commitment and a partnership principle that involves all key stakeholders, embracing the concept of shared management.

Considering the responses to various crises in recent years, it is important to emphasize the **long-term nature of cohesion policy**. It is committed to sustaining a long-term investment policy that does not compromise its fundamental objective of promoting the convergence of EU regions. Therefore, cohesion policy should revert to its original regional nature, focusing on a place-based approach and also on leveraging integrated tools for implementation, such as ITIs and CLLDs, in which I believe the Czech Republic is a leader in the EU and can offer its good experience. However, given the unpredictability of potential future crises, it is desirable to enhance the capacity of cohesion policy funds to ensure a prompt and adequate response when necessary.

Cohesion policy should therefore actively **endorse investments and structural reforms** that can effectively contribute to the enhancement of investment conditions. This strategic support is essential for fostering productivity and catalysing the competitiveness and growth of both the EU regions as well as the entire EU.

The introduction of the "**do no harm to cohesion**" principle in the 8th Cohesion Report is welcomed by the Czech Republic. We must emphasize that cohesion policy, as the primary EU policy supporting inter-regional and international convergence, should not be undermined by other EU policies and instruments. The principle of "do no harm to cohesion" must extend to ensuring that the convergence of EU regions is taken into account in the formulation of other EU policies and instruments, promoting complementarity and synergies rather than overlaps and competition.

Our commitment to efficiency and effectiveness in the use of funds underscores our priority that **new instruments should only be created when existing ones are inadequate**. Under such circumstances, we firmly endorse the flexibility in deploying these new instruments, along with their dedicated financial allocation, and we also support the use of the existing implementation structure and established processes.

In the ongoing discussions concerning the **definition of categories of regions** and their correlation with volume, intensity and form of support, as well as the eligibility of expenses, we support preserving the current concept based mainly on GDP per capita. While we acknowledge the need for the cohesion policy to address current challenges, we believe that continuity of existing categories of regions is not in contradiction with this demand. The multiplicity of challenges faced by regions - such as development traps, transitional phases, and brain drain - underlines the need for a more pronounced place-based aspect in our policy. This need is closely connected to thematic concentration requirements and reveals an apparent shift in cohesion policy towards a sectoral rather than a territorial focus. Our primary objective in moving forward is to strike a delicate balance between a place-based and sectorial approach, ensuring a holistic and effective policy framework.

Thematic concentration and "green" limits significantly influence the direction of EU funds at national level. Even though we understand and agree with the importance of these European goals, we strongly support a more place-based strategy that allows for greater flexibility in addressing the specific needs of individual regions. The approach of "one size fits all" does not serve the purpose of convergence of the regions facing various challenges and, after all, does not lead to successful fulfilment of EU targets.

The **future of the just transition funding** is also very important to us since the structural challenges linked to the green and digital transformation will have higher impact on specific regions. Therefore, we propose to continue with some form of this support, integrated into shared management with other cohesion funds and secured with adequate funding.

Regarding **the green and digital transition**, we are of the opinion that **to ensure adequate effects of state aid**, it is necessary to focus on the applicability of the relevant rules, the clarity of their interpretation in practice and their simplification. It is necessary to focus on the interpretation and simpler application of relevant legislation, especially in the area of research, development and innovation or strategic

projects as the rules are currently so complex that their complicated applicability has a negative impact on the competitiveness of the EU in general.

In light of the growing fiscal constraints faced by public finance, there is an imminent need to adopt an economically reasonable approach to future use of EU funding. In this context, gradual shift **from traditional grants towards more sustainable and repayable forms of support** seems a possible way to explore, particularly in areas where such an approach is suitable. We stand ready to engage in a debate concerning the wider use of financial instruments in targeted areas that support economically sustainable activities.

We also recommend assessing the possible benefits of a future cohesion policy from its stronger **orientation towards results- and performance-oriented approach** where appropriate, which could lead to reducing administrative burden, while taking into account all lessons learned (negative and positive) from the implementation of Recovery and resilience facility.

Following the experience from previous programming periods, we also note that the **timely approval of both the basic strategic document for the period** (Partnership Agreement) **and the individual programmes** would contribute to successful fulfilment of the objectives and priorities of the next programming period.

In this context, I would also like to **recall the conclusions of the Council** approved during the Czech presidency and referring to the above-mentioned topics, such as the territorial approach or new instruments.

Dear Elisa, I would like to take this opportunity to invite you cordially to a key event of the Czech V4 Presidency - **the ministerial meeting to be held on 13-14 May 2024 in Prague**. As I informed you earlier, the political debate will focus on the future of cohesion policy, with possible adoption of a joint declaration as an outcome. Given the invaluable role of the European Commission in the debate on the shape of cohesion policy after 2027, I would very much appreciate your presence in Prague at this occasion and the opportunity to discuss with you the future aspects of this policy.

Dear Elisa, I am firmly convinced that through our collaborative efforts and mutual cooperation we will be able to formulate a shared vision for the future cohesion policy and to deliver it successfully in the forthcoming years.

Yours sincerely,

Ms Elisa Ferreira

Commissioner for Cohesion and Reforms

European Commission

Rue de la Loi / Wetstraat 200

1049 Bruxelles

Belgium



THE JOINT DECLARATION OF
PRAGUE, MAY 2024
MINISTERS RESPONSIBLE FOR
COHESION POLICY

In unity and recognition of the pivotal role of cohesion policy in fostering sustainable development and competitiveness across the European Union (EU) and driving structural change in its regions, we, the ministers responsible for cohesion policy, underline that keeping and strengthening cohesion policy, with appropriate administrative capacity at all levels, is a must and therefore we declare our shared will to shaping its future beyond 2027. We come together with a resolute will to cooperate, contributing collectively to maintaining and promoting the Treaty objectives of economic, social and territorial cohesion in order to support the structural transformation of all Member States and EU regions and building their resilience.

Emphasizing the need for transparency, simplicity, efficiency, flexibility and predictability, we express our readiness to work collaboratively on a future legislative framework that aligns with our common vision for a more cohesive and resilient EU. Through this joint declaration, we express shared responsibility, aiming for overall harmonious development and prosperity across all Member States and EU regions. We, the ministers:

The role of cohesion in the development of the European Union

1. REMIND that cohesion is the engine of the European integration, builds resilience of the EU Member States and regions, bringing the EU and the European values closer to its citizens, contributing to reinforcing democracy, to ensuring the economic and social security and to the open strategic autonomy of the EU.
2. CONSIDER that convergence of the EU regions and within EU should be one of the core priorities and CALL for the integration of the convergence objectives into various policies and instruments.
3. REMIND that cohesion policy is a fundamental and EU investment policy and plays a crucial role in promoting convergence, common European competitiveness and in reducing economic, social and territorial disparities among EU regions.
4. HIGHLIGHT that cohesion policy enhances the efficiency and competitiveness of the Single Market, contributing significantly to the creation of a level playing field within the Single Market and to its proper functioning, ensuring that all Member States can fully participate in and benefit from the shared economic opportunities, thus reinforcing the core principles of solidarity and unity in the EU.
5. UNDERLINE that cohesion policy is also a necessary catalyst for a successful implementation of the other EU policies and instruments in order to make EU fit for the future.
6. ARE OF THE OPINION that the "do no harm to cohesion" principle should be understood as a way of how the convergence of the EU regions is respected across different EU policies and instruments aiming to avoid any negative effects on the convergence already achieved or projected for the future.
 - a. INVITE the Commission to assess the impacts of EU instruments and policies on convergence for EU, Member States and regions as one of the criteria in the process of impact assessment;
 - b. CALL FOR a systematic use of Territorial Impact Assessments (TIA), ensuring that every legislative proposal is accompanied by a TIA necessity check foreseen in the Better Regulation Guidelines.

The main aspects of cohesion policy post 2027

7. RECOGNIZE the long-term nature of cohesion policy and INSIST that cohesion policy should preserve the role of main EU investment policy fulfilling its primary objectives to reduce disparities between the levels of development of the various regions. STRESS the ability of cohesion policy to adapt to changing circumstances and conditions while pursuing its long-term objectives.
8. STRESS that shared management as a cornerstone of cohesion policy, underlining its significance as an expression of political commitment and the partnership principle, facilitating the active involvement of all relevant stakeholders and increasing their ownership, shall continue in the future. HIGHLIGHT that shared management should be based on mutual trust and a clear and well-balanced division of tasks and responsibilities between the European Commission and Member States in order to facilitate implementation of tailor-made cohesion policy.
9. POINT OUT that subsidiarity principle should be further respected and EMPHASIZE that an inclusive response to bottom-up needs and priorities, coming from Member States, EU regions and cities, needs to be strengthened.
10. HIGHLIGHT that the quality of governance and administrative capacity at all levels is a key prerequisite for efficient implementation of structural reforms and investments, therefore, the support of re/up-skilling and building of administrative capacities at all levels should be part of cohesion policy in the future.
11. SUPPORT further use of smart and simplified integrated territorial approaches in cohesion policy to allow design of place sensitive investment measures and programmes.

The scope of cohesion policy post 2027

12. CALL FOR cohesion policy to continue to actively support investments and relevant structural reforms in line with Member States priorities in order to promote sustainable development and growth in Member States and EU regions. STRESS that this strategic support is crucial to boosting competitiveness and productivity.
13. REMAIN COMMITTED to contributing towards European priorities, but at the same time RECOGNIZE the need of more simplified and flexible thematic concentration and climate earmarking that should allow cohesion policy to be more tailor-made and responsive to the needs of diversified territories and their citizens.
14. ARE CONVINCED that cohesion policy is a policy for all EU regions, helping to boost their resilience and diminish the risk of their fall into the so-called development trap. STRESS that special attention must be paid to supporting less developed and specific types of regions and their needs, as these regions suffer from various structural or other serious impacts and imbalances such as the risk of poverty and social exclusion.
15. NOTE that structural challenges linked to the green and digital transformation and adjustment to the lack of human capital equipped with the skills needed for these transformations have severe impact on specific regions. RECOMMEND continuing to support just transition, enabling to combine soft and investment activities to develop complex transformation, integrated into traditional cohesion policy funds.
16. RECALL the considerable impact of climate change on Member States and EU regions and ARE OF THE OPINION that cohesion policy should continue supporting climate related spending in the future based on specific needs of Member States and EU region.
17. EMPHASIZE that demographic challenges such as the negative demographic trend, labour shortages, ageing population, depopulation and talent drain significantly deepen the existing disparities across the regions and hinder the resource productivity of the economy, hampering cohesion, competitiveness and growth. CALL FOR cohesion policy to address demography as one of the future goals.
18. HIGHLIGHT the role of cohesion policy for the EU and regional competitiveness, by investing in human capital and knowledge. ARE AWARE that the current technology transformation requires a skilled workforce to face the new social and economic challenges as well as engaging the regional potential.
19. POINT OUT that the geopolitical situation and geographical location are important factors having an impact on harmonious development of Member States and EU regions. CALL FOR considering the disproportionate effects on Member States exposed to negative impacts of Russian aggression and geopolitical risks on Member States and EU regions, taking into account specific situation namely of those:
 - a. bordering the aggressor countries thus facing significant negative economic, social, security and territorial impacts;
 - b. sharing the borders with Ukraine dealing with related consequences.EMPHASIZE the importance of strengthening the broadly understood resilience of regions as a condition for their long-term and lasting security as well as securing supply chains within European market to avoid undermining EU regions' convergence.
20. ARE OF THE OPINION that cooperation across national borders offers EU regions an additional opportunity to strengthen their development, therefore UNDERLINE the important role of Interreg with a clear European added value enhancing cross-border, trans-national and interregional cooperation and thus contributing to EU cohesion.
21. POINT OUT that all four strands of Interreg proved their relevance and CALL for their maintaining as well as implementation under shared management.

The financial aspects of cohesion policy post 2027

22. RECOGNIZE that the convergence of EU regions is a prerequisite for a strong and robust EU and therefore EMPHASIZE the necessity to ensure adequate budget for cohesion policy within the next multiannual financial framework reflecting the substantial needs and challenges within the EU, including the future enlargement.
23. ARE OF THE OPINION that the current concept of categories of regions, with GDP per capita as the main criterion should be preserved, while STRESSING the need for increased flexibility in the implementation at national level to enable more targeted solutions and the application of a place-based approach.
24. HIGHLIGHT in this context that in order to ensure continuity of support among budgetary periods, the individual Member States' allocations should be kept as stable as possible. To this end the appropriate measures (e.g. safety net) should be continued similarly to the one established for 2021-2027.

The implementation of cohesion policy post 2027

25. EMPHASIZE the need to have in place and in time simple, flexible, transparent and predictable rules and legal framework to ease and speed up programming and implementation. Special attention should be paid to eliminating any rules susceptible to cause ambiguity in their interpretation, thus hampering simplification of EU funds administration processes.
26. STRESS that multiplication of similar EU instruments and overlaps among EU policies should be avoided as this leads to fragmentation of efforts towards reaching EU objectives, excessive administrative burden in planning and designing, in setting the synergies, complementarities and mechanisms for preventing double financing as well as to unnecessary complexity for authorities and beneficiaries.
27. CALL FOR maximum alignment of rules and application of synergies and complementarities at all levels so that the potential of existing tools and their possible use are always explored in advance before creating any new instruments and structures.
28. STRESS the need to use a place-based approach as a key principle, leaning on integrated strategy of the given territory especially through growing trend for functional areas taking into account their roles and justification to join potentials to improve the quality of public services instead of multiplying them within neighbouring areas.
29. RECOGNIZE the need to assess the experiences gained of a performance-oriented approach and the current approach of financing not linked to costs, where relevant, based on in-depth evaluation and impact assessment, while avoiding an excessive administrative burden and securing sufficient level of flexibility. SUPPORT the wider use of simplified cost options and ensuring timely and open consultation on their setting.
30. SUPPORT the use of financial instruments, where their feasibility and suitability is viable and appropriate, with the aim to increase the efficiency of financial sources and to maximize the effects of cohesion policy.
31. STRESS the necessity to maintain the legislation in the area of financial instruments and grants under conditions as simple and stable as possible as well as the need to reduce the administrative difficulties for fund managers, financial intermediaries and final recipients.

The possible impacts of enlargement on post 2027 cohesion policy

32. ACKNOWLEDGE that countries which joined the EU in the years of 2004-2013 period are a good example of the crucial role of cohesion policy in the success of the enlargement process, the smooth integration of the new Member States and of aligning with EU standards and objectives.
33. EMPHASIZE the support of continuous EU enlargement. RECALL in this context, especially the process, lessons learnt and provisions from the previous, especially 2004, EU enlargements.

In conclusion, we, the undersigned ministers responsible for cohesion policy and heads of delegations, declare our will to fostering a resilient, inclusive and sustainable EU through a robust and forward-looking post 2027 cohesion policy. This joint declaration testifies our shared will to achieve economic and social convergence while addressing the specific needs of our diverse regions and contribution to EU resilience and enlargement.