

## UEAPME simplification proposals

**High Level Group - Monitoring simplification for beneficiaries of ESI Funds  
Meeting on 02.02.2016 on access to funding for SMEs and on financial instruments**

### UEAPME simplification proposals for SMEs Access to funding for SMEs

#### 1 - State of play

##### General comments

The comments and proposals are based on a preliminary assessment of UEAPME members on the first ESIF stage 2014/ 2015 as a continuation of our analysis on the application and results of the previous period 2007/2013;

SMEs count for 99,8% of all European enterprises and represent a large diversity of enterprises active in all EU economic and social fields with different needs for developing their competitiveness. 92% of EU enterprises have less than 10 employees and 50% have no employee which however represent an important innovation and job creation potential.

They are active in all fields of the EU economic and social strategy, all territories and all types of markets including at international level. Small enterprises are often the only activities in remoted regions and regions with handicaps.

According to the communication “Investing in jobs and growth - maximising the contribution of European Structural and Investment Funds “COM (2015) 639 final, by 2023 the ESIF will deliver a critical mass of investment in key EU priority areas, to respond to the needs of the real economy by supporting job creation and by getting the European economy growing again in a sustainable way. The Member States committed:

- to support more than 2 million enterprises across the funds to increase their competitiveness, develop products, find new markets and create new jobs,
- to invest in the skills and adaptability of Europe’s workforce, giving tens of millions of people, including young people, refugees and legal migrants, the opportunity to (re)train or start businesses.

The crucial role of SME organisations - as one of the main actors of structural reforms in Member states- is well known to achieve these objectives.

Due to this diversity, medium, small, micro enterprises have 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.

**Drawing from the experience of the previous EU Structural funds programmes, SMEs can essentially access to ESI Funds through collective actions and/or with the support of intermediary organisations at territorial level, in particular their professional business organisations. Administrative and financial simplification measures have to target not only enterprises but also their regional intermediary organisations.**

## **Specific comments:**

In the previous programming period, many regions have supported measures in favour of SMEs. Thanks to the Partnership principle (Art 5 CPR), it seems that the proportion of measures in favour of SMEs and number of SME beneficiaries rose sharply in 2014/2015 and it is well known that the best results were obtained in the regions where an effective partnership has been set up between SME organisations and public authorities.

However up to now, there is a lack of detailed information on the real impact of the previous programming period of structural funds on SMEs competitiveness, as well as on the economic and social results of the actions supported by regions. The current information is too general and makes no distinction between medium, small and microenterprises. There is no information comparing the measures adopted at regional/national level for SMEs in the 11 priorities of CP.

The positive measures for SMEs supported by the regions in the previous programming period and by the Operational Programmes in the ESIF first phase are not known. At many occasions, UEAPME recalled that making good practices known for SMEs in national or regional OP including in terms of simplification would be one of the best means to simplify and improve the access of SMEs to funding;

If the Partnership Principle and the Code of conduct are of crucial importance to allow an easier access to funding for SMEs, the EU Social Partners' survey from July 2014 assessed that it was insufficiently implemented from the point of view of national economic and social partners. The results of the Commissions' study 2015 on partnership (SWECO study) are awaited with great interest.

## **2 - UEAPME two major measures to improve the access of SMEs to ESIF**

UEAPME is of the opinion that the current ESIF better takes into account the priorities and practical needs of SMEs. However to improve SMEs access to ESIF two main measures are necessary:

- simplification of administrative and financial procedures
- support to territorial intermediary organisations to manage collective actions and provide coaching and mentoring to the different types of SMEs.

### **2.1 - Simplification of administrative and financial procedures**

Several important measures have been adopted in ESIF texts and rules, in particular SCOs, e-Cohesion and the Result based principle, but their implementation differs considerably according to the Member States and regions. They should have a significant impact on the national rules concerning the implementation of EU funds, but the impact on SMEs at national and territorial level is not really satisfactory.

Practice has shown that managing authorities, auditors and controllers at national and regional level implement texts according to personal interpretations and criteria. This "interpretation chain" leads to misunderstandings, wrong and false information, overburden for project managers, longer delays for procedures and payments and even disputes. This discourages many SMEs organisations to propose actions financed by the ESI Funds as it was the case in the previous programming period.

Many Member States and regions continue:

- to apply their specific rules and overload procedures as well as to interpret differently the EU texts despite the EU Commission's efforts to improve the quality and clarity of information of these texts (gold plating issue)
- to impose the same obligations regardless of the size and amount of projects.

**We have to keep in mind that the overload of administrative procedure, as well as delay of payment, is the first reason of the non-use of SMEs and intermediary organizations of structural funds during the previous programmes.**

#### **Four administrative areas for simplification:**

- **administrative procedures:** they concern initial request, presentation and negotiation of projects proposals, problems due to gold plating, forms of reporting, annual execution report and final accounts, implementation of e-Cohesion with problems of electronic transmission and archiving of documents;
- **financial management:** it concerns flat rates for indirect expenses, expenses and eligible costs, overhead expenses, costs of auditing;
- **payments:** it concerns the obligation of guarantees, pre-financing and pre-payment systems, advance payments, intermediary payments and possibility of credits/bridge loans, deadline to receive final payment;
- **auditing and auditing management:** it concerns lack of implementation of proportionality principle and of the "Only once" principle of the Small Business Act for Europe, unclear rules for auditing, evaluation, auto-controlling, post random controls.

Furthermore in annex, UEAPME presents a detailed list of 46 practical measures to be adopted.

#### **UEAPME proposals**

1. ensure that administrative bodies and managing authorities in Member states and regions implement the EU legislation on ESIF, in particular for Simplified Cost Options and Common action plans;
2. make the implementation of the Small Business Act at national and territorial level compulsory, in particular the "Only once principle" (the beneficiaries have to fill in only one administrative declaration exclusively to their immediate managing authority which must forward the information to other relevant administrative services at regional, national and EU level) and the "Think small first principle" (proportionality of administrative and financial procedures for projects involving SMEs)
3. adopt a "de Minimis" type system for small projects and/or for the smallest enterprises: below a certain level of global budget, a project should benefit from - reduced administrative procedures. Furthermore a small enterprise should only complete a simplified declaration under the control of an intermediary professional/sectoral organisation.
4. strengthen the role of the national/regional Monitoring committees by giving them the task to reduce administrative procedures at their level and to ensure the setting up of monitoring committees involving SMEs representatives at regional level.
5. facilitate the disputes resolution between managing authorities and SME beneficiaries (disputes related to interpretation of texts, overloaded administrative documents, late payment ...) with the set-up of Alternative dispute resolution systems "ESIF ADR" at the most appropriate level. According to UEAPME analysis, more than 50% of litigations might be rapidly solved by using the EU system ADR.

## 2.2 - Support to intermediary organisations

According to the communication “Investing in jobs and growth- maximising the contribution of European Structural and Investment Funds”, progress towards Europe 2020 targets has been uneven. Substantial progress has been made on adaptation to climate change, energy, and education, but not on meeting employment and poverty targets, research and innovation, in particular in regions which are less developed or in transition.

For UEAPME, this situation might be for a large part explained by an insufficient investment or involvement of SME intermediary organisations in particular in the less developed regions or regions in transition.

A small enterprise cannot generally access alone to the ESIF. They access to ESIF via actions structured by their territorial organisations, in particular collective actions (training, access to markets), mentoring and coaching (access to financial instruments, private counselling, implementation of EU economic and social legislation and standards), participation to cooperative actions like Community Led Local Development.

The basic problems of SME organisations to manage ESIF are:

- **lack of clear information:** the information on legislation and procedures provided by national and European contact offices are often different, confusing and consequently unclear, sometimes even contradictory. Furthermore the EU documents are mainly drafted for managing and administrative authorities and not easily understandable by project managers;
- **insufficient initial and continuous training;**
- **difficulty/no opportunity to have access to the technical assistance funds** of Thematic objective 11: Even if many organisations managing collective projects for SMEs benefit in different ways from specific technical assistance according to the Member States and regions, in general they have no access to TO 11 which is only dedicated to the capacity building of public authorities.
- **difficulty to finance the necessary private coaching/mentoring** of small enterprises,
- **need to hire specific staff** only to meet administrative requirements of the programmes
- **lack or insufficient means for cooperation** or partnership with SME organisations in other Member States.

**The result is that SME organisations which have been willing to manage ESIF actions for the first time have been discouraged: they simply prefer to avoid ESIF and directly work with local urban/territorial authorities.**

### UEAPME proposals:

1. guarantee effective involvement of SME representative organisations in Partnership Art 5 CPR;
2. improve conditions of access to technical assistance and capacity building. It should be specified at EU Level that all SMEs representative organisations officially recognised at local, regional, national level can benefit from technical assistance;
3. establish and disseminate “guides of regional good practices” explaining successful measures of simplification as well as successful actions for SMEs in the Member States/regions;
4. elaborate specific notes dedicated to SMEs summarising and explaining the main elements of EU texts (delegated acts and application regulations) with simple words, insisting on points particularly relevant for SMEs and SME organisations at national and territorial level;
5. develop pro-active measures for continuous information of SME project managers;
6. start a programme of continuous training project managers as it exists on Fi Compass on financing, targeted to the various types of SME stakeholders;

7. create at EU level a service able to respond to legal and practical questions of SMEs and SME organisations (i.e. collective actions, lump sum and flat rate, public /private financing);
8. include in the current cooperation programmes the possibility to finance cooperation activities between SME organisations of different Member States.
9. allow the exchange of experts to help SME organisations to propose and manage projects, in particular to assist the less-experienced one (mutual learning activities).

**UEAPME Recommendations:**

- put in place national “SME HELPDESKS“ under the EU level coordination to help SME organisations already involved in ESIF and support those which are not yet involved,
- create an EU programme as part of the ESIF technical assistance to support SME organisations and facilitate the role of collective actions managers as well as SMEs coaching/mentoring
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### **3 - Final comments**

Some SMEs organisations indicate that their administrative authorities refuse to adopt simplification measures under the pretext that it is for the EU level to adopt such measures.

UEAPME sees the 2016 ESIF mid-term review as the perfect opportunity to introduce such modifications and clarifications in CPR and ESIF programmes. UEAPME specifically asks the High Level Group to propose to the Commission such changes.

Finally UEAPME would like to underline once more the importance of Partnership principle (Art 5 CPR) as one of the most relevant tools to guarantee the efficiency and success of ESIF.

However due the lack of or an insufficient implementation of the partnership at national and territorial level, UEAPME asks the High Level Group to propose to the Commission the adoption of legal and practical measures in 2016 to guarantee a full implementation of the partnership and Code of conduct and a true “Multi level and multi-actors Governance” for a better cooperation at all levels between SME organisations and managing authorities.

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