

Position of the Government of the Republic of Poland
on the future of Cohesion Policy after 2013

“Cohesion Policy as an efficient, effective and territorially differentiated
response to EU development challenges”

Adopted by the Council of Ministers on 18th August 2010

This position of the Government of the Republic of Poland aims at expounding the concept concerning the future of Cohesion Policy (CP), which was contained in the position of January 2008¹. Back then Cohesion Policy was conceived as **an instrument of attaining the pro-development objectives in the entire EU** taking into account the changing priorities and challenges that European Union (EU) has to face. In that document it was emphasised that Cohesion Policy as **“the promoter” of an integrated approach** contributes to enhancing the development potential and global competitiveness of all European regions since it considers their economic, social and territorial aspects. **Positive effects of implementing Cohesion Policy programmes** were also highlighted, especially within the area of institutional convergence, which resulted from incentives to introduce modern models of multi-annual and multi-level management. Thereby the Government of the Republic of Poland confirmed that **Cohesion Policy should be continued** in the future programming period as it is acknowledged in the Treaty and it operates on the basis of a proven implementation system.

The debate on the future shape of Cohesion Policy, which was launched during the fourth Cohesion Forum, has been evolving for almost three years. At this time, the Government of the Republic of Poland undertook a number of projects both on the Community and domestic platform, which were stimulated by such significant events as the publication of the Green Paper on Territorial Cohesion², *Reflection Paper* of Mrs. Commissioner Danuta Hübner, *Orientation Paper* of Mr. Commissioner Pawel Samecki or the vision of Cohesion Policy reform proposed in the report of Professor Fabrizio Barca entitled *An Agenda for a Reformed Cohesion Policy*. The Government of the Republic of Poland rests its great hopes in the coming fifth Cohesion Forum and the accompanying report that they will have a significant and positive impact on the proper shape of the new edition of Cohesion Policy.

The lessons learnt during the implementation of programmes under the current or previous perspective, negotiations on the two simplification packages, results of analytical and evaluation works or development of the Strategic Reports for 2010 also brought a number of conclusions concerning the future shape of Cohesion Policy and its implementation mechanisms.

The results of the debate conducted so far were also influenced by the parallel European debates on the budgetary review or the new economic strategy *Europe 2020*. **Cohesion Policy was pointed out under them as one of the significant Community policies contributing to the attainment of the Europe 2020 objectives** and thus it should **keep its prominent place in the EU budget**.

However, according to the Government of the Republic of Poland these debates have been so far marked by a **lack of a broader view of Cohesion Policy as a development policy with an established implementation system and a multi-sectoral approach to development**, what has been manifested by the emerging proposals that aim at fragmentation of the EU development activities through establishment of new sectoral funds or possible exclusion of the European Social Fund (ESF) or the Cohesion Fund from Cohesion Policy. The Government of the Republic of Poland wants to note that several of these proposed

¹Position of the Government of the Republic of Poland on the future of European Union Cohesion Policy after 2013 adopted by the European Committee of the Council of Ministers on 30 January 2008. This position was developed on the basis of the proposals previously presented in an informal problem document prepared in the Ministry of Regional Development entitled "Cohesion Policy post-2013. Desired directions of the reform."

² Position of the Government of the Republic of Poland on the Green Paper on territorial cohesion adopted by the European Committee of the Council of Ministers on 24 February 2009.

changes in the policy's delivery system were not supported by a thorough analysis of the potential effects, especially for the national systems, or by any substantial evidence.

At present, the European Union undergoes a difficult period of economic and financial crisis, which has its impact also on the EU as a political community. The currently ongoing **debates over the necessary activities and solutions should lead to development strategies constituting a direct and complete response not only to the current crisis but also to the vision of development that Europe wants to achieve by 2020.** According to the Government of the Republic of Poland **Cohesion Policy has a special role to play in this respect.** This policy not only alleviates the negative effects of the crisis felt by citizens and entrepreneurs in the entire EU, but also **ensures continuity of realization of long-term development objectives and stimulates structural changes.** Therefore, it is time to make specific decisions regarding the future role of CP, its relationships with the other EU policies, as well as its shape in the new programming period.

The proposals included in this position constitute a summary of the works conducted so far on the future of Cohesion Policy by the Polish administration, as well as experiences gathered during its implementation, which are the subject of numerous studies and evaluations³. The Government of the Republic of Poland hopes that they will be used in the works on the 5th Cohesion Report, programming of activities under the *Europe 2020* strategy, shaping of the future multi-annual financial framework and that they will provide a significant contribution in the promotion of the evidence-based policy.

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The Government of the Republic of Poland advances further strengthening the impact of Cohesion Policy on the EU development and reinforcing its efficiency and effectiveness by:

- **STRATEGIC APPROACH** Further economic, social and territorial development of the EU requires strengthening of the strategic approach to development. The major elements of changes should cover: open partnership debate between the European Commission (EC) and the actors of development processes on all relevant levels, dedicated to the strategic issues and grounded in the concept of evidence-based policy, institutional strengthening and reformed system of strategic documents at the Community and national level.
- **COORDINATION** Planning and implementation of particular EU policies dedicated to convergent objectives should be carried out with the use of efficient coordination mechanisms, which precondition the achievement of the most possible cohesive EU policies implementation system. For the purpose it is necessary to use, above all, the potential of the already existing implementation policies and instruments, including Cohesion Policy thereby avoiding the excessive building up of implementation system and decreasing the efficiency of activities at the Community and national level. The Government of the Republic of Poland opposes the proposals leading to the establishment of new sectoral instruments and exclusion of the ESF and the Cohesion Fund from Cohesion Policy. Improvement of coordination mechanisms within the framework of Cohesion Policy will depend on the level of harmonisation of its funds, implementation rules and the much-needed return to the concepts facilitating realisation of integrated projects .
- **ARCHITECTURE OF OBJECTIVES** The layout of Cohesion Policy Objectives should cover all EU regions and reflect the hitherto division into individual Objectives of less (Objective 1) and more (Objective 2) developed regions. Transition regions should constitute part of Objective 1. Differences between particular Objectives should be reflected both in the level of financial allocation (focus on the least developed regions), as well as in the scope of funds' interventions. Objective 3 should remain a

³ National Evaluation Unit (NEU) has, so far, conducted over 100 evaluation studies and all other institutions engaged in the implementation of Cohesion Policy in the previous and current programming period carried out more than 400 studies.

separate objective of Cohesion Policy.

- **THEMATIC CONCENTRATION** Thematic concentration is essential for ensuring proper targeting of resources and achievement of their critical mass, efficiently influencing the socio-economic situation in the EU. It is necessary to define a limited number of priorities, specify scope of funds' interventions accordingly and in line with *Europe 2020* strategy and finally to address appropriately these priorities from the territorial perspective.
- **CONDITIONALITY** The wider application of conditionality mechanisms will constitute a significant element of strengthening the efficiency and effectiveness of EU policies, first of all, in the form of financial incentives and not only sanctions and penalties related to macro-economic policy. Therefore, it will be necessary to establish specialised structural reserves under appropriate EU policies. The reserve set up under Cohesion Policy should constitute, above all, a factor activating the Member State to remove these structural barriers, which diminish the impact of structural funds.
- **TERRITORIAL APPROACH** Asymmetric impact of challenges and different starting points of Member States and their regions necessitates strengthening of the territorial approach which should complement the sectoral approach. The Government of the Republic of Poland calls for using the hitherto achievements of the EU within the area of territorial and integrated approach to development. Cohesion Policy should continue to apply and further reinforce this approach under its system, and it should transfer the best practices to other EU development policies.
- **REFORM OF THE IMPLEMENTATION SYSTEM** In order to ensure a better, well-optimised system of delivery of the Cohesion Policy's objectives its implementing principles and rules should undergo a thorough revision aimed at improving the implementation process and increasing its efficiency. The issues relating to the procedural compliance and the pace of resources absorption cannot predominate over the effective and efficient planning of interventions or restrict the possibility of supporting innovative projects which are usually burdened with a specific implementation risk. Hence it is necessary to conduct a thorough analysis of the most common sources of errors in Cohesion Policy and formulate the new methods of applying in practice the proportionality principle in order to reduce the administrative burdens and facilitate rationalisation of procedures.

1. Further economic, social and territorial development of the EU requires strengthening of the strategic approach to development. The major elements of changes should cover: open partnership debate between the European Commission (EC) and the actors of development processes on all relevant levels, dedicated to the strategic issues and grounded in on the concept of evidence-based policy, institutional strengthening and reformed system of strategic documents at the Community and national level.

- The European Commission should **conduct an open debate dedicated to strategic issues** with participation of different actors of development processes from all relevant levels, **based on partnership principle and the evidence-based policy concept** by developing cooperation networks and by making the most of the available sources of relevant data (results of evaluation studies, strategic reports, etc.). The Commission together with its partners should contribute to the strengthening of Cohesion Policy as a policy based on information obtained under monitoring and evaluation processes.
- **Greater engagement of the Member States on political level** is also required. **Setting up a Cohesion Policy Council** formed of ministers responsible for its implementation would constitute a relevant solution. Another solution would be **convening formal meetings of these ministers within the framework of the General Affair Council**. Debate on the future of Cohesion Policy should be closely related to the debate on EU development objectives.
- The Government of the Republic of Poland is of the opinion that **considerable improvement of the quality of Community and national strategic documents** constitutes an element of strategic approach and a necessary condition to strengthen programme coordination between different EU policies. This

should aim at obtaining an actual (and not only formal) synergy between these documents from the very beginning of the strategic planning process through implementation up to the stage of reporting and evaluation.

- The Government of the Republic of Poland **supports the proposition to establish Single Strategic Framework (SSF) perceived as a document presenting a cohesive vision of implementing the Europe 2020 strategy objectives** by all budgetary policies and EU funds, and at least by these operating within the framework of the shared management. This document should constitute a point of reference in the process of shaping, on the one hand, EU policies, and on the other, national strategic documents and form a kind of **“agreement” on implementation of EU development policies**.
- **This agreement** would be concluded between relevant parties (in case of Cohesion Policy these would include: EC, MS and the regions) and according to the specific character of different policies it would define, *inter alia*, 1) the plans of using the awarded allocation; 2) manner of providing support to national policies in line with the additionality principle and support to the related structural reforms; 3) manner of measuring progress in achieving the strategic objectives defined at the national level and the catalogue of conditionality mechanisms; 4) territorial dimension of the planned activities, with special emphasis on activities aimed at urban and rural areas, cross-border and transnational areas or macro-regions in the European and national dimension.
- **Operational Programmes** should in a more detailed manner define how their operational objectives will be achieved in the perspective of 3 and 7 years, what will make it possible to perform a complex review of progress in a mid-term perspective. The indicators applied to them, in particular outcome indicators (along with the expected values in a mid-term period and at the end of the programming period), should measure the effects of undertaken interventions and not (as it is currently often the case) the changes in the overall macro and micro-economic and social situation.
- Operational objectives and their accompanying **indicators** should “compel” to implementing projects which support structural transformations and not the easiest projects.

2. Planning and implementation of particular EU policies dedicated to convergent objectives should be carried out with the use of efficient coordination mechanisms, which precondition the achievement of the most possible cohesive EU policies implementation system. For the purpose it is necessary to use, above all, the potential of the already existing implementation policies and instruments, including Cohesion Policy thereby avoiding the excessive building up of implementation system and decreasing the efficiency of activities at the Community and national level. The Government of the Republic of Poland opposes the proposals leading to the establishment of new sectoral instruments and exclusion of the ESF and the Cohesion Fund from Cohesion Policy. Improvement of coordination mechanisms within the framework of Cohesion Policy will depend on the level of harmonisation of its funds, implementation rules and the much-needed return to the concepts facilitating realisation of integrated projects .

- If EU wants to achieve success in realisation of the new development strategy, **it is necessary to coordinate the EU policies aimed at convergent objectives and their delivery instruments** (taking into account the different conditions on national and regional scale).
- **Cohesion Policy should constitute one of the elements shaping the coordination and management mechanisms.** The cross-sectoral character of this policy, which considers the mutual relationship between development processes, and the broad scope of thematic intervention indicates its **high (insufficiently used) potential for efficient achievement of EU development objectives**.
- At the times of budget restrictions it is also necessary **to stop further extending and complicating policies’ implementation process, creating new sectoral delivery instruments** (e.g. in the transport or energy sector) on the expense of the existing ones, and especially Cohesion Policy. It would be time-consuming and expensive. Therefore, it is necessary **to use the existing EU policies and instruments to a greater extent**, which are already implementing these objectives and are

characterised by grounded implementation systems. As an example heading in the right direction one can name synergies, which were established under the current programming period between the Cohesion Policy funds and the 7th Framework Programme. This trend should be continued. Similar mechanisms should also be established for funds supporting the development of rural areas and fisheries, transport and energy. **Better harmonization of regulations and coordination of activities** between the aforementioned funds should take place both at the programming and implementation level. At the same time, it is needed to develop Community guidelines for different policy areas (e.g. urban policies or rural policies) showing the use of the EU policies funds and their mutual relationships (and not demarcations).

- The process of **verifying procedural compliance with the EU policies should also be rationalised**. Cohesion Policy cannot be a “hostage” to these policies anymore. The establishment of a higher level of tolerable error for Cohesion Policy is a solution, which countenance the symptoms of the problems but it does not solve them. The irregularities occurring within such areas as public procurement, environment protection and state aid should be divided into two categories:
 - basic ones, whose possible violation provides a serious threat to the EU budget, the competition on the EU market or to the natural environment and therefore they require corrective measures in financial or material aspects (e.g. financial corrections) – these areas would be obligatory verified at the stage of applying for resources and their settlement and at the stage of conducted control activities,
 - other irregularities, in vast majority concerning the procedural aspects, infringements which do not lead to the above-mentioned risks – they would not be a subject to audit and control procedures at the stage of Community and national audits – their possible identification will not require the application of financial corrections and only individual actions or system actions preventing their reoccurrence in the future.

The list of irregularities belonging to the aforementioned category should be clearly defined at the Community level, e.g. under the future General Regulation.

- Moreover, strengthening coordination between national and EU policies should lead to providing better incentives for Member States to conduct the necessary structural reforms. All Member States should obligatory **demonstrate in relevant national strategic document how Cohesion Policy – and at best all EU policies – is linked to the national policies**. This would induce Member States to better plan in advance the national public activities and the role of Community support. Such an approach would also constitute one of the factors **strengthening the additionality principle**. Taking into account its considerable significance for proper operation of the structural funds it is, at the same time, necessary to take relevant subsequent steps **to improve the methodology of verifying the observance of this principle**.
- Internal consistency of Cohesion Policy and multi-sectoral approach to development as its characteristic feature should be maintained by means of greater coordination of all its funds. Development is a multi-factor process and hence **in the opinion of the Government of the Republic of Poland all attempts to separate one of the structural funds and Cohesion Fund is against the integrated and strategic approach to development**, and may lead to fragmentation of development activities and significant weakening of the Cohesion Policy impact on the development processes in the entire EU. Therefore, a quite contrary approach to the currently considered one at the Community level is necessary, i.e. **greater integration of Cohesion Policy funds through harmonisation of their implementation rules** (e.g. eligibility criteria).
- Current rules on monofunding weaken the efficiency of the more and more separated funds. A **return to the concept of making implementation of integrated projects possible** would be an optimal solution. **Then**, the resources from the ESF and the European Regional Development Fund (ERDF) would provide a meaningful support to integrated projects realising priorities defined at the fund level, operational and strategic documents.

- An alternative solution is a reform of the existing cross-financing mechanisms. Firstly, **the scope of support of each of the funds should be modified, in a manner that would allow for such soft and hard investments, which are actually necessary to achieve the priorities** of the funds and objectives of individual projects. Secondly, the level of limits should be increased and differentiated depending on individual areas and operations. The cross-financing mechanism should **enable implementation of integrated projects accomplishing the priorities of different funds.**
- **The ESF is and has to remain an integral instrument of Cohesion Policy** supporting activities within the scope of employment, education, prevention of social exclusion or institutional reforms (e.g. in the area of public administration or civil society), which constitute important areas of development for each territory. However, efficient attainment of objectives within the aforementioned areas would not have been possible if it was not for the parallel activities supporting these priorities financed from two other funds - the ERDF and Cohesion Fund. In the opinion of the Government of the Republic of Poland the economic, social and territorial cohesion can be fully achieved only by integrated approach to implementation of the defined objectives with the use of EFS, ERDF and the Cohesion Fund. As a result, the effectiveness and thereby the visibility of EU activities in the aforementioned areas related to *Europe 2020* strategy will be considerably greater if they are implemented according to a common strategy under Cohesion Policy, and not separately.
- At the same time, the Government of the Republic of Poland perceives **the need to ensure stronger coordination of financial mechanisms in the area of social policy.** The co-existence of different instruments addressing the same problems leads to a fragmentation of support and institutional system and as a result to their decreased impact. Therefore, instruments such as the European Globalisation Adjustment Fund (EGF), with the objectives for which they were established should be integrated with Cohesion Policy.
- **As regards the Cohesion Fund the Government of the Republic of Poland is against the solutions spoiling its current shape (e.g. combining it with the ERDF, transferring it to the TEN instrumentarium or redirecting to the activities of climate policy).** This Fund constitutes a significant tool of strengthening the EU economic and social cohesion and it should provide support under its current form in the areas related to the sustainable development, which present considerable benefits in the environmental dimension or in the transport sector. Therefore the Government of the Republic of Poland is against determining the future of Cohesion Policy by the results of climate negotiations (e.g. increasing CO₂ emission reduction target from 20% to 30% by 2020, future of surplus AAUs) and against introducing new solutions into this policy which are in contradiction with its obligations stemming from the Treaty, i.e. which are not directly related to the objectives of Cohesion Policy and its delivery instruments. The system defining Member States' eligibility in the framework of the Cohesion Fund should also correspond to the hitherto principles, under which the support was provided to these countries in which the Gross National Income (GNI) per capita measured with the Purchasing Power Parity amounts to less than 90% of the average GNI in the EU.
- The Government of the Republic of Poland strongly emphasizes that **further fragmentation of Cohesion Policy** by excluding any funds from its instrumentarium **will lead to weakening of the intensity of structural changes that must be introduced in the EU.**

3. The layout of Cohesion Policy Objectives should cover all EU regions and reflect the hitherto division into individual Objectives of less (Objective 1) and more (Objective 2) developed regions. Transition regions should constitute part of Objective 1. Differences between particular Objectives should be reflected both in the level of financial allocation (focus on the least developed regions), as well as in the scope of funds' interventions. Objective 3 should remain a separate objective of Cohesion Policy..

- In the opinion of the Government of the Republic of Poland **the support under the ERDF and ESF as mutually complementary instruments should cover all EU regions** regardless of their adherence to any particular Objective under Cohesion Policy.

- In order to ensure relevant size of development investments **the current principles of distribution of Cohesion Policy resources (the so-called Berlin methodology) and the level of co-financing thresholds should be** maintained in the 2014-2020 financial perspective.
- Considering the difficulties in the complete assessment of the results of the crisis, which can influence the precision of GDP forecasts applied to the calculation of national allocations it should be emphasised that there is a necessity of applying a **mechanism of technical adjustment**, which should cover the entire duration of the next financial perspective.
- **It must be ensured that Regions covered by Objective 1 have the possibility of realising activities relevant to their level of development**, such as infrastructure support, institutional strengthening, integrated local development or access to services.
- **Regions exceeding the level of 75% of the Gross Domestic Product (GDP) per capita measured with the Purchasing Power Parity and at the same time included in the current financial objective under Objective 1 with the exception of regions representing the so-called statistical effect, should be covered by the new mechanism of transitional support** and its level should not significantly diverge from the level that they would have obtained under Objective 1. Financial allocation for these regions should be more evenly distributed over particular years of the financial perspective. Thematic scope of the support, level of thematic concentration and types of available structural funds should be as close as possible to those available for regions under Objective 1.
- There is a need to consider the issue of territories fulfilling specific administrative or financial functions which are reasons of their higher level of development in comparison with the rest of the country and, as a consequence, of significant inter-regional development disparities (e.g. capital regions).
- **Regions, which are on a higher level of development should still receive relevant support under Objective 2 of Cohesion Policy, which is necessary for conducting structural reforms** both in the social and economic sphere. The hitherto transition regions should keep the possibility to participate in this policy under Objective 2. The scope of funds interventions in the regions under Objective 2 should be more concentrated as compared to Objective 1, just like it is at present.
- The Government of the Republic of Poland is of the opinion that the currently separated Cohesion Policy Objective – European Territorial Cooperation, should be continued. This objective should keep the division into its three major strands: transnational, cross-border and inter-regional, but the last one should, however, be reformed by:
 1. including some of its activities into particular cross-border and transnational programmes. Opening a possibility to allocate some part of transnational and cross-border programmes' resources of to cross-programme and inter-regional cooperation would make it easier to coordinate activities, exchange experiences and ensure the synergy effect in the regions covered by several ETC programmes.
 2. limiting the thematic scope of the currently operating inter-regional programme through establishment of a programme exclusively directed at creation of relations between different Community support instruments within the area of the entire EU. The reformed inter-regional programme should have a strictly technical character and it should focus on dissemination and utilisation (capitalization) of the results achieved under the already implemented projects within the framework of different EU-wide aid schemes
- At the same time, the cooperation on EU external borders should be given adequate importance and its efficiency should be increased.

For this end the cross-border cooperation programmes which are executed together with countries from outside of the European Union on the EU external borders should be implemented on the basis of principles developed so far within the framework of cross-border cooperation programmes covered

by the European Territorial Cooperation Objectives of EU Cohesion Policy. The application of mechanisms of implementation of ETC cross-border cooperation programmes, on EU external borders, both in the scope of division of competences between institutions participating in implementation, as well as project selection and implementation procedures will enable more efficient realisation of the objective of this type of programmes, that is supporting direct contacts and building friendly neighbourhood relations with the countries on the EU border.

The allocation under this Objective should be divided between individual Member States which should have competences to allocate them further between individual cross-border and transnational cooperation programmes.

4. Thematic concentration is essential for ensuring proper targeting of resources and achievement of their critical mass, efficiently influencing the socio-economic situation in the EU. It is necessary to define a limited number of priorities, specify scope of funds' interventions accordingly and in line with Europe 2020 strategy and finally to address appropriately these priorities from the territorial perspective.

- **Thematic concentration is essential for ensuring proper channelling of resources** and achievement of critical mass, which efficiently influences the socio-economic situation. It can be achieved through **defining of a limited number of priorities, specifying accordingly the scope of funds' interventions and** addressing appropriately these priorities from the territorial perspective. **The list of Cohesion Policy priorities should be more precisely targeted and as a result shorter than in the current programming period** in order to be properly geared towards pro-development activities, investments in competitive advantages and improvement of growth/development potential of all EU regions.
- At the same time, each EU-27 Member State should **select the priorities according to the territorial conditions of its regions**. The obligatory priorities should cover those which are most in line with *Europe 2020* strategy, e.g. in such areas as: innovation, energy efficiency, education or issues related to employment and social exclusion. Such priorities as modern transport infrastructure or information and communication technologies (ICT) should also be considered as one of those, since they constitute which tools of delivering *Europe 2020* strategy objectives. A definite majority of resources should be allocated to the obligatory priorities (e.g. 70% of allocation).
- On the other hand, field of intervention by category under particular priorities should be defined in such a manner that would enable a concentration of resources on these priorities, which are the most significant from the perspective of development of a given country and region.
- Thematic concentration also means the need of proper connection of different types of investments (*investment mix*) made on the basis of a reliable analysis of needs, e.g. in the scope of infrastructure or human capital. This will also require, on the one hand, proper scale of financing of operational programmes and co-financing rate and, on the other, efficient structural reforms and effective EU policies implementation system.
- The system of thematic channelling of resources (earmarking) under Cohesion Policy turned out to be a less efficient tool of concentration and monitoring the progress of the Lisbon Strategy implementation than it was expected. It is necessary to aim at establishing a possibly cohesive, not overdeveloped and transparent system. The Government of the Republic of Poland emphasises that in its opinion thorough **negotiations of programme documents are sufficient and far more efficient instrument than earmarking**, which should ensure that the division of allocated resources will be properly adjusted to the specific conditions of a given Member State.

5. *The wider application of conditionality mechanisms will constitute a significant element of strengthening the efficiency and effectiveness of EU policies, first of all, in the form of financial incentives and not only sanctions and penalties related to macro-economic policy. Therefore, it will be necessary to establish specialised structural reserves under appropriate EU policies. The reserve set up under Cohesion Policy should constitute, above all, a factor activating the Member State to remove these structural barriers, which diminish the impact of structural funds.*

Any conditionality mechanisms, regardless of the level of their implementation should respect the following general rules: division of competences in line with the one set out in the Treaty; predominance of efficiency and effectiveness of positive conditionality mechanisms (financial awards) over the negative conditionality mechanisms (penalties and sanctions), what is indicated, *inter alia*, in the OECD studies; universality of possible macro-economic conditionality mechanisms, i.e. covering all EU budgetary policies delivering *Europe 2020* strategy. The Government of the Republic of Poland would like to emphasise strongly **that any mechanisms of automatic sanctions are definitely much worse solution**, which can turn out to be a significant demotivating factor in the context of Cohesion Policy implementation.

Additionally, in order to ensure efficient functioning of the conditionality mechanisms, the Government of the Republic of Poland would like to highlight that **there is a need to carry out the revision of the system of EU strategic documents** which would also take under consideration the differences in the cycles of structural reforms and Cohesion Policy implementation. Moreover, the Government is of the opinion that all new mechanisms of economic coordination and conditionality should be implemented starting from 2014.

Bearing the above in mind, the Government of the Republic of Poland calls for:

- **Creation of specialised structural reserves under appropriate EU policies.** Structural (and not cyclical) character of Cohesion Policy specifically predestines it to directly support the structural reforms. **The reserve set up under Cohesion Policy should constitute, above all, a factor inciting the Member States to remove the structural barriers, which diminish the impact of structural funds.** By way of bilateral negotiations the EC and a Member State could define a special reserve in the amount of 5% of allocation on the national level or on the level of a given operational programme. Taking into account the time-consuming character of reform processes the reserve could be used not earlier than after 3 years and on condition that the country demonstrates progress in their implementation. Lack of progress, despite the strategic support offered by the EC, would lead to a loss of resources covered by such reserve(s) for the advantage of the European reserve. The rules of the reserve(s) operation, methodology of progress measurement and distribution of its resources should be presented in a relevant national programme document.
- **Creation of an European reserve**, which would be administered by the EC and devoted to **the most pioneer and experimental projects, contributing to the implementation of the *Europe 2020* strategy.** All Member States would be able to submit their projects under the call for proposals organised by the EC. Apart from the resources lost from structural reserves by the Member States under Cohesion Policy this reserve would be supplied with the sums recovered by the EC, e.g. by decommitments or corrections.
- **Setting up of a cohesive system of core indicators allowing for objective assessment of Cohesion Policy impact and its contribution to the achievement of the *Europe 2020* strategy objectives.** It will also enable effective and efficient application of the conditionality mechanisms under Cohesion Policy and improve the thematic concentration mechanisms. The indicators should measure the effects of undertaken interventions but not the changes (as it is currently often the case) in the overall macro-, micro-economic and social situation.
- Increasing the effectiveness of Cohesion Policy intervention in achieving its own objectives by a **stronger focus on results-based approach** and by:

- a. **Modification of the current automatic decommitment rule** of n+3 for all Member States for all years.
- b. **Keeping the currently available possibility for a Member State to establish a national performance reserve (NPR)** not only as a tool to keep a steady rate of absorption but also as a tool of awarding the efficiency of implementing programme objectives according to the criteria defined in the beginning of the programming period.
- c. **Better use of the macro-economic modelling results or evaluation results in the decision-making process** by setting up, on the one hand, discussion forums on particular implementation levels to discuss Cohesion Policy's results and lessons drawn from the analytical and evaluation works and, on the other hand, by the establishment of a network of territorial observatories, further strengthening of institutions responsible for evaluation or promotion of the successfully applied solutions that improve the effectiveness and efficiency of the EU policies. Similar mechanisms should also function to a greater extent for the needs of other EU policies.

6. Asymmetric impact of challenges and different starting points of Member States and their regions necessitates strengthening of the territorial approach which should complement the sectoral approach. The Government of the Republic of Poland calls for using the hitherto achievements of the EU within the area of territorial and integrated approach to development. Cohesion Policy should continue to apply and further reinforce this approach under its system, and it should transfer the best practices to other EU development policies.

- Given the different starting points of Member States and their regions, the asymmetric impact of challenges and differentiated development potentials (also considering the structural changes caused by the crisis) there is **a need to strengthen the territorial approach as a complementary one to the sectoral approach.**
- EU strategic intervention should be targeted at these places where development processes actually occur: at the regional and local level. **Since the Europe 2020 strategy has not sufficiently embraced territorial approach to development, Cohesion Policy has to fulfil the role of EU development strategy which recognises the territorial dimension of socio-economic processes.** Securing such a role for Cohesion Policy in the strategy's implementation process will also **ensure that regions are given the right place in the strategy's delivery.**
- Adequate identification, development and optimum utilisation of competitive advantage of the EU at all levels starting from the local and finishing with the Community one, will decide on the success of Europe 2020 strategy. The Government of the Republic of Poland is of the opinion that the aforementioned efforts should be reflected not only in the new regulations on Cohesion Policy and they should form the basis of this policy in the next programming period, but they should also cover other EU policies to a greater extent by the means of **obligatory analysis of the territorial impact of activities carried out under the EU policies, which have a strong territorial impact.**
- Firstly, under these circumstances it is of key significance **to use the hitherto achievements of the EU within the area of territorial and integrated approach to development** along the axis region-city-rural areas, not only in relation to the administrative regions but also functional ones, i.e. arrangements following from the guidance documents: European Spatial Development Perspective (ESDP), EU Territorial Agenda, Leipzig Charter and the Green Paper on territorial cohesion, as well as the results of works and studies of the ESPON, OECD and the EC itself. Secondly, it is important to change the way the aforementioned instruments are used by means of: better integration of the aforementioned directions of works with Cohesion Policy programming and management processes, verification of their efficiency, as well as better relationships between the inter-governmental and Community activities.
- In this context, it is especially necessary to efficiently **include additional regional assistance instruments aimed at achievement of common European development priorities** (basing on the

model of former Community initiatives) **to Cohesion Policy**. As an example here one might give **strengthening of the urban dimension under Cohesion Policy implemented at the national and regional level**, e.g. by instruments, which primarily aim at integrated urban development. The following instruments can be considered for this purpose: global grants for urban areas or separate programmes/priority axes for urban areas, programmes financing the revitalisation of cities.

- It is also necessary to strengthen the effects of all EU activities for development of areas at risk of marginalisation and social exclusion (including e.g.: rural areas) and contributing to the implementation of one of the main objectives of *Europe 2020* strategy, which is inclusive growth.
- Moreover, it is also important to further **develop the mechanisms of supporting rural areas development and their relationships with cities in the region**. Such support should be awarded on the basis of local development strategies indicating both development priorities of these areas, as well as EU policies under which these activities will be financed. In this context it is necessary to establish a mechanism of support identification and monitoring for rural and urban areas at the European level because the current territorial codes fail to fulfil this role.

7. In order to ensure a better, well-optimised system of delivery of the Cohesion Policy's objectives its implementing principles and rules should undergo a thorough revision aimed at improving the implementation process and increasing its efficiency. The issues relating to the procedural compliance and the pace of resources absorption cannot predominate over the effective and efficient planning of interventions or restrict the possibility of supporting innovative projects which are usually burdened with a specific implementation risk. Hence it is necessary to conduct a thorough analysis of the most common sources of errors in Cohesion Policy and formulate the new methods of applying in practice the proportionality principle in order to reduce the administrative burdens and facilitate rationalisation of procedures.

- The Government of the Republic of Poland **cautions against too rash introduction of revolutionary changes in the well-established institutional system** and competences of authorities responsible for management, control, payments and certification of expenditures. The Cohesion Policy institutional systems in many Member State, including Poland, are reliable and efficiently operating ones. Forcing their fundamental reconstruction will cause unnecessary administrative costs and it will have a negative impact on efficiency.
- **In order to ensure a better and more efficient achievement of the objectives placed in front of Cohesion Policy, implementation rules and provisions should undergo a thorough revision.**

In the first place, the tasks of the EC and the European Court of Auditors (ECA) within the scope of audit and control should be redefined in order to move on from verification of the procedural compliance to the audit of efficiency. Control of individual projects should lie within the exclusive competences of a Member State. The EC should, above all, examine the *ex ante* compliance of national management and control systems with the Community standards and it should present recommendations proposing the most efficient practices.

It is necessary **to review the methodology of verifying the regularity of expenditure and to analyse the most common sources of errors in Cohesion Policy** in order to reduce the excessive procedural pressure on the policy implementation system exerted mostly by the other EU policies. Therefore, it has to be clearly defined which rules are obligatory and which have only an voluntary character. The verification of Community procedures and standards under Cohesion Policy should cover only these implementation aspects, which have to be implemented in the same manner in all Member States and it should be carried out only in clearly specified and precisely defined cases, where it is necessary. Other irregularities should be the subject to normal infringement procedure and they should not affect directly Cohesion Policy implementation.

- In order to ensure liquidity of the system and budget equilibrium such an approach should be accompanied by increased and more extensive advance payments during all years of the programming period.
- **In case of corrections concerning the expenditure covered by partial closing up of a programme there should be the possibility of their re-usage.** Application of this mechanism will allow for using of funds under the programme during its further implementation.
- **It is also necessary to formulate the new ways of using the proportionality principle in practice in order to reduce the administrative burdens.** The Government of the Republic of Poland emphasises a strong need for in-depth and thorough debate between the EC and Member States on the ways of reducing the administrative burdens generated during Cohesion Policy implementation, e.g. for programmes with smaller allocations, for countries which proved their high institutional capacity or, depending on the area of intervention, for activities aimed at SMEs, research and innovation or building of social and intellectual capital.
- At the times of limited public resources it is necessary to emphasise the particularly important role of the European Investment Bank in increasing the availability of resources necessary for conducting pro-development activities. **The application of financial engineering to a greater scale** could replace the grants for small and medium-sized enterprises or the grants for cities. The currently operating JESSICA and JASPERS initiatives should be fundamentally reformed. The Government of the Republic of Poland also emphasises an urgent need for reliable and in-depth debate between the EC and the Member States also in this field.
- It is necessary to **rationalise the procedures related to the preparation and approval of large-scale projects** by increased role of JASPERS in the process of their preparation and opinioning, and by leaving up to the Member State till so far – in line with the shared management principle – the responsibility regarding selection and implementation of projects with the aim of realising a given programme. At the same time, it is necessary to avoid duplication of works, e.g. of JASPERS experts and EC experts.
- Additionally, it is necessary **to change the methodology of setting a threshold of co-financing in case of revenue-generating projects** by introducing – instead of the currently applied individual approach – a sectoral approach by means of a flat-rate reduction mechanism of EU co-financing for projects depending on the given sector or sub-sector, under which the project is implemented.
- It is necessary to stress the need to establish systemic solutions which would ensure cohesive communication and easy access to complex information on the possibilities of obtaining a support, which combines Cohesion Policy offer with other EU funds and policies.

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This position of the Government of the Republic of Poland follows from another stage of works on the Polish vision of the desired directions of evolution of Cohesion Policy after 2013.

Subsequent stages of this process will take under consideration the debates on the review of EU budgets, the works of next Presidencies, especially, within the scope of *Europe 2020* strategy and discussion on the proposals presented in the 5th Cohesion Report in autumn 2010. The conceptual part of this process will be completed at the moment of presenting by the European Commission the proposals of regulatory and financial shape of Cohesion Policy within the framework of the next financial perspective, which should take place in 2011. In this context it is necessary to draw attention to the fact that this stage will coincide with the Polish Presidency in the EU Council.

As a result of the above, the Government of the Republic of Poland continuing its active participation in the further process of Cohesion Policy shaping at the Community level, will perform relevant up-dates of this position.