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'I/A' ITEM NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee (Part 2)/Council

Subject: Draft Council conclusions on "A more R&I friendly, smart and simple Cohesion Policy and the European Structural and Investment Funds more generally"
- Adoption

1. On 18 May 2016, the Presidency submitted the draft conclusions in subject to delegations in the Council.
2. The draft conclusions have been discussed at the Structural Measures Working Party on 24 May as well as on 1 and 7 June 2016.
3. An agreement on the draft conclusions was reached on 9 June 2016 following a silence procedure. Against this background, the draft set of Council conclusions, as prepared by the Structural Measures Working Party, is set out in the Annex to this note.

4. Consequently, it is suggested that the Permanent Representatives' Committee invite the Council to adopt these draft conclusions, as set out in Annex to this note, as an "A" item at one of its forthcoming meetings.
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**Draft Council conclusions on
"A more R&I friendly, smart and simple Cohesion Policy and the European Structural
and Investment Funds more generally"**

THE COUNCIL OF THE EUROPEAN UNION:

- (1) RECALLING that the mission of Cohesion Policy is to strengthen EU's economic, social and territorial cohesion and, in particular, to reduce disparities between the levels of development of the various regions in order to promote the overall harmonious development of the Union, as set out in Article 174 of Treaty on the Functioning of the European Union;
- (2) ACKNOWLEDGING that Cohesion Policy, in pursuing its above mission, makes significant contribution to research and innovation (R&I) activities in the EU, through the European Structural and Investment Funds (ESI Funds);
- (3) RECALLING its conclusions of 27 May 2016 on "Research and innovation friendly regulation"¹, which underline that unnecessary legal barriers, non-supportive, unclear or unpredictable regulatory frameworks, shortcomings in implementation and regulatory gaps are inter alia bottlenecks hampering research and innovation within the EU.

Synergies in a R&I context

- (4) ACKNOWLEDGES the initiatives already taken by the Commission in an effort to promote synergies, in particular the Seal of Excellence, the increase of thematic concentration as well as work through Smart Specialisation Strategies, and RECALLING the Common Strategic Framework annexed to Regulation (EU) No. 1303/2013 which provides guidance on coordination and synergies;

¹ Doc. 9510/16.

- (5) STRESSES the need for synergies between the ESI Funds and EU directly managed programmes and instruments, while respecting their different objectives, and UNDERLINES that in the field of R&I the Commission and the Member States should aim for more synergy between the ESI Funds programmes and directly managed programmes, in particular Horizon 2020, to minimise unnecessary legal and regulatory constraints, to cater, among others, upstream and downstream exploitation of research results for marketable products, services and social innovations as well as strengthening the contribution of ESI Funds to closing the innovation divide between regions;
- (6) ACKNOWLEDGES that difficulties in reaching synergies between these instruments lie both at the level of implementation and at the level of the policy framework;
- (7) RECOGNISES that as far as implementation of ESI Funds programmes is concerned, harmonisation, where appropriate, of the implementation rules with different programmes such as Horizon 2020 would promote synergies, bearing in mind the reciprocity of the process. This is amongst other things made more difficult due to the different application of state aid and public procurement rules, different auditing processes, as well as different reporting, monitoring and evaluation requirements;
- (8) RECALLS the invitation to the Commission to explore options for alignment and greater coherence of the rules of Horizon 2020 and of the European Structural Investment Funds for investments in R&I within their respective roles²;
- (9) NOTES the importance of developing the rationale, concepts and appropriate legislation in the field of R&I in a parallel and coordinated manner in order to achieve synergies, while differentiating clearly between the objectives of these instruments;

² Doc. 9510/16.

(10) CALLS on the Commission to:

- a) continue to support evidence based policy changes and to improve data, data collection systems, to promote and share best practices of synergies;
- b) come forward with new measures to improve synergies, where appropriate, within the context of the current reflection of simplification, including under the current programming period, and coordinating with other initiatives, and, where appropriate, based upon a bottom-up and user friendly approach;
- c) explore the options for alignment and greater coherence, especially regarding state aid and public procurement rules, preferably by using projects, but not limited to, with a Seal of Excellence as a pilot in this process and ASKS for an interpretation note by the Commission on state aid rules in the context of ESI Funds and Horizon 2020;
- d) provide data on the implementation of synergies to monitor its progress, by using existing mechanisms, including via the beneficiaries of directly managed EU funds³;
- e) provide a clear, aligned and coordinated approach for the post 2020 period regarding the future development of both the Framework Programme for Research and Innovation and ESI Funds with regards to research and innovation, and provide a roadmap on the aforementioned process covering both strands to address synergies at all levels at an early stage.

³ As mentioned in the Staff Working Document "*Enabling synergies between European Structural and Investment Funds, Horizon 2020 and other research, innovation and competitiveness-related Union programmes*" (2014), page 8.

The future of Smart Specialisation

- (11) SUPPORTS the concept of Smart Specialisation and the inclusion of the ex-ante conditionality regarding Smart Specialisation in the Common Provisions Regulation⁴ and taking into account the lessons learnt to improve the effectiveness of the investment, by building on a partnership approach and STRESSES that smart specialisation strategies could be powerful instruments for contributing to tackling societal challenges, and boosting innovation, investment and competitiveness, based on socio-economic and territorial specificities;
- (12) ACKNOWLEDGES that the Research and Innovation Strategies for Smart Specialisation (hereinafter RIS3) contribute to synergies with other EU Policies and funds, such as Horizon 2020 and COSME, but also with national and regional policies and funds. Further RIS3 development should therefore take into account existing strategies of both the national and the regional policy levels, where appropriate, and result in a more tailor made and differentiated priority setting and implementation of instruments;
- (13) WELCOMES the numerous initiatives where Smart Specialisation was used for cooperation with other countries and regions, which potentially not only improves the effectiveness of the relevant programmes but could also stimulate the development of cross-border clusters, innovation eco-systems and European value chains built across smart specialisation priorities;
- (14) INVITES the Commission to give continued support to Member States and regions when developing and implementing Smart Specialisation Strategies and by doing so explore in particular:

⁴ Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (OJ L 347, 20.12.2013, p. 320).

- a) promotion of the support for RIS3 related cooperation between different countries and regions, including European Territorial Cooperation programmes, where appropriate, for example via thematic programmes and thematic smart specialisation platforms, bottom-up approaches such as the Vanguard Initiative and in collaboration with existing European stakeholder platforms, while respecting the ETC programme logic;
- b) ways to promote RIS3 that focus on a portfolio of specific themes leading to a better concentration and coordination of resources;
- c) assess how smart specialisation can help regions with particular barriers to research and innovation and economic development, including examples how to involve the different stakeholders in such regions;
- d) support for mutual learning and sharing of good practices in innovation policy implementation, governance and monitoring, in particular via the S3-Platform.

Simplification of the implementation of European Structural and Investment Funds

- (15) RECALLS that achieving simplification of the implementation of ESI Funds is a shared objective and responsibility of the Commission, Member States and other stakeholders⁵;
- (16) RECALLS its Conclusions of 18 November 2015 on Simplification: priorities and expectations of the Member States with respect to the European Structural and Investment Funds⁶, in particular the principle of proportionality and the concrete simplification measures identified and proposed therein. In this context, WELCOMES the debate within the informal technical workshops on simplification jointly organised by the Netherlands Presidency and the Committee of the Regions and NOTES with interest the first recommendations and conclusions of the High Level Group of Independent Experts on Monitoring Simplification for Beneficiaries of the ESI Funds;

⁵ Doc. 10228/15.

⁶ Doc. 13703/15.

- (17) RECALLS that simplification may not be pursued at the detriment of the justifiability of expenditure and that proposals for simplification can entail trade-offs, therefore both the benefits and costs linked to such proposals should be considered⁷;
- (18) STRESSES that preventive measures to increase effectiveness by the Commission and Member States, including, but not limited to capacity building, early warning mechanism, sharing of information on interpretations and repetitive errors, are an instrumental part of simplification;
- (19) EMPHASISES that the Commission, auditors at European and national level, as well as managing authorities and other coordinating bodies, are well positioned to contribute to the simplification effort and better implementation of ESI Funds by detecting and removing redundant processes and procedures, whether or not resulting from regulation, and suggesting more effective solutions based on good practices;
- (20) REITERATES its support for concrete simplification measures for the current programming period, including through legislative changes where they would provide substantial improvements to authorities and beneficiaries, and provided they do not undermine the stability of the general rules;
- (21) INVITES the Commission to come forward with proposals on simplification, taking into account the work of the High Level Group, as part of the mid-term review of the Multi-annual Financial Framework and the ongoing revision of the Financial Regulation;
- (22) CALLS on the Member States and the Commission, in a common effort to eliminate overregulation when implementing the ESI Funds and share best practices;
- (23) CALLS on the Commission to:
- a) provide for more "off-the-shelf" Simplified Costs Options (SCO's) and explore a widened possibility of using the SCO's;

⁷ Doc. 13703/15.

- b) promote the harmonisation of implementation conditions of existing EU funding programs when they address the same beneficiaries;
 - c) come forward with proposals, especially on certification and audit processes and to actively prevent double controls, in particular by promoting the use of a Single Information, Single Audit approach;
 - d) acknowledge that guidance by its very nature should not be interpreted by auditors as legally binding;
 - e) actively promote better cooperation and more effective guidance in order to rebuild trust between the different administrative levels;
 - f) further strengthen coordination within the Commission in order to improve stability and coherence in the interpretation of rules;
 - g) implement and extend the application of the principle of proportionality and explore further possibilities for a substantial reduction of the complexity of the regulatory framework including, where appropriate, a differentiated approach in relation to the programmes and their content.
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