

# Funding priorities 2021-2027

The European Commission has identified five objectives that will be financed from EU funds in the 2021-2027 period. Based on the objectives, the Czech Republic is preparing its funding priorities with regard to its development needs and strategic documents

## EU Cohesion Policy objectives (PO)

Smarter Europe (PO1)	Greener Europe (PO2)	More Connected Europe (PO3)	More Social Europe (PO4)	Europe closer to citizens (PO5)
<ul style="list-style-type: none"> <li>• Research and innovation</li> <li>• Digitisation</li> <li>• Small and medium-sized enterprises</li> </ul>	<ul style="list-style-type: none"> <li>• Energy efficiency</li> <li>• Renewables</li> <li>• Climate adaptation</li> <li>• Environmental protection</li> <li>• Technology</li> </ul>	<ul style="list-style-type: none"> <li>• Transport</li> <li>• High-speed Internet</li> <li>• Mobility</li> </ul>	<ul style="list-style-type: none"> <li>• Education and employment</li> <li>• Social Inclusion</li> <li>• Healthcare</li> </ul>	<ul style="list-style-type: none"> <li>• Tourism</li> <li>• Cultural and natural heritage</li> <li>• Public spaces</li> <li>• Developing communities through local initiatives</li> </ul>

## Priorities of the Czech Republic

Determined on the basis of the National Concept of Cohesion Policy Implementation in the Czech Republic after 2020.



These priorities will be reflected in the **Partnership Agreement** and in the draft of the **operational programmes**.

## European Commission's draft rules affecting the setting up of the Czech priorities

### Negative priorities of the European Commission

The European Commission proposes not to allocate resources from the Cohesion Policy Funds to certain areas.

### Priorities proposed for the Member States in the process of preparing the European Semester

The European Commission also proposes allocation of resources from the Cohesion Policy Funds to certain areas.

### Mandatory percentage limits for the funds

The European Commission sets mandatory shares of financing from the funds (the ERDF, the ESF+, the CF), which largely determines what amounts the Czech Republic will allocate to its priorities in each fund.

### Mandatory percentage limits on the concentration of priorities within the funds

The European Commission determines what amounts the Member State should spend from the ERDF and the ESF+ on certain areas. This is called thematic concentration, i.e. allocating a predetermined package of funding to selected objectives (in the case of the ERDF, the first two EU policy objectives (PO1 and PO2) should receive 75% of the whole ERDF, in the ESF+, e.g. 25% of the budget is allocated to social inclusion).

### Compulsory contributions to other instruments

The European Commission proposes mandatory contributions from the Cohesion Policy Funds to other instruments, e.g. to the CEF (Connecting Europe Facility).

# The Czech Republic's position on the draft legislation for Cohesion Policy Funds in the 2021-2027 period

In May and June 2018, the European Commission issued draft legislation for the use of the Cohesion Policy Funds in the 2021-2027 period. In early September, the Government's Committee for the EU approved a Framework Position of the Czech Republic, designating the areas that the Czech Republic will pursue. The negotiating positions are primarily:

## 1. Financial conditions

- preserving the n+3 rule
- higher level of European pre-financing
- lower level of national co-financing
- voluntary use of simplified cost options
- maintaining the eligibility of VAT without financial constraints
- rejecting mandatory transfers of funding outside the Cohesion Policy Funds

## 2. Flexibility

- greater possibility of transferring resources between programmes (during implementation)
- looser thematic concentration
- Partnership Agreement as an umbrella and living document
- less strict, time-bound and less onerous enabling conditions

## 3. Simplification

- fewer audits and checks
- eliminating overregulation and reducing administrative burden
- fulfilment of the enabling conditions by a certain date

## Overview of the funds and the budget for the Czech Republic in the 2021-2027 period

### Existing funds:

- the CF  
Cohesion Fund
- the ERDF  
European Regional Development Fund
- the ESF+\*  
European Social Fund Plus
- the EMFF  
European Maritime and Fisheries Fund

### Newly incorporated funds:

- the AMIF  
Asylum and Migration Fund
- the BMVI  
Border Management and Visa Instrument
- the ISF  
Internal Security Fund

In the 2021-2027 period, the allocation for the Czech Republic is  
**EUR 17,8 billion\*\***

\*The ESF+ is a fund established for the 2021-2027 period, and is based on the current ESF.

\*\*2018 constant prices

# The Czech proposal to amend the rules in the European Commission's legislation draft

## Suggestions concerning the general regulation for all funds

### Flexibility

#### The possibility of larger transfers of funding

The Czech Republic will seek to increase the level of possible transfers of funding without the approval of the European Commission between priority axes from 5% up to 20% and from 3% up to 15% per programme. Furthermore, the Czech Republic will seek to increase the limit for transfers between the funds from the proposed 5% to 15% without confirmation by the European Commission.

#### The Partnership Agreement as a living document

The Partnership Agreement is a strategic document that governs the spending of the Cohesion Policy Funds in the Czech Republic. In the 2014-2020 period, it is regularly updated to reflect the current needs. However, the draft legislation does not envisage updates in the upcoming period, and the Czech Republic does not agree with that.

#### Financing of the needs of the Czech Republic

The European Commission proposes the rules for channelling the funds into certain areas. The Czech Republic will aim for greater flexibility in the management of resources based on its needs and the needs of its regions.

### Financial conditions

#### N+3 rule

The European Commission proposes reducing the time for spending the allocation by one year, i.e. the allocation must be spent within two years following the year of the budget commitment. The Czech Republic advocates for maintaining the current three-year period - that should allow for trouble-free absorption and sufficient time to select quality projects.

#### Higher level of pre-financing by the European Commission

The proposal reduces pre-financing from the current 2-3% to 0.5%. This proposal would mean a disproportionate burden on the state budget at the beginning of the programming period and could result in the lack of resources for realisation of high-quality projects.

#### Lower co-financing rate by the Czech Republic

The financing of projects from the EU budget is proposed to be reduced from the current 50% - 85% (depending on the category of region and the respective fund) to 40% - 70%. This modification will exert more pressure on national resources.

### Simplification

#### Fewer audits and checks

In the current period, there can be several audits and checks taking place at one project. It often happens that they come up with different outcomes. Therefore, the Czech Republic calls for single audit principle and proportionality.

#### Preventing overregulation

There are too many rules both for the funds and for setting the operational programmes which burden the implementation structure and beneficiaries. The Czech Republic will strive for further simplification, which will help achieve greater efficiency and reduce administrative burdens.

#### Maintaining the Certifying Authority and the National Coordination Authority

The Certifying Authority is the important component in the financial system of the circulation of funds, and it has been operating in the Czech Republic since 2004. The Czech Republic aims to keep it included among the programme authorities. According to the Czech Republic, the National Coordination Authority should continue to be considered as one of the national authorities. It has been responsible for negotiations with the European Commission and has coordinated the absorption of the Cohesion Policy Funds at the national level for two periods.

#### Time limit for enabling conditions

The deadline for meeting the enabling conditions should be set at three years from the start of the programming period, as it is in the current period. The Czech Republic suggests refraining from the continuous monitoring and verification of the conditions, which will be stricter compared to the current period. Such practice could expose the Member States to the risk of suspension of the funds at any time during the period.

## Proposals for selected funds

### the ERDF

#### Support for large enterprises

The Czech Republic will advocate support for all enterprises, including the large ones, in the fields that have a clear social benefit (e.g. high-speed internet, energy savings, public transport, promotion of alternative drive systems, infrastructure).

### the ERDF + the ESF+ + the CF

#### Support for public administration

Public administration, not only in the Czech Republic, is currently facing new challenges e.g. digitisation. Moreover, public administration is a necessary condition for the proper functioning of many areas that bring better services to all citizens of the Czech Republic. Therefore, selected areas of public administration should continue to be supported.

### the ERDF

#### Voluntary use of simplified cost options

The Czech Republic supports simplified cost option for projects up to EUR 200 thousand. The duty should be determined by the managing authority for the suitable areas instead of the mandatory use.

## Security, migration, borders and defence

### Transfer of the AMIF, the ISF and the BMVI to the Cohesion Policy

- Greater flexibility in designing the programme and expansion of eligible items (the AMIF)
- Not restricting national programmes by additional obligations (the ISF and the BMVI)
- Removing the limit on purchases of furnishing, equipment and means (the ISF)

### Timetable for the preparation of rules and the Partnership Agreement (PA):

