

Access to EU funding for SMEs

Third meeting of the High Level Expert Group
on simplification for beneficiaries of ESI Funds

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PURPOSE OF THE PRESENTATION

- ✓ Defining SMEs and their importance for EU Economy
- ✓ Highlighting the main obstacles that hampers a broad access of SME's to ESI Funds
- ✓ Summarizing challenges and opportunities for the 2014-20 programming period
- ✓ Putting forward some proposals for the current and the next programming period

IMPORTANCE OF SMEs IN EU ECONOMY

EU DEFINITION OF SMEs

	Employees	Turnover	or	Balance sheet total
Micro SME	< 10	< €2 million		< €2 million
Small SME	< 50	< €10 million		< €10 million
Medium –sized SME	<250	< €50 million		< €43 million

Source: Commission Recommendation of 6 May 2003 concerning the definition of micro, small, and medium-sized enterprises.(2003/361/EC), Official Journal of the European Union, L 124/36, 20 May 2003

IMPORTANCE OF SMEs IN EU ECONOMY

SMEs IN THE EU28 IN 2014

Table 10: SMEs and large enterprises: number of enterprises, employment, and value added in the EU28 in 2014

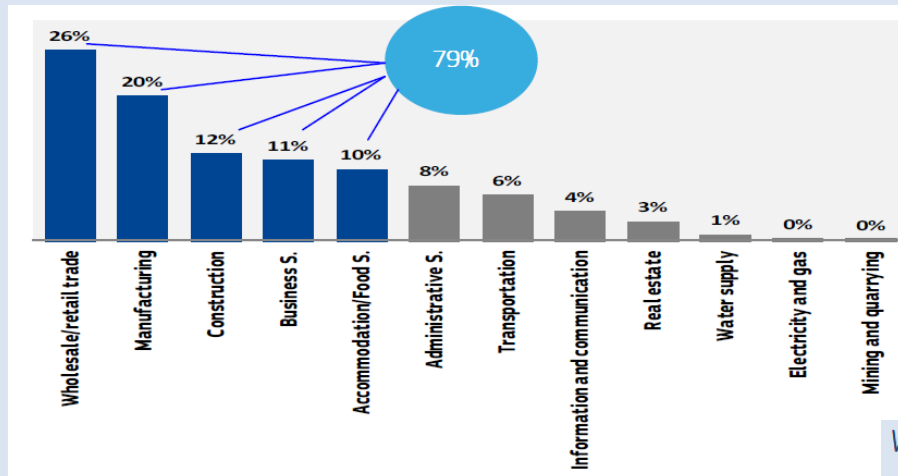
	Micro	Small	Medium	SMEs	Large	Total
Enterprises (Number)	20,710,324	1,373,365	224,811	22,308,500	43,766	22,352,260
%	92.7%	6.1%	1.0%	99.8%	0.2%	100%
Persons Employed (Number)	39,274,088	27,452,716	23,257,412	89,984,216	44,438,724	134,422,944
%	29.2%	20.4%	17.3%	66.9%	33.1%	100%
Value Added (EUR billion)	1,358	1,169	1,188	3,715	2,710	6,425
%	21.1%	18.2%	18.5%	57.8%	42.2%	100%

Source: Eurostat, National Statistical Offices, and DIW Econ

IMPORTANCE OF SMEs IN EU ECONOMY

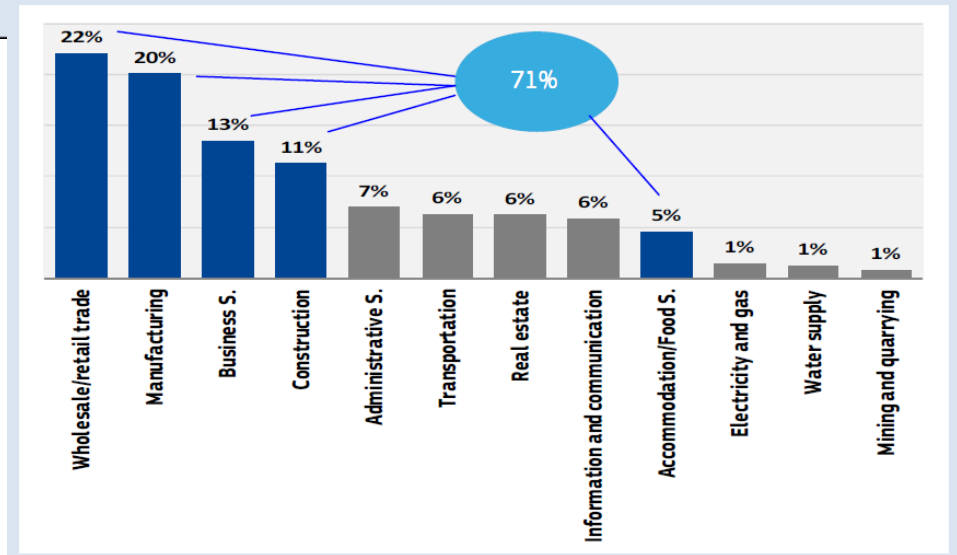
KEY SECTORS OF SME ACTIVITY IN 2014

Employment



Source: Eurostat, National Statistical Offices and DIW Econ

Value added



EU FUNDS SUPPORT TO SMEs IN 2007-13

- **225 560** small and medium-sized enterprises (SMEs) received direct investment aid
- more than **274 000 jobs** were created by SMEs
- about **95 000 Start-up** were supported

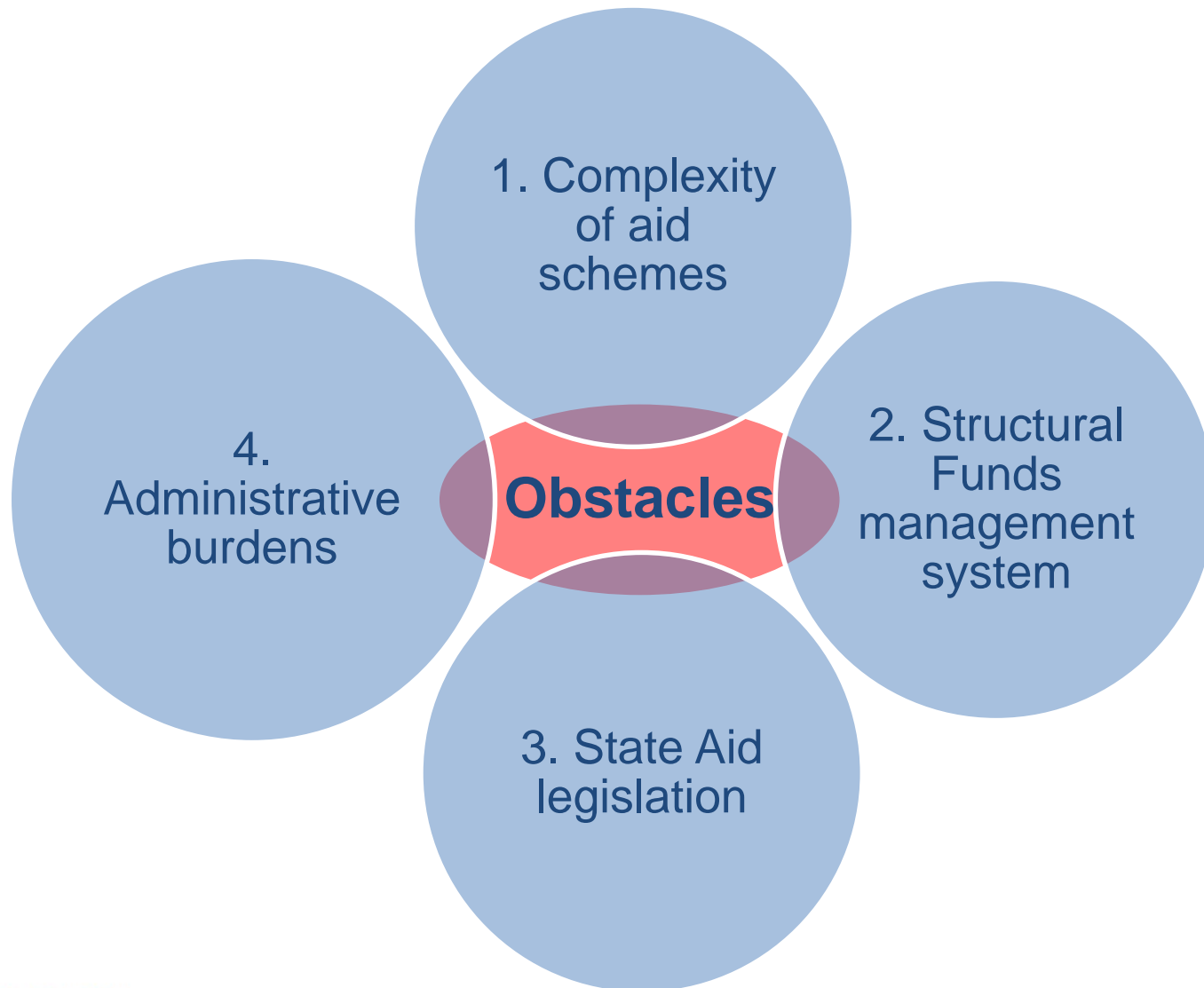
Important achievement, but



Only 1% of the total of SMEs received direct aids



WHAT HAS LIMITED THE USE OF THE FUNDS?



WHAT HAS LIMITED THE USE OF THE FUNDS? 1/4

1. Complexity of aid schemes

- ✓ Large **number** & high **diversification** of **aid schemes**,
- ✓ Too much **formal compliance**, less focus on **results**;
- ✓ Lack of **needed skills** both in the PA and SMEs (for opposite reasons);
- ✓ **Enterprises' needs** not taken into account
- ✓ **Simple or effective** aids?
- ✓ The enterprise "**loneliness**"
- ✓ Length of **payment** procedures
- ✓ Limitation on using the **Simplified Costs Options**;



WHAT HAVE LIMITED THE USE OF THE FUNDS? 2/4

2. Structural Funds management system

- ✓ ***Insufficient integration*** of funds
- ✓ ***Complexity of rules and procedures*** and delay in introducing executive acts
- ✓ The ***funds absorption*** “tyranny”
- ✓ ***Gold plating*** risk
- ✓ ***Insufficient collaboration*** among subjects involved
- ✓ Lack of ***stakeholders’ involvement*** (and limited access to ***Technical Assistance***)



WHAT HAS LIMITED THE USE OF THE FUNDS? 3/4

3. State Aid legislation

- ✓ Dominance of the **competition rules** over the others;
- ✓ **Incomplete harmonization** between state aids legislation and structural funds regulations, and between different Funds;
- ✓ Complicated **mechanisms of calculations** for some types of aids;
- ✓ **Ineffective coordination** with other EU policies and instruments (timing, deadlines, contributions, procedures, selection criteria).

WHAT HAS LIMITED THE USE OF THE FUNDS? 4/4

4. Administrative burdens

- ✓ SMEs: from users to **beneficiaries**
- ✓ Lack of **clarity on information** requested;
- ✓ Lack of implementation of the “**Only Once**” **principle**;
- ✓ Still an extensive use of **paper** to exchange information
- ✓ Costly and difficult-to-obtain **guarantees**;
- ✓ **Maintenance burdens** on machinery and documents;
- ✓ Different kinds of projects/similar **controls**;
- ✓ **Double controls**

CHALLENGES OF THE PERIOD 2014 - 2020

Cohesion Policy Target set by the Commission and the MS

- ✓ Out of 800 thousand aided enterprises, for over 14 billion euros of investments;
 - 235 thousand are supported through grants;
 - 180 thousand through financial instruments;
 - 370 thousand through consultancy;
 - 140 thousand start-ups
 - 30 thousand for the introduction of new products
- ✓ Creation of 360 thousand of new workplaces
- ✓ 175 thousand of young supported farmers

***A lot has been made in the new regulations,
a lot remains to be done***

HOW TO TURN OBSTACLES INTO OPPORTUNITIES 1/4

Aid schemes closer to enterprises

- ✓ Promoting more “business oriented” selection mechanisms
- ✓ Encouraging the adoption of calls with multiple steps;
- ✓ Simplified support to entrepreneurial ideas;
- ✓ Coaching and mentoring strengthening after financing the entrepreneurial projects;
- ✓ Large use of the “Seal of Excellence”;
- ✓ Ex ante definition of the timing of the calls; standardization;
- ✓ A stronger role for intermediary bodies in managing effective and integrated “aid & assistance” schemes (“Single Entry point)

In the future (post 2020):

Aid schemes similar to direct funds, simpler, closer to businesses, carried out by competent subjects able to provide aid and assistance



HOW TO TURN OBSTACLES INTO OPPORTUNITIES 2/4

Easier, better coordinated, more shared management system

- ✓ Closer harmonization among different funds;
- ✓ Effective involvement of stakeholders' organizations, at local, national and European level (ECCP);
- ✓ Full use of the tools aimed to collect the business "point of view" (EEN; EBTP; SMEs Representative);
- ✓ Supporting Capacity building of P.A. and stakeholders (TO11);
Joint training between PA and stakeholders;
- ✓ Twinning projects for MA and SMEs organizations;
- ✓ Time certainty for the introduction of executive legislation.

In the future (post 2020):

Common rules and procedures for all ESI funds; Single Entry point at national/regional level, mandatory involvement of Stakeholders



HOW TO TURN OBSTACLES INTO OPPORTUNITIES 3/4

More coherence with competition rules (& other EU policies)

- ✓ Promoting, concretely, the principle: allowed by competition laws = eligible through Structural Funds;
- ✓ Promoting effective coordination with other European policies and instruments related to SMEs;
- ✓ Harmonization between ERDF & EARDF aid legal basis
- ✓ Disseminating good practices in tackling common issues
- ✓ Setting up Commission's "team of mechanics" that may support Member States on competition (if required)

In the future (post 2020):

Encouraging a revision of state aid rules more consistent with the aims of cohesion policy (zoning....), and with calculation mechanisms easy to be financed by the Structural Funds;



HOW TO TURN OBSTACLES INTO OPPORTUNITIES 4/4

Reducing the administrative direct burden on SMEs

- ✓ Fully including cohesion policy in "Better Regulation" initiative & REFIT;
- ✓ SMEs Test on programming acts & calls under ESI Funds;
- ✓ Active monitoring of ex ante conditionality under TO3;
- ✓ Adopting measurable targets in reducing burdens (PRA);
- ✓ Making compulsory, even in the co-financed programs, the "Only Once" principle and avoiding double controls;
- ✓ Completing de-materialization of flows and reduction of storage burden for machinery and documentation;
- ✓ Proportionality of controls, linked to risk and kind of the financed projects : a "tolerable error rate"?
- ✓ Promoting mechanisms to avoid bank guarantees;
- ✓ Allowing, as eligible expenses, the cost of private audit.

In the future (post 2020):

**Moving controls from beneficiaries to specialized intermediaries
(associations, chambers of commerce ..)**



CONCLUSION

The cohesion policy and the structural funds are based on ***shared management & co-responsibility***

the **simplification** can be reached only if it represents a ***common challenge***

for the European Commission, the Council, the Member States, all the actors involved in the management and control system and with the contribution of the SMEs and the other beneficiary groups.

...each and all of them can contribute...



The way ahead is not easy or safe, but must be covered, and will be.

Altiero Spinelli, Ernesto Rossi, Eugenio Colorni
Manifesto di Ventotene, 1941

Thank you for your attention

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