

High Level Group of Independent Experts on Monitoring Simplification for Beneficiaries of ESIF

UEAPME proposals for SMEs and micro enterprises

16/10/2015

I - General remarks

UEAPME, the European organisation representing Crafts and SMEs, welcomes the setting-up of the High-Level Group of Experts on Monitoring Simplification for Beneficiaries of ESI Funds and proposes the following reflections.

Already in 2010, UEAPME called for such a group and stressed its importance at several occasions since the start of the Common Provision Regulation negotiations.

SMEs have a strong interest in the HLG focus points:

- e-Cohesion and simplified costs: the electronic management and simplified costs are among SMEs' main expectations, as voiced by UEAPME since 2008. Their implementation will require specific efforts in training and preparatory work for the SME organisations;
- SMEs access to finance: ESI Funds represent an important part of the financing options at local level. However too many constraints and administrative obstacles have made the access to finance so complicated so far that most SMEs avoid ESI Funds support;
- Gold plating is one of the main reasons for the disengagement of SMEs and micro-companies from ESI Funds;
- Study on simplification: SMEs and SME organisations have high expectations on it;
- Community-led local development (CLLD): in the same way as LEADER supported local and small enterprises, CLLD represents one of the best opportunities for all SMEs. UEAPME invites the HLG to take into account the EESC (European Economic and Social Committee) positions and recommendations on this topic, to which UEAPME has largely contributed;
- Post-2020 strategy: SMEs will face new development priorities and will have to integrate themselves in new strategies at territorial level (sustainable development and energy transition notably). It represents a major challenge for territorial innovation, competitiveness and employment.

Furthermore thanks to the multi-level and multi-actors governance, based on the partnership principle, SMEs have been better integrated in the design and development of policies. However the elaboration of the post-2020 strategy for ESI funds will require a higher and more active involvement of SMEs and SME organisations at all levels.

II - Specific remarks and proposals

II. 1 - Importance of administrative simplification for SMEs

In the 2010 UEAPME analysis (see attached), UEAPME underlined that the vast majority of SMEs and of their organisations starting collective actions at territorial, local level have been discouraged in the past programming periods to use ESI Funds due to notably high unjustified or undue administrative burdens, different text interpretations, late payments, gold-plating or administrative bid of managing authorities at national and regional level.

For small and micro-enterprises, UEAPME estimates that in average less than 5% benefited from structural funds during the 2007-2013 programming period, whereas at territorial level several regions have been very active for small and micro-enterprises and therefore performed much better.

Three UEAPME's proposals for the HLG work:

- SMEs count for 98% of all European enterprises and represent a large diversity of enterprises with different needs for developing their competitiveness. **It is crucial to better take into account these different needs.**
According to the EU Parliament study from February 2013, while most medium-size enterprises require an easier access to finance, small and micro enterprises are asking to a greater extent for accompanying measures, coaching and mentoring ;
- if medium-size enterprises have sufficient internal means for complying with ESI Funds procedures, small and micro-enterprises have neither the human and financial resources nor the competences for using ESI Funds by themselves. The only way to access to ESI Funds is to get the support of their intermediary organisations at territorial level. According to UEAPME, **administrative and financial simplification measures have to not only target enterprises but also their regional intermediary organisations ;**
- the fundamental principles of the Small Business Act for Europe, **Think Small first and Only Once should be guiding principles of the HLG work.**

II. 2 - Main simplification targets

In its 2010 analysis “105 simplification measures of the administrative rules and financial management of structural funds for SMEs”, UEAPME identified more than 100 types of administrative and financial unjustified or undue barriers which should be removed. These measures remain valid despite the adoption of several proposals in the new ESI Funds regulations.

The 105 UEAPME proposals deal mainly with the following elements:

- **simplification for projects submission of procedures, decision and pre-financing**, as well as broader use of the flat rates principle through a highly simplified formula for micro-projects;
- **de-materialisation of procedures and data** (larger use of e- Cohesion for ESI Funds);
- **controls and audit procedure require clear, predefined and stable rules**, without changes during the execution process, favouring the “life-long controls” with single declarations systems (application of Think Small First and Only Once principles);
- **simplification of payment procedures and respect of late payment rules;**
- **setting-up of dispute resolution services** such as the “Alternative dispute resolution systems” (ADR), in view of solving administrative and financial disputes between managing authorities and project holders or agreeing on texts’ interpretation.

II. 3 - Accompanying measures

UEAPME proposes four main accompanying measures necessary for higher efficiency of simplification actions:

- **availability of simplified explanatory documents of European texts** – delegated acts and application regulations (i.e. SCO-Simplified cost options) – easy to understand by all stakeholders and not only managing authorities.
Practice has shown that managing authorities, auditors and controllers, and public and managing authorities at national and at regional level often interpret texts according to personal interpretations and criteria. This “interpretation chain” leads to misunderstandings, wrong and false information leading to overwork for project holders and to longer delays for procedures and payments and even disputes. This discourages stakeholders to propose actions to be financed by in the ESI Funds as it happened in the previous programming periods.
- **development of pro-active measures for continuous information of projects holders**
- **development of continuous training of SMEs and micro-enterprises project stakeholders** as exists with the Fi compass on financing, targeted to the various types of stakeholders;
- **elaboration of good practices guides**, explaining successful simplification measures in place in certain regions or Member States as well as partnership measures between the authorities and local/national SMEs organisations in view of simplifying procedures

II. 4 – Implementation of HLG proposals

UEAPME considers that HLG simplification proposals will require a reinforced partnership and stronger cooperation measures at all levels between SME organisations and managing authorities.

2 UEAPME recommendations:

- the European, national and territorial **organisations mentioned in Art 5 of the CPR should be regularly informed of the HLG work** and possibly contribute to it;
- in accordance with the Code of Conduct on Partnership principle, the role of national and regional Monitoring Committees should be reinforced. The committees are best placed for reporting the practical problems and difficulties on administrative simplification.
However the first results of an analysis conducted by the European Social Partners (UEAPME, BUSINESSEUROPE, CEEP and ETUC) in May 2015 indicate that the Monitoring Committees are still not the place to exchange and concert, as originally foreseen.
- **UEAPME calls on the HLG to propose new measures aiming at strengthening the activities and role of the Monitoring Committees in the field of simplification.**

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Annex: UEAPME Study “105 proposals for simplification measures of the administrative rules and the financial management of structural funds” - February 2010