

THE CURRENT STATE OF PLAY OF THE EUROPEAN STRUCTURAL AND INVESTMENT FUNDS 2014-2020

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In December 2013, the European Commission launched a new set of rules and legislation for the 2014-2020 EU funding programming period. Due to delays most EU member states are currently issuing the first calls under the European Structural and Investment Funds (ESIF) 2014-2020.

The ESIF are also referred to as decentralised funds, whereby EU member states manage these funds through shared management with the European Commission. In fact in the case of the ESIF, there is a partnership agreement between the European Commission and EU member states. This agreement links the countries' strategic priorities with the Europe 2020 Strategy for smart, sustainable and inclusive growth. Denmark was the first country whose partnership agreement was adopted on 5th May 2014. Currently, the European Commission has adopted the partnership agreements of all 28 EU member states. The partnership agreement presents the country's strategic plans featured as investment priorities covering the following 5 ESIF funds:

- European Regional Development Fund (ERDF)
- European Social Fund (ESF)
- Cohesion Fund (CF)
- European Agricultural Fund for Rural Development (EAFRD)
- European Maritime and Fisheries Fund (EMFF)

Following the adoption of the partnership agreement, member states devise operational programmes or cooperation programmes and these feature more precisely the actions that need to be taken to implement the investment priorities listed in the partnership agreement. At the moment not all operational programmes have been adopted. For example with regards to EMFF only Latvia, Malta, the Netherlands and Finland have finalised the operational programmes. The EAFRD has been approved for all member states except for Luxembourg, Greece, Cyprus, Malta and Hungary. All operational programmes are expected to be approved during

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2015. On the other hand, all the members states' operational programmes have been approved with regards to ERDF, ESF and CF.

For the new programming period 2014-2020, the European Commission emphasizes the importance of simplification, as this was one of the most important demands following the evaluation of the 2007-2013 programming period. The main measures introduced for the 2014-2020 period are:

- Harmonisation of rules for different funding opportunities: In this way common provisions apply for the ESIF 2014-2020.
- Increased proportionality: It is very important for the principle of proportionality to be respected. In the 2007-2013 period, a project of any size could undergo an audit at any point during the implementation of the project. The 2014-2020 programming period introduces the principle of proportionality that the number of audits will depend on the size of the project unless there is evidence of a risk.
- Clarification of rules in order to present a better legal understanding: The EU member states faced several difficulties in the 2007-2013 programming period due to the revenue-generating system for ERDF and CF projects exceeding Eur1 million. Calculating the potential revenue generation based on the forecast of possible revenues proved to be quite complex and these forecasts were monitored by the managing authority for five years after the completion of the project. For 2014-2020, the European Commission encourages the utilisation of different methods to determine the revenue generation of large-scale projects such as the utilisation of a simplified approach based on flat rates depending on the sectors.
- Reduction in administrative burdens: Numerous beneficiaries under the 2007-2013 programming period complained of the bureaucracy involved in implementing such projects which ended up taxing the beneficiaries' administrative capacity. For 2014-2020, several measures are being proposed to lessen administrative burdens and costs, such as, less documentation required for reporting and automated reporting processes.

All of the above simplification measures are featured in the the Common Provision Regulation (EU) No 1303/2013 of 17 December 2013 which lays down common provisions and general provision of the ESIF 2014-2020. The aim of this regulation is to emphasize the link between the ESIF 2014-2020 and the Europe 2020 Strategy, to improve coordination between the European Commission, national managing authorities and the beneficiaries, to ensure a uniform and consistent approach with regards to project implementation and to reduce administrative burdens with the aim of facilitating access to EU funds for potential beneficiaries. Being at the initial stage of implementation of the ESIF it is not possible to evaluate the success of these measures. However, the measures proposed seek to make it easier for potential beneficiaries to apply and implement EU

funded project. Simplifying the processes does not rely solely on the European Commission. In the case of the ESIF, the national managing, certifying and audit authorities from all member states play a key role in ensuring that the processes are simplified as it is up to the member states to adopt flexible approaches and streamline procedures imposed on beneficiaries by ensuring that the national legislation and rules in place take full advantage of the simplification elements and take action to prevent overcomplicating the rules at the national/regional level.¹

¹ European Commission, February 2012, Simplifying Cohesion Policy 2014-2020, page 17.