EUROPEAN COMMISSION

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Dear President,

The Commission would like to thank the Sejm for its Opinion on the future shape of cohesion policy in the European Union.

The proposals for cohesion policy published on 29 May 2018 form part of a broader package of ambitious measures to design a modern and fair long-term budget for the Union.

The Commission is pleased that the Sejm shares the view that the European Union budget must be ambitious and designed to guarantee the solutions for the most important problems for the citizens. On the eve of the departure of one of the larger contributors to the European Union budget and at the time of numerous new challenges, the Commission considers that the 2021-2027 Multiannual Financial Framework package represents an ambitious, fair and balanced proposal.

Cohesion policy is recognised in the long-term budget as the key investment policy of the Union that aims to drive up convergence, to help reduce economic, social and territorial disparities within Member States and across Europe. The Commission is pleased to have the opportunity to provide a number of clarifications regarding its proposal and trusts that these will allay the concerns voiced by the Sejm. In response to the more detailed comments in the Opinion, the Commission refers to the attached annex.

This proposal for a Regulation and the Multiannual Financial Framework package of proposals are now being discussed by the co-legislators and the Commission looks forward to an agreement being reached in the near future.

The Sejm Opinion has been forwarded to the relevant Commission services and will form part of the briefing files used when meeting the European Parliament or the Council to negotiate the proposals for cohesion policy.

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The Commission trusts that the clarifications provided in this reply address the issues raised by the Sejm and looks forward to continuing the political dialogue in the future.

Yours faithfully,

Frans Timmermans *First Vice-President*	*Corina Creţu* *Member of the Commission*

<u>*Annex*</u>

The Commission has carefully considered each of the issues raised by the Sejm in its Opinion and is pleased to offer the following clarifications.

As far as the issue of criteria for the allocation method are concerned, the Commission can confirm that the method (the so-called 'Berlin method') is based primarily on regional and national prosperity: Gross domestic product and/or Gross national income per capita remain the basic indices for the distribution of allocations (weighting of 81%).

In relation to the scope of the Funds (including concentration and territorial approach) and incentivising structural changes, the proposal from the Commission breaks sectoral policy siloes – it offers a shorter, modern menu of priorities to build a smarter, greener, lower-carbon, more social and more connected Europe that is closer to citizens. It brings flexibility and supports development of integrated approaches. For example, in policy objective 'smarter Europe', there are no longer artificial lines between innovation, digitalisation, skills, Small and Medium-sized Enterprises, education and capacity to deliver. Institutional capacity is now a cross-cutting theme under the European Regional Development Fund and the Cohesion Fund. Modernised enabling conditions are also aimed at creating conditions conducive to the effectiveness of investments.

Furthermore, a new place-based policy objective 'Europe closer to citizens' is created to give integrated territorial development a prominent place and visibility in the post 2020 cohesion policy. The proposals recognise as well the use of national territorial tools developed by Member States and regions.

With the proposed thematic concentration, the Commission continues to ensure that cohesion policy focuses on smart and innovative economic transformation and a greener, low-carbon economy – areas crucial for the competitiveness of the European Union and for structural adjustments to globalisation challenges while avoiding the fragmentation of resources. A few spending areas which were evaluated as having low impact or low European Union added value will no longer be eligible.

In the next Multiannual Financial Framework, the Commission proposes to introduce two new instruments aiming at strengthening structural reforms in Member States: the Reform Support Programme and the European Investment Stabilisation Function.

As far as harmonisation of rules is concerned, the Commission proposal brings together seven European Funds delivered through shared management. The goal is to create a common set of simplified and consolidated rules, reducing the administrative burden for programme authorities and beneficiaries. This common rule book encompasses a wide range of matters, including programming procedures, performance, enabling conditions, financial instruments, management, audit and evaluation. In relation to simplification of management and control, the Commission proposal has removed the requirement for undertaking the designation procedure and promoted the roll-over of existing systems. Programmes with a well-functioning management and control system and a good track record can benefit from a stronger reliance on national systems. Requirements in terms *of control have been further simplified through, notably, a higher emphasis on risk based management verifications, single audit arrangements, reliance on the work of the national control bodies, use of available electronic system data, avoidance of duplicating audit work or limited time for data storage and keeping audit trail records.*

As far as financial instruments are concerned, building on the 2014-20 experience, the Commission is now proposing simpler rules for their implementation – eliminating red tape and giving national authorities the necessary flexibility. This applies to many different fields, including ex ante assessments, payments, and the combination of financial instruments and grants.

In relation to economic governance, European Semester guidance including the country-specific recommendations will be taken into account in programming in a continuous manner and specifically on two occasions: at the beginning of the programming and during the mid-term review. Investment needs and priorities at European Union level will be highlighted in 2019 for each Member State in the country reports. The country-specific recommendations proposed by the Commission in May 2019 will build on this earlier analysis and identify for each Member State country-specific investment needs to be endorsed by the European Council in June 2019. A similar exercise would be repeated in 2024 to inform the mid-term review of cohesion policy.

As far as the harmonisation of rules between shared management and centrally managed instruments is concerned, the proposal offers several measures to improve practical complementarities between different European Union financed instruments. The rules of Horizon Europe or Erasmus+ and cohesion policy will allow for easier implementation of projects that combine these sources of European Union support by applying a pro rata mechanism to the projects to ease their financial management. In addition, the managing authorities of cohesion policy programmes will be allowed to grant support to projects that received the Seal of Excellence certificate (under Horizon Europe or any other centrally managed instrument which has a corresponding established mechanism) without launching another call, provided that such operations are consistent with the objectives of the programme.

Regarding the proposal for a Regulation on the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States, this proposal aims at protecting the Union's budget and is based on the understanding that the respect for the rule of law is an essential precondition to comply with the principles of sound financial management.

The proposal for a Regulation refers to well-established concept of 'the rule of law' which reflects the Member States' common constitutional traditions and is based on the case law of the Court of Justice of the European Union, the European Court of Human Rights, as well as on standards of the Council of Europe.

According to the proposal for a Regulation, it will be up to the Commission to demonstrate the existence of generalised deficiencies as regards the rule of law and that *these deficiencies affect or risk affecting the principles of sound financial management or the protection of the financial interests of the Union. To this end, the Commission will conduct a qualitative assessment based on information from all available sources. The proposal for a Regulation sets out criteria and examples, which are relevant for this assessment. Moreover, the regulation provides for contradictory procedure ensuring the right to defence of Member State concerned. The proposed measures need to be adopted in full respect of the principles of transparency and proportionality. Finally, the measures adopted under this instrument will be subject to judicial review by the Court of Justice of the European Union.*