

# Fit for SMEs – Questions and Answers summary

Online event, 19 May

The document below summarises questions and answers from the virtual panel discussions, thematic sessions (SCOs and state aid). Results of the live polls (held in Slido) are also included below.

## Results of live polls from Slido

- What are your motivations for joining this event? (17 answers)
  - To see how to implicate SMEs into thematic objectives that are proposed for the future, how to attract them, how to assure durability of operations where SMEs are involved;
  - To involve more SME for next programming period;
  - To get an overview of the potential impact and opportunities for SMEs;
  - To share experience;
  - Invited as presenter and to learn from colleagues;
  - To integrate SMEs better in our programme;
- Which future policy objectives, in your opinion, are suitable for SMEs, except of PO1? (22 answers)

P02 - A greener, low-carbon Europe



P03 - A more connected Europe



P04 - A more social Europe



P05 - A Europe closer to citizens



- What is your programme's approach towards State Aid? (18 answers)

My programme used de minimis



My programme used GBER



My programme did not use any of these



I don't know



#### Q&A from the virtual panel discussions and other questions asked

**Management models for SMEs – Experience of Interreg Belgium – the Netherlands (BE-NL), Germany – the Netherlands (DE-NL), North-West Europe (NWE) and Estonia – Latvia (EE-LV).**

- The voucher schemes are distributed from the project partners to SMEs. Do project partners need to provide a list of SMEs to the programme to which they will distribute the vouchers? Or this information is not provided to the programme upfront?

**NWE:** In the application form, the project needs to inform the programme that they will do voucher schemes. We do ask our project partners which plan to provide voucher schemes to users to use the whole work package and to plan more time and to give them more space to actually develop on these voucher schemes. Sometimes they are already ready to tell the programme how they are they going to select them, what the criteria are; sometimes the AF will say that the project will develop these criteria in the project and then make the selection of the sub-partners later on. The programme is quite flexible on that approach and responds to what the project needs.

- Why de minimis scheme is used as a 'last resource' in DE-NL programme?

**DE-NL:** One issue is that some of our programme partners are companies making profit, so we say that under specific GBER Articles they will get amount X, like 50-60% or so which prevents profits as the first step – state aid gets you out of the whole issue of revenue-generation and profit-making. Secondly, both Germany and Netherlands are countries which do not have centralised register for de minimis. So, we always have to rely on the self-declarations from partners, that is why we are a little reluctant using de minimis scheme, although it can be used if there is no other option.

- Financial capacity is listed as one of the main challenges from the management perspective. Is it about SMEs' capacity to pre-finance their operations? Do you have partners that have liquidity problems?

**DE-NL:** This is basically our approach towards the small undertaking in difficulty. As a programme, we do check at least the regular partners, especially when they are very vital for a project success. We check their financial capacity to really pre-finance the costs because we only pay reimbursements of the costs incurred, no pre-financing. We also check their balances to make sure that they can sustain through the whole project, because we do not want really important core SME partners to drop out during the project implementation due to the bankruptcy or other reasons. These checks are not done for the project partners light (PPL) because in general they will only get their money once they have achieved the results and incurred the costs. So, at the moment when we will pay them, we will be on a safe side.

- How do you consider the regular project partner/ SME to be vital or not to be vital and how do you explain that to SME that they are being checked on something while other partner are not being check on that? Does that also mean that SME sometimes cannot participate because of the results of the checks?

**DE-NL:** We did not really have cases when some partners were rejected based on the results of those checks, so far. How do we decide whether it is vital or not – that is basically in the application or when we give advice to the project, it is pretty straightforward to see whether we have specific partners which are absolutely essential for the project and others where in case of them dropping out or whatever reasons, tasks could be taken over by another partners or the partner could be substituted. We have currently a situation that some partners are running into financial problems. One of them is essential to the project. Despite checks been done beforehand, this is always a bit of guessing involved there, as you cannot really predict whether they would run into a trouble before the project is finalised. So, summing up, this is not an accurate science when judging whether the partner is essential or not.

- What are the legal requirements for PPL to join a project? (e.g., partnership agreement)

**BE-NL:** For partners light there are the same legal requirements as for any beneficiary. What of course is checked is the private status, enterprises in difficulty, for SMEs – whether this is private law or if this is a natural person (if there is no legal entity). But these are checks that should be done anyway for any beneficiary in our programme.

- How project partners light are included in the project partnership? Do they need to sign partnership agreements or are they included in the subsidy contract with the lead partner and the managing authority?

**BE-NL:** We have a standard agreement for the partners light to sign, it is bilateral between the managing party [lead partner] within that project and the project partner light. Otherwise, if we [programme] would have had a direct agreement with PPL, it would be tremendous paper work and that is not necessary.

- Speaking about PPL and the project partnership: do other project partners (not lead partner) have to approve/ agree to the involvement of the PPL in the project or is it just a lead partner agreement?

**BE-NL:** Every project that wants to use this method (PPL), they have to mention that in their application – that means that we [programme] ask from them to develop a methodology to incorporate those partners light within the project. The methodology can be developed during the project but that has to be agreed by the programme (the JS). In this agreement (regulation) it is stipulated towards anybody interested to become a partner light (how can you apply, how the selection will be organised within the project). So in some cases the project itself says that it is an agreement between the lead partner and the partner light; in some cases the agreement with the lead partner can only be signed after the whole regular partnership agrees on it – those are things that the project decides by itself. And the programme just checks whether that methodology covers everything that is required by the programme rules.

- How to manage the budget construction if you do not know in advance the number (and nature) of participants?

**DE-NL:** When we talk about the open projects, they generally have a very standardised approach towards the sub-projects, so the open project specifies the activities that are carried out by the PPL, i.e. for example SMEs. That means that there is a standardised budget for each activity and the rest is a little bit of a forecasting during the general project application as to how many of these activities and sub-projects are to be expected. For example, a framework project could consist of, for example, a feasibility study followed by a research project (2 activities). In the general application it will be stated that the construction of SME could receive up to 5 000 EUR for a feasibility study and up to, for example, 50 000 EUR for a research project. Then the core partners would estimate how many feasibility studies and research projects they need and that would be the budget for these activities. To summarise, the MC agrees that the project has a certain financial volume. G Since the activities are pre-standardised it allows for an outlook on the actual number of SMEs which might be involved at the end. Financial instruments are not used in our programme. It is a grant given for pre-standardised activities. The framework clearly sets out which types of activities can be financed, based on which Articles of GBER (state aid). So there are concise instructions what is offered in the end to the project.

- How do you treat consultants which are declared as SMEs?

**DE-NL:** As long as they have legal status, they are entities, they can be partner or partner light in a project (this also accounts for consultants). When it comes to the intellectual property (IP), we have a standardised template for the general project that has to be signed by the core partners that carry out the overall management of the project. There it is stated that they have to agree upon the treatment of the IP. So, the specific regulations for the open projects are always agreed in advance by the core partners with the partners light.

- Are the specific Programme Manual annexes concerning the State Aid Regulation specifically targeting SMEs?

**EE-LV:** The annex about the state aid regulation is not targeting only SMEs but is applicable for all beneficiaries. We do have a very elaborated annex, listing all possible articles that the programme is using when it comes to state aid. For example, we have also priorities separated for developing a network of small harbours where we have different types of entities owning harbours (not only SMEs). So for all of them there is Article 55 of GBER on aid for sport and multifunctional recreational infrastructures.

- What do you do in case of activities relevant for GBER overlapping with those relevant for De minimis for one project partner?

**EE-LV:** We have tried everything to avoid that! From the beginning, if beneficiaries are requesting both de minimis and GBER, and let's say also support for activities which are under different articles of GBER, we had to develop a workaround in eMS (i.e., the monitoring system developed by Interact). In eMS the respective partners have to insert their activities separately. That is done such that the partner has to enter one set of activities (e.g. GBER) as one partner, then set up a new partner for the next set of activities (e.g. De minimis). In the end one SME, one legal entity submits different sets of activities as different partners in the eMS. For example, company X – GBER Article 20, company X1 – GBER Article 25, company X3 – De minimis. Thus, we are avoiding that activities are overlapping, they just need to be recorded separately from the beginning. In the application form you might thus have a real partnership of 2 SMEs, but virtually in eMS it can be 4 partners, and the partner has to report activities accordingly in the eMS.

- Do you have any projects under Agricultural Block Exemption Regulation (ABER)?

**EE-LV:** We have only one approved project where 1 partner is using ABER. Its activities are qualified under ABER (consulted with the Ministry of Finance of Estonia). The possibilities are there: we also allow for agricultural de minimis to be used.

- How did you settle in practice the project Crossroads (open project) to which you referred as a programme within the programme? This project undertook innovation projects of a great number of SMEs? One consortium has been given subsidy to involve all these SMEs?

**BE-NL:** It depends on what you consider consortium. We have projects that are really a consortium of institutes, universities, companies that start working on, for example, the Smart Tooling project – they start working on a specific kind of knowledge building and products development. And then they involve SMEs because they know that at some point, they will need innovative solutions for bigger problems that they see in technical way (in case of that project, for maintenance of chemical plants). In the case of the Crossroads project that have been intermediaries such as regional development agencies that already fund within their own regions such innovation projects and that came to the conclusion that there is a need for a cross-border innovation linkages between SMEs. In the case of Crossroads it is really a catch-all of innovation projects which nobody of the regular partners had a deep knowledge about. They only had a knowledge of the needs in their regions, they had good contacts with smaller companies and they bring them together. They do matchmaking across the border, so that for example companies working on nanotechnology can find good partners across the border which cannot be found in the own region. So, in that sense it is a programme within a programme.

- Consultants declared as SMEs: do you have some recommendations from competition councils? Sometimes it might be considered an attempt to avoid public procurement procedure.

**BE-NL:** If a consultant is part of a project that means that they can only reimburse their actual costs, you cannot send a reimbursement to an Interreg programme for profit on the actual hours that are spent on that work. And secondly, there is the requirement for own contribution. We have not seen such situation often when a consultant would participate as a partner because if they are contractors, they will get more money. If contracted as consultants, they will actually be able to make profit on it instead of reimbursement for their actual costs only. We had situations where an organisation first was a project partner, but for some reasons they could not stay on anymore, because of regulations, because we said you cannot get this amount of public funding (because of GBER for example), and then they popped up after procurements doing a job as an external contractor – which is of course a ‘red flag’.

- Could you briefly describe the sub-partner model used in North-West Europe and voucher scheme concept?

**NWE:** In our programme, we are involving SMEs as sub-partners as many other partners (not only SMEs that can become sub-partners). It seems that we are not too far away from the concept of partner light, but we maybe give it a little bit different name and we deal with it in a slightly different way. For us there has to be an agreement between the partner that they are connected to and the sub-partner, but we don't have them signing the official partnership agreement, for example. We leave this more to the responsibility of the partner they are attached to.

As for the example of the voucher scheme. One of our projects is dealing with a problem that there is no affordable housing space in big cities. What they are pushing to is this concept of community land trusts, which is something that is quite advanced in the UK. So, what we are doing with the voucher schemes in that sense is that these voucher schemes contribute directly to the main goal of the project. In that project the goal is to have more affordable housing in the big cities and to use these community land trusts to that ends. So what we do is we help setting those up and give vouchers away, for example, for legal expertise or other partners (way more experienced) to donate their time as a voucher to a new community land trust which was supposed to be developed. Usually they are all working on the same concept. We are giving away either the time or facility for example, maybe the partner has a testing facility in a different project that could normally be used only for a fee. A voucher could be a free access to this testing facility; this could be that the partner is paying for any legal expertise needed, etc. Vouchers need to contribute directly to the main goal of the project. That's why they are also getting an entire work package to give us [programme] more information on how they are planning to use vouchers and so on.

## SMEs and SCOs

- Which are the methods to calculate lump sums and in which documents you can find this?

**Interact:** The Regulations do not offer any off-the-shelf options when it comes to lump sums. This means that if a programme wants to establish a lump sum, it has to be either developed by the programme itself (using either a fair, equitable or verifiable method, or a draft budget method) or it could be 'copy-pasted' from other Union policies (Article 67(5)(a) CPR). Once copy-pasting a SCO from other Union policies, a special attention should be given to the conditions for 'copy-pasting': the lump sum has to be used for a similar projects and beneficiaries (the MA will have to justify the similarity for both projects and beneficiaries in the 2014-2020 programming period; in the post2020 – similarity for project only); the whole method has to be copy-pasted – so not only the final amount of the lump sum, but the methodology behind it, calculation method, all definitions, etc.; the copy-pasted lump sum will have to be updated if and when there are any updates for the source lump sum, so from where it was copy-pasted. For more information, you can check the EC guidance on SCOs and also check Interact library's special section on SCOs.

- Does the methodology for SCOs need to be assessed by the AAs ex-ante?

**Interact:** In the regulations, there are no legal obligations for the AA to perform an early assessment of the AA methodology. However, it is desirable that the AA is involved in the process of designing a programme-specific SCO from the very beginning. The MA has a sole responsibility for the development of the SCOs. So of course, once having the methodology ready, the MA will want to obtain some legal certainty on the methodology before starting its application (if not done, then it is on the MA's own risk). The methodology for SCOs will anyway have to be assessed later on as a part of system audit. It is recommended that the AA does this assessment early on – to prevent any systemic irregularities. The EC has developed a checklist for AA for their audits, section 2 of it specifically refers to audit of the SCO methodology – it can be used in the early assessments. You will find the checklist in the presentations folder (.zip) of the 5<sup>th</sup> meeting of the ERDF/CF SCOs network meeting here: [https://ec.europa.eu/regional\\_policy/en/policy/how/improving-investment/simplified-cost-options/](https://ec.europa.eu/regional_policy/en/policy/how/improving-investment/simplified-cost-options/)

## State Aid and SMEs

- Article 28 GBER: why is it 20 000 EUR? What is the rationale behind this amount? Is it connected with financing of small projects or preparatory costs/ seed money projects?

**Interact:** This was discussed through the consultation process. The first amount was 5 000 EUR, but we responded to the EC that it is not enough, and the EC agreed to 20 000 EUR. This amount is taken from the statistics that we sent to the EC (average of how much all these voucher schemes are) and it's an average. It is not connected with small projects, seed money or preparatory costs. It is not much but still for the 3<sup>rd</sup> level participation it is enough. Also, remember that you have Article 20 which could be very attractive for the project partners as

they can get the same amount as the other partners are getting. With the Article 20 and Article 20a we can somehow manage.

- Is Interact going to prepare comments to GBER draft?

Interact: Yes, we are going to prepare comments to GBER draft. There is a specific state aid working group, which is dealing with that. In the last week of May we expect to receive comments from programmes which are participating in it. From the very first comments that we received the programmes are very content with what we added to the Article 20. The MSs are also expected to provide their comments to the GBER draft.

A final paper with the comments should be ready in the beginning of June. It will be uploaded at Interact website library.

#### **More information:**

To join Interact community on State Aid, contact Przemyslaw Kniaziuk at [Przemyslaw.Kniaziuk@interact-eu.net](mailto:Przemyslaw.Kniaziuk@interact-eu.net)

To join Interact community Interreg SCOs, contact [sco@interact-eu.net](mailto:sco@interact-eu.net).

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