Response to Targeted review of the General Block Exemption Regulation (State aid)

The Joint Secretariat of the France (Channel) England InterregVA programme would like to take this opportunity to ask the Commission to review the practicalities of the GBER's application to Interreg Programmes. The nature and complexity of INTERREG programmes compared to other funding programmes (such as National ESIF programmes) makes it extremely difficult to apply the GBER to Interreg projects.

Although this has been made easier through the introduction of Article 20 of the GBER, which specifically focuses on INTERREG programmes, the current limitations of Article 20 in terms of its co-financing rate means that there are still significant legal and administrative barriers which limit the effective implementation of interreg programmes.

We propose that the Commission should consider increasing the intervention rate for Article 20, and to open it up to all enterprises partaking in INTERREG programmes, rather than just SMEs. This could substantially improve the ability of ETC programmes to deliver the objectives of The European Territorial Cooperation goal, without causing market distortions given the relatively low budget allocation to interreg programmes when compared to other ESIF programmes.

Difficulties in using Article 20

The France (Channel) England Programme has an intervention rate of 69% in order to attract partners to take part, and to offer an incentive to partners to take the more difficult step of engaging with Interreg compared to national funding programmes. However Article 20 limits the intervention rate to 50%, reducing the attractiveness of the programme to private partners. This obstructs the political will of partners in the programme to increase the accessibility of the programme to SME partners, and undermines the objective set out in recital 41 of the GBER of overcoming the difficulties of SMEs accessing programme financing.

Additionally, the restriction for SME limits the capacity of Interreg projects to engage certain institutions which do not meet the SME criteria. For certain sectors of the programme such as Low Carbon, it can be interesting to engage with partners such as Electricity Grid operators who do not fit the definition of SME, but still have a lot to bring to the programme. The current formulation of Article 20 and the GBER makes this very difficult.

Interreg also does not have the same access to other articles of the GBER as these are not readily suited to the type of project and partnership that interreg programmes support.

Difficulties with other Articles

Prima facie other Articles such as Article 25 offer a strong possibility for involving private partners in research projects which form a large number of applications to the programme, as it has higher intervention rates than Article 20, and potentially allows for an even rate of funding across the project. However there are substantial barriers to project implementation in Interreg.

Issue 1. GBER articles in almost all cases impose eligible expenditure restrictions. Whilst this is not necessarily a problem for national programmes that are able to set their own eligibility rules, all interreg programmes must comply with the provisions of Delegated Regulation 481/2014, setting out harmonised rules on eligibility of expenditure. Therefore to apply any GBER article other than Article 20, programmes have to check expenditure against two sets of rules. This not only increases the cost of control and administrative burdens of participating in INTERREG programmes, but also

increases the risks of expenditure being declared ineligible, reducing the attractiveness to private sector partners.

Issue 2. The majority activities covered by GBER do not effectively describe a typical INTERREG project, which typically consist of a range of organisation types operating in different legal systems. Given the very strong focus on Results and Outputs in interreg programmes, and the need to deliver something that is effective across borders, it is very unlikely that a project would be restricted to just research activities, or just the construction of a single item of infrastructure. Often it is only some of the partners that would be receiving State Aid. It is also possible that in some cases partners are doing projects that are part state aid, with a specific activity or work package that relates to state Aid. This often leaves programmes with the option of either restricting all activities to the lower rate, or having to introduce multiple funding rates. However the latter option adds complexity and is not compatible with available programme management software.

Experience of the France (Channel) England Programme to date

The programme has not been able to obtain detailed information on the time spent on specifically State Aid issues in developing projects. However State Aid is a common issue given the programmes focus on involving the private sector and developing market orientated solutions. In the full applications received to date, and anticipated to have received before the end of July, State Aid has been identified as a potential issue in all of the projects. Resolving State Aid issues has been a substantial issue in 1/3rd of the projects, and has result in delays in their submission. It has also required the procuring of legal advice in some cases.

These issues have arisen due to the complexity of State Aid in Interreg Programmes, and the lack of capacity of Lead Partners (such as universities with limited experience of economic development) to resolve them without external help. Resolving these problems has included in one case restructuring the partnership to exclude certain partners, increasing the difficulty of delivering the project.

If the scope of Article 20 were to be widened, it would substantially easier to resolve these issues. It would also give partnerships more confidence in developing their projects, knowing that they can use a simple solution to the issue of State Aid, rather than having to spend substantial time developing projects around the issue of State Aid, time which could be more effectively spent on resolving the issues the programme is designed to solve.