

National Position of the Republic of Croatia on the Cohesion Policy post 2020

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Introduction

The question of rethinking the future of cohesion policy, or its strategic direction after 2020, is necessary to respond to the new challenges the EU is facing, such as migration and security questions as well as the decision of the United Kingdom of Great Britain and Northern Ireland to leave the EU together with various proposals from the EU institutions which suggest adding the stabilisation function to the EU budget in addition to the convergence function and reduction of the differences in development among the Member States.

It is expected that in May 2018, the European Commission will publish the proposal for the Multiannual Financial Framework for the period after 2020 and afterwards the proposal for a legislative framework for European Structural and Investment Funds (ESIF). Croatia considers the cohesion policy a key investment instrument of the EU directed towards providing a balanced development in the Member States and regions as well as achieving further convergence as set out in the in Article 174 of the Treaty on the Functioning of the European Union. It is worth emphasising that all appropriate funding of the cohesion policy is to be maintained in the EU budget after 2020. It is necessary in these challenging times that the cohesion policy remains an effective tool, which will continue to reduce significant economic, social and territorial divergences and strengthen the global competitiveness of the European economy. The cohesion policy is an important instrument that enables economic growth and sustainable development and it is considered as a vital source of public investments in Croatia.

The cohesion policy has been proven to be a key component in reducing disparities among various cities and regions to date. Considering that the effect of this instrument is important and the results are already visible, it is worth noting that the potential connection of the implementation of the cohesion policy with achieving the goals of other policies should be considered with caution as currently there are too many unknown elements to be able to assess their definition and implementation.

Croatia welcomes the proposals for simplification of the cohesion policy after 2020 based on the recommendations of the High Level Group of Independent Experts on Monitoring Simplification for Beneficiaries of the ESIF focused on harmonising horizontal rules between different EU funds and continuing with a stable but at the same time flexible system and simplification of the audit process. In the future, the cohesion policy should be more focused on achieving results and remaining open to all Member States and regions, with the emphasis on less developed ones. Furthermore, the cohesion policy should further contribute to achieving strategic goals of the EU, while taking into consideration national and regional differences with the view of promoting structural and administrative reforms.

I. Key elements of the future Cohesion Policy

Determining investment priorities

1. Eleven thematic areas within the current programming period between 2014 and 2020, should remain in the next programming period, after 2020. Determining clear goals on the EU, national and regional level is a first step towards achieving greater focus on results. Thematic concentration contributes to the effectiveness of the allocated EU funds and represents a key tool for redirecting the cohesion policy to the priorities of the EU and strategic coherence of investments. The thematic concentration post-2020 needs to be aligned with the specificities of the Member States and regions. It is necessary to find a balance between pre-defined requests for concentration on the limited number of thematic areas and the need of the Member States, including the possibility of a flexible response to specific (national and regional) challenges, which cannot be predicted during the programming period.

Focus on results

2. With the new legal framework for ESIF in the period between 2014 and 2020, there are new ex-ante conditionalities based on pre-determined criteria, which are considered to be a precondition for the effective EU support. Croatia would support if in the next programming period, within the available legal framework, there would be a definition of a limited number of the common ex-ante conditionalities relevant for the cohesion policy.
3. The performance framework was established in the period between 2014 and 2020 with a view of increasing the effectiveness of the investment of the cohesion policy. The performance framework is a useful tool, which should be kept in the next period after 2020 if the expected results are clearly defined based on the results-focused analysis.
4. In the programming period post 2020, the system of indicators of ESIF should be simplified and aligned to better ensure visibility of the cohesion policy and reduce the administrative burdens, which arise from different interpretation of the ESIF. Moreover, it is necessary to reduce the number of indicators to reflect the intervention logic and economically contribute to monitoring the achievement of specific goals.
5. Croatia notes that in the future perspective, the audit should be focused on the effectiveness and not as it is now on compliance, with a view of simplification and putting a greater emphasis on the measures of effectiveness and results achieved as well as reducing errors during the implementation of the programme. In this case, the implementation for the beneficiaries would be simplified and the administrative burden related to the implementation of the investments would be reduced. In the areas where controls are inevitable, what should be done is to prevent double controls through promoting the use of the single audit principle.

N+3 rule

6. Croatia supports the current duration of the absorption period as the reduction of it would not improve the budgetary discipline nor contribute to the quality of the implementation of the programmes. The n+3 rule is appropriate and the extra three years are optimal for the absorption of resources after the allocation, taking into consideration the time needed for the implementation of the more complex and ambitious operations.

Duration of the financial perspectives

7. Croatia advocates that the financial perspective in duration of seven years should remain also after 2020 taking into consideration time necessary to agree on the sectoral legislation and operational programmes.
8. Shorter programme period could have a negative impact on the programming and effectiveness of the cohesion policy and inevitably limit the types of interventions, which are financed to those types of operations, which can be delivered in a shorter time frame.

Co-financing rates

9. The national co-financing contributes to the sense of ownership of the stakeholders. However, considering the significant differences between the countries and regions, increasing the national co-financing would not contribute to the added value of the cohesion policy. Thus, Croatia advocates keeping the current minimum national co-financing rates in national ESIF envelopes.
10. The real national co-financing rate is significantly higher than the rates established in regulations and operational programmes. This is so because there are financial contributions from the national budget and budgets of the private beneficiaries, which are significant for the realisation of the projects but are not eligible in the ESIF framework and due to the state aid rules require higher rates of co-financing.
11. The potential for increasing national co-financing of the cohesion policy significantly varies among the Member States of the EU. The statistical data on the estimated share of the cohesion policy on public investments in a specific Member State, compared to the EU average, show that the increase in the rate of co-financing is not just a good will of the Member States or a sign of the ownership of the cohesion policy but an objective obstacle to fiscal sustainability and to respect of the rules and objectives of the Stability and Growth Pact.

Financial Instruments

12. The grants should remain the main instrument for the implementation of the cohesion policy and the Member States should be free to decide on the use of financial instruments in relation to grants and offer the adapted public interventions towards specific development needs of certain regions.
13. In the current programming period, there is a big emphasis on the financial instruments. Croatia agrees that the financial instruments can play an important role in the investment policies and can

have a leverage effect especially in the times of the budgetary limitations. However, these are not applicable for all the interventions, which the cohesion policy should support after 2020. The justification and effectiveness of the financial instruments should depend on the ex-ante assessment of the individual programme areas, which will confirm the need for the implementation of the financial instruments, their type and scope.

14. The grants and financial instruments respond to different needs and each type of support has its own intervention logic. The grants should remain an effective tool in changing the behaviour of the beneficiaries regarding the structural reforms. The balance should be reached by carefully assessing the added value which financial instruments contribute, having in mind specific necessities of the beneficiaries and their readiness to invest as well as their alignment with other types of public intervention which deal with investment in the similar area.

Shared management

15. The model of shared management and delegation of the responsibilities of implementation to the Member States takes into account the territorial dimension of the cohesion policy, while the principle of subsidiarity ensures better ownership and accountability for cohesion policy implementation. In the period after 2020, the model of shared management needs to remain unchanged with minimum adjustments. Croatia calls for a more precise specification of roles and responsibilities of all interested parties as well as a clear division of competences.

European Territorial Cooperation

16. European Territorial Cooperation (ETC) is a good platform for the development of the coordinated, systematic and strategic cooperation on the local, regional and national level, with the partners from other European countries and regions. It connects the border regions, which are often on the periphery of their own countries creating new growth centres competing with the more developed areas. Through a common approach at the appropriate administrative and territorial level, the negative impact of the border is being reduced, while at the same time allowing for strengthening of the three main goals of the cohesion policy: economic, social and territorial cohesion. The ETC contributes to the creation of the common European identity and represents the true European added value. The Member States contribute to the principles of sound spending of the EU financial resources through common decision-making on development of specific regions. To sum up, it is very important to keep the ETC as part of the cohesion policy as well as a possibility to finance all three strands of the ETC: cross-border, transnational and interregional cooperation.
17. The room for improvement is seen in the possibility of ensuring proportionate controls and audits, as with the other programme and implementation provisions, taking into consideration the specificities of the ETC, simplification of the extensive designation process as well as simplification of the rules and procedures. Improvements can also be made in the area of aligning the rules for programmes with other Member States and external programmes of the EU together with the non-application of the state aid rules considering that in the cooperation programmes there is a minimum of two countries which means that apart from the application of the EU legal framework, the specific national laws need to be applied, which makes the implementation of the programme difficult.

II. Simplification

18. Simplification of the implementation of cohesion policy should be focused on reaching optimal levels of control and avoid multiple controls, contradictory assessments of different audit bodies and reduction of the total amount of the overall control costs.
19. For the purpose of protecting the EU budget, the European Commission should rely more on Member States' information concerning the audits and financial corrections but at the same time providing methodological support and guidance to the national audit bodies.
20. Croatia supports the introduction of a single audit principle that enables simple and standardised interpretation of legal provisions, which would ensure legal certainty in the division of roles and responsibilities with a view of ensuring an easier and faster implementation. Thus, the goal is to harmonise internal principles, procedures and methodologies between the various audit bodies to fulfil the criteria for a useful and effective application of a single audit principle.
21. With a view of strengthening synergies between the various EU funding mechanisms, Croatia encourages further harmonization of approaches between centrally managed instruments (such as the Union Programs, Connecting Europe Facility (CEF), European Fund for Strategic Investments (EFSI)) and shared managed ESIF programmes. Alignment of rules is needed between shared managed and centrally managed EU instruments as well as within the model of shared managed instruments in order to prevent negative competition between cohesion funds and other instruments, providing the Member States with the opportunity to combine them and use their full potential. There is an opportunity to use the best practices and lessons learned from both sides. Apart from that, it is important to set out different financing priorities for shared and centrally managed funds and to harmonise the administrative requirements for beneficiaries, in order to avoid overlapping and maximise the positive effects of the EU funding.
22. There is a need for simpler transition between programming periods and a faster kick-off of the new financial period after 2020 to ensure the continuity of investments from ESIF. Moreover, if possible, the changes to the legislative framework should be avoided which would affect the already started projects to ensure smooth continuation of the programmes.
23. Furthermore, continued assessment of the shortcomings is required to ensure synergy and complementarity between ESIF and other EU funds and improve the effectiveness of the implementation of the cohesion policy. A simpler and more flexible legislative framework will enable greater focus on achieving results and decreasing costs and errors related to the implementation of the EU rules.
24. Common understanding and interpretation of the provisions concerning European Commission services as well as bodies in the management and control systems is needed to ensure legal clarity concerning division of roles and to facilitate easier and faster implementation. This could contribute to eliminating obstacles related to access to funds because of gold plating or lack of trust between different levels of management and control.

25. Timely adoption of the legislative framework would achieve greater stability and legal certainty. Better coordination between various policies and the European Commission services is needed.

III. Structural reforms and Cohesion Policy

26. Croatia does not support the possibility of setting up reserves dedicated for the implementation of structural reforms at the level of cohesion policy envelope or within a special fund. Croatia stands ready to review possibilities of a greater link between the European Semester process and the Country Specific Recommendations with the ESIF. The advantage of strategic link between the two areas is evident during programming period, which would ensure a sound investment environment. However, it is necessary to align the processes and to integrate coordination mechanisms.