

# Position Paper

## UEAPME<sup>1</sup> proposal for simplification measures for the administrative rules and the financial management of structural funds

### Executive Summary

#### 1 – General remarks

The regulations on structural funds underscore that an important part of the actions and measures of European territorial development policy are devoted to SMEs and micro enterprise. However, despite excellent results in certain regions, several sources indicate that just 2 to 3 % of small enterprises are beneficiaries and that they benefit in reality of only 1 to 2 % of these funds depending on the situation in their Member State. The heaviness of administrative and financial procedures of structural funds excludes de facto small enterprises. Faced with these difficulties, the intermediary organisations of SME and micro enterprises, and through them the enterprises they represent, hesitate more and more to use these funds.

UEAPME has alerted European decision makers about the fact that the economic and social impact of the structural funds is unknown. Although the funding foreseen for SMEs amounts to more than 20 million Euros, no assessment is carried out on their specific impact, particularly on small enterprises, despite them representing over 95% of all European enterprises. UEAPME has carried out a study with a « bottom up » approach which is based on the experience in the regions of local enterprise organisations in 17 Member States. It analyses the situation of project managers in their day to day work, the situation of organisations who have been forced to abandon their participation in structural funds as well as the situation of those who registered important success. The study proposes 105 simplification measures in the 7 areas of analysis: general problems, administrative burdens, financial management, late payments, controls and audits, the role of the national and regional intermediary organisations, mediation in conflicting situations.

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<sup>1</sup> UEAPME subscribes to the European Commission's Register of Interest Representatives and to the related code of conduct as requested by the European Transparency Initiative. Our ID number is 55820581197-35.

A majority of proposals concern:

- explaining and clarifying the contents of the European texts as well as the contents of the accompanying explanatory texts edited at national and territorial level in order to avoid too many different interpretations, which often lead to opposing meanings to the original European texts. Sometimes, this can even lead to the refusal by the administrative authorities to accept projects that are conceived in favor of small and micro enterprises.
- the reduction of formalities and information documents to a strict minimum. A Community document should list once for all the only necessary and required information. According to the principle « only once » of the SBA, it should be necessary to submit this information only once per project, favoring electronic transmission and harmonizing the data required by the different programmes.
- adapting requirements for guarantees and advance payments to the reality of the small enterprises and their organisations, which are subject at the moment to the same rules regardless of their size and of the financial possibilities of the enterprise. This restrictive approach, contrary to the idea of the principle « Think small first » of the SBA, leads a series of regions to support very big projects only for big enterprises.
- simplification and flexibility of the work of intermediary organisations in favour of small and micro enterprises and engaging in a voluntary policy of support for intermediary organisations representing different categories of SMEs. Especially, for small or medium sized projects global funds should be granted and the proportionality principle applied.

## 2 - New initiatives

To assure better access to structural funds for small and micro enterprises as well as for craft enterprises, UEAPME suggests to the European Institutions to put in place five new measures in accordance with the philosophy and priorities of the SBA.

**- play the card of intermediary representative organisations:** on the one hand it is clear that the majority of SMEs will never possess the capacity to directly propose any projects. On the other hand, the projects carried out by intermediary organisations on national level or in the regions (Economic and craft chambers, professional sectoral or branch organisations, recognised associations,...) are beneficial to a large number of small enterprises.

***Therefore, UEAPME calls to engage in a voluntary policy to assist the work of these organisations, to support them in their role as project holders for the enterprises, to simplify their work and the required administrative procedures (part VI of the proposals), as well as to facilitate and to generalise their access to global funds (part III, point 1) which are better adapted to their role of intermediary body.***

- **adapt the rules of technical assistance: despite the effectiveness of technical assistance, few enterprise organisations have access.** Technical assistance could however be the most efficient instrument for better partnership governance in the territories and facilitate the work of the enterprise organisations.

**UEAPME asks (part I point 4 and part VI point 4) to revise the rules of technical assistance in favor of training measures, coordination between all actors on European, national and regional level, editing guides of good practice, facilitating interpretation of texts and helping organisations with the management of projects.**

- **set up a joint continued training and information programme for all actors :** On the one hand not in all cases do the project holders possess all the necessary information. On the other hand the cooperation between the project holders and the national and territorial administrative authorities is insufficient or inexistent to the damage of the quality of the information and the partnership.

**UEAPME proposes to put in place in the framework of the technical assistance, a continued and common training and information tool which assembles all actors, project holders and administrative authorities in order to facilitate this formal coordination and to furnish identical up to date information (part I point 5 : OLIO : « Operational Life long Information for Operators ») .**

- **adopt the « Only once » principle:** due to so complex situations (increase in administrative and financial data requirements to more than the strictly necessary information requirements that usually assure the good functioning of the project; administrative exaggeration between the control units on EU level, in the Member States and in the regions as well as lack of coordination of the monitoring units at a given level) enterprise organizations are discouraged, because they are obliged to monopolize time and financial resources for these tasks.

Based on the « only once » principle, UEAPME requests (part V, point 5) to set up a unique control and audit system ( a single control file) available for all administrative authorities which regroup in one using one system all the necessary data for all types of control at all levels.

- ***create a mediation system to solve differences of interpretation:*** The majority of difficulties due to the interpretation of European or national texts on eligible actions, on the guarantee of payment conditions, and on auditing, could be resolved in a dialogue between all parties. This could necessitate the use of a reference body able to provide a neutral explication of the texts and to resolve the problems linked to differing opinions.

***UEAPME proposes (part VII) to use technical assistance of structural funds in order to put in place a neutral system of mediation and solution finding at two levels to solve the differences and eventual conflicts between project holders, control entities and administrative authorities : 1) technical mediation to solve the differing opinions on text interpretations and 2) mediation in form of a ADR – alternative dispute resolution - or a joint system for problems relating to the setting up of projects and litigation on control and late payments.***

### **3 – Easy to apply**

It goes without saying that all legislative measures for the simplification of structural programmes will not carry any impact on enterprises if the administrative and financial rules for their organisations to take part in these programmes remain as complex and inadequate. Furthermore, without an implementation of the UEAPME proposals, it is unthinkable to believe that the situation would change.

The majority of proposals consists in text adaptations and requires no specific financing. The other actions that eventually require to be financed could be covered by the budget for technical assistance if this post is redefined and re-affected. The UEAPME proposal carries no impact on the costs of the programme. To the contrary, they could allow reaching a much larger number of enterprises, opening up to a public that was up to now almost excluded and especially allowing that community financing would be more efficiently used for real economic and social actions and less for administrative measures.

Thus, UEAPME believes that it depends on the good will of the European Institutions and the administrative authorities of the Member States and the regions to decide and to apply or not a policy of simplification as the SBA suggests to the benefit of the small enterprises.

UEAPME calls on the responsibility of the European Institutions and the Member States in order to put in place together with the enterprise organisations at all levels the necessary consultations for the implementation of these simplification measures.

Finally, UEAPME recommends once more to apply the rules of the SBA in the elaboration of priorities of the future cohesion policy and in the regulations of the three levels of the structural funds by associating the organisations of small enterprises to the policy making process. This should be accompanied by systematically carried out impact assessments.

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