

Current financial developments in
European Territorial Cooperation Programmes
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Private participation:
"public expenditure" vs. "private expenditure"

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1. Privates in CENTRAL EUROPE



Programme facts (2011)

- ✓ The OP is organized in four priorities (Innovation, Accessibility, Environment, Competitiveness of cities and regions) plus TA;
- ✓ The Programme budget is 298 M€ total cost, with an ERDF contribution of 246 M€.
- ✓ Up to date, the Programme has allocated more than 80% of the available funds to 94 projects (after three calls).
- ✓ The approval of strategic projects and the launch of the last call for proposals will take place in the 1st half of 2011.

1. Privates in CENTRAL EUROPE



The “implementation oriented” approach of CE

- ✓ The OP strategy is characterized by an approach “output and result-oriented”.
- ✓ Accordingly, the Programme encourages the involvement of public/private partnerships acting in a common transnational framework.

Eligible beneficiaries:

- ✓ Public bodies
- ✓ Public-equivalent institutions
- ✓ Private institutions (including enterprises)
- ✓ International organizations

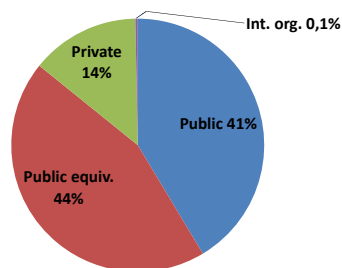
1. Privates in CENTRAL EUROPE



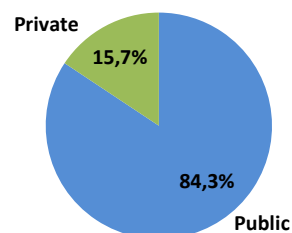
The involvement of private bodies

- ✓ Private non-commercial and private commercial (enterprises) are eligible.
- ✓ Private bodies can play the role of Lead Partner (in the "Innovation" priority).

Legal status of partners in approved projects



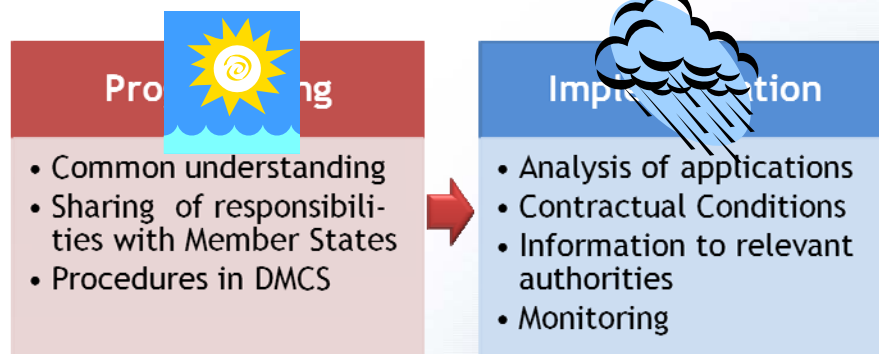
Public/private cofinancing share



2. State Aid compliance



The process



2. State Aid compliance



Programming: sharing of responsibilities

- ✓ Study on State Aid during the programming phase, targeted to the Programme characteristics and proposing solutions.
- ✓ Programme bodies: responsible for ensuring a sound Programme management, implementing adequate procedures within the DMCS.
- ✓ National authorities: responsible for the application of State Aid discipline at national level, including the guidance/support to beneficiaries and the accountability of aid granted under *de minimis*.

2. State Aid compliance



Programming: the options adopted

- ✓ Non aid;
- ✓ Aid under the *De Minimis* regime;
- ✗ Block exemption;
- ✗ Aid notification.

Limiting the participation of privates in the Programme is not an option! (since the public/private status of the beneficiary does not affect the State Aid nature of the grant)



However, implementation demonstrated that partners affected by State Aid in many cases are private bodies...

2. State Aid compliance



Implementation: project application/contracting phase

- ✓ State Aid Declaration: submitted by each applicant (activities, status of undertakings, previous aids under *de minimis*, etc.).
- ✓ State Aid assessment: executed by independent experts.
- ✓ State Aid conditions: included in the subsidy contracts, where in case of *de minimis* partners' budgets might be reduced in order to comply with thresholds.

The full process is validated by the Monitoring Committee.

Problems:

- ✗ Lack of support to beneficiaries at national level in the application phase.
- ✗ State aid analysis of applications is rather complex.

2. State Aid compliance



Implementation: State Aid conditions

- ✓ Conditions are targeted only to those specific activity(es) which are of state aid relevance.
- ✓ Conditions are drafted in order to:
 1. Remove the causes of State Aid relevance detected for certain project activities (non aid);
 2. Address primary State Aid granted to the partner according to the project budget;
 3. Address secondary State Aid, i.e. aid transferred to the final beneficiaries by the partner(s).
- ✓ As a matter of fact, primary state aids are limited in the approved projects (1,5% of involved partners).

2. State Aid compliance



Implementation: Monitoring

- ✓ After the projects approval, ad-hoc communications are sent to the Member States on aids granted under *de minimis* (amounts, recipients, source, date).
- ✓ During the project implementation the JTS and the concerned FLC monitor the application of State Aid conditions contained in the subsidy contract.



2. State Aid compliance



Implementation: Monitoring

Problems:

- ✗ The overall monitoring of State Aid issues is ensured only by the Programme bodies. Monitoring at national level in some cases is missing (e.g. checking of total *de minimis* aid amounts granted to the 1st and 2nd level beneficiaries).
- ✗ In some Member States the institutions to be addressed by beneficiaries and FLC for State Aid issues within ETC are even not available.



3. Case studies



Case 1. Removal of state aid cause

Priority "Environment": project addressing the energy consumptions and CO₂ emissions of urban areas

✓ State aid relevant activity: Study on new techniques for reducing energy consumption and CO₂ emissions in cities.

✓ Partner affected: Research center (private commercial).

Condition: Ensure the widest dissemination of studies and tools. The dissemination shall be widely spread - also to potential competitors - and free of charge.

3. Case studies



Case 2. Primary State Aid

Priority "Accessibility": project addressing the promotion of clean transports

✓ State aid relevant activity: Investment for the introduction of a new technology for road transport (buses).

✓ Partner affected: Transport company (public equivalent).

Condition: The investment of the partner will be limited to the *de minimis* threshold (up to € 100.000 for road transport sector).

3. Case studies



Case 3. Secondary State Aid

Priority "Innovation": strengthening the performances of SME's of the IT sector.

✓ State aid relevant activity: Training course for SMEs managers for the introduction of new concepts in selected sectors.

✓ Partner affected: All.

Condition: Training courses must be paid by the participants at market price. Generate revenues must be deducted from the ERDF project contribution. Alternatively, the training will be offered free of charge: in this case the equivalent value of the training must be accounted by the final beneficiaries as an award received within the *de minimis*.

4. Conclusions



Benefits of the involvement of privates

- ✓ The participation of privates in the projects ensures a wider participation of the target groups and, consequently, an improved ownership and sustainability of project results.
- ✓ Projects are characterized by a higher degree of concreteness and are able to deliver effective outputs and results.
- ✓ The Programme is more visible and more attractive toward a wide range of interested players.



4. Conclusions



Challenges in the involvement of privates

- ✘ The financial and management capacity of private bodies has to be carefully checked, especially if they play the Lead Partner role.
- ✘ The application of sophisticated administrative procedures by privates (especially SMEs) is an issue.
- ✘ The participation in the projects of suppliers as private partners could circumvent the public procurement rules.
- ✘ The application of the State Aid discipline in ETC remains very complex, with a high administrative burden needed for few cases of State Aid and with an average lack of knowledge at national level.

4. Conclusions



Lessons learned and proposals for the future

- ✓ The involvement of privates in CENTRAL EUROPE demonstrated to bring added value to the Programme and it should be strengthened in the future ETC Programmes.
- ✓ Simplification is an option that would strongly encourage the participation of privates in ETC.
- ✓ The application of State Aid discipline to ETC demonstrated to be difficult and substantially not efficient for accomplishing with the purposes of the Treaty: an exemption for ETC Programmes should be considered in the new programming period.

**CENTRAL EUROPE PROGRAMME
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THANK YOU!



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