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Opportunities for Synergies Under the New ESIF Framework

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Structure

- **ESIF legal framework for synergies**
- **Synergies guide: good practices & lessons learnt**
- **Synergies with European Fund for Strategic Investments & ESIF financial instruments**
- **Way ahead: making synergies and RIS³ work**

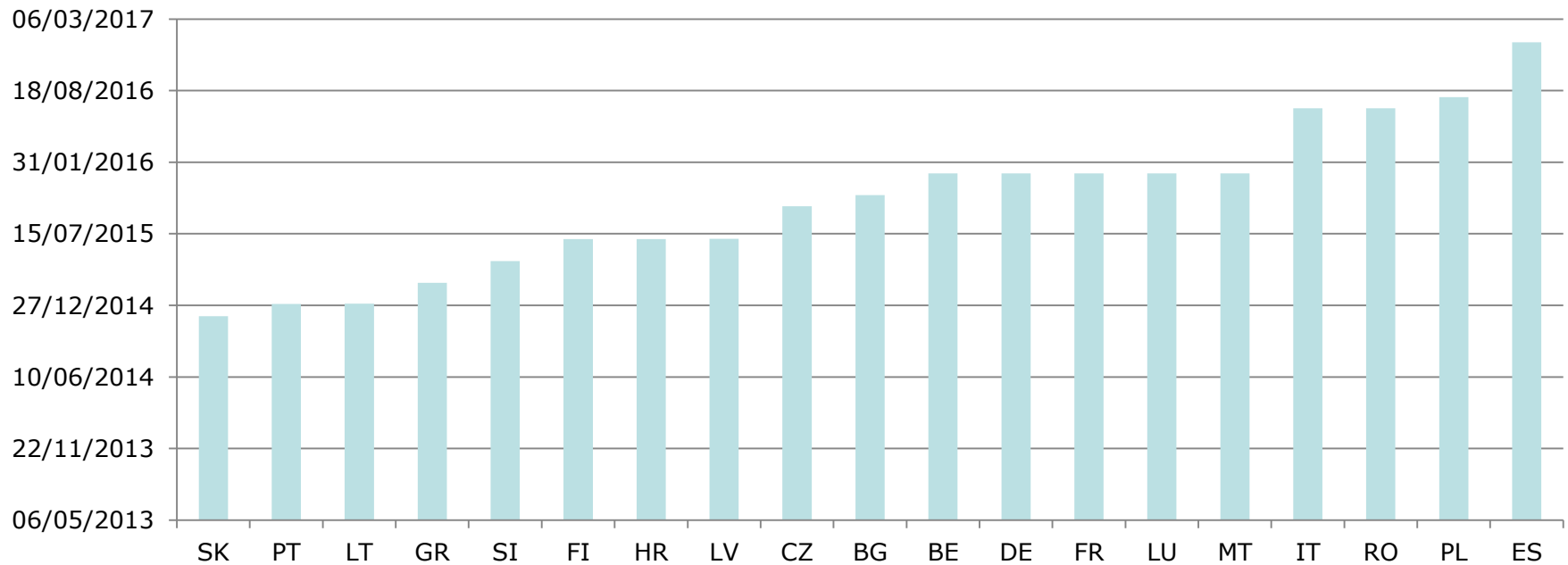
Novelties for synergies in 2014-20 ESIF Regulations

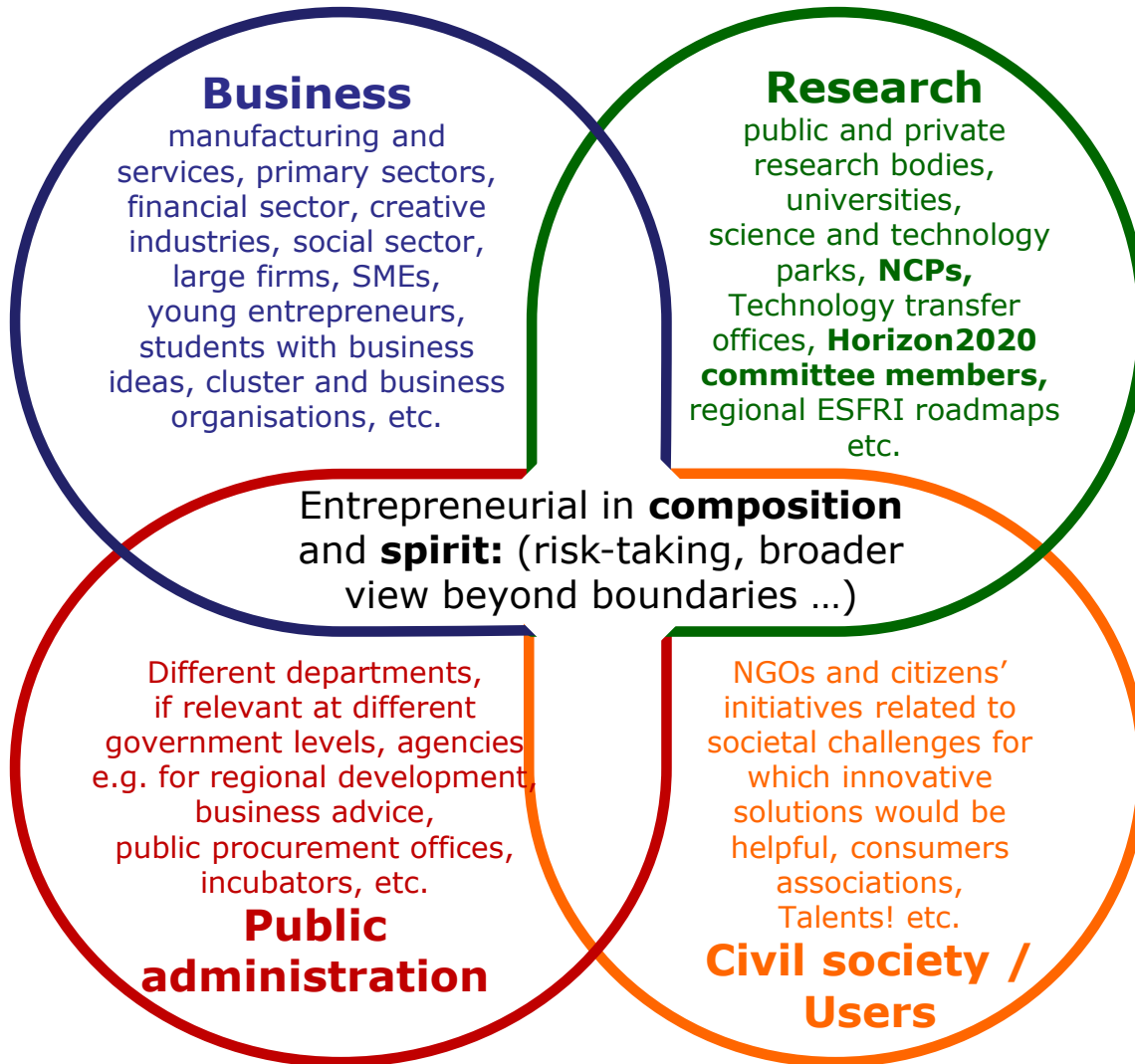
- **Possibility to combine H2020 and ESIF money in the same project** via a derogation from the non-cumulative principle of Art. 129 Fin. Regulation that prohibits a beneficiary to receive 2 EU grants for a project (**Art. 65(11) CPR***)
- **More ESIF can be spent outside operational programme territory** (e.g. to pool funding for technology parks, clusters, research infrastructures abroad, ...) for the benefit of the programme area: **Article 70(2) CPR** (also contract research is possible outside OP territory irrespective of Art 70(2)!)
- **Stronger obligation to work with innovation actors in other regions & Member States** beyond "INTERREG": **Art 96(3)d CPR**
- **Alignment of similar cost options** possible for easier combining of funds: lump sums, flat rates, standard scales of unit costs under ESIF may use the H2020 rules applicable for similar types of operations and beneficiaries (**Art 67(5)b, 68 CPR**)
- **Obligation to develop smart specialisation strategies, including seeking synergies and complementarity** with Horizon2020 and other centrally managed EU programmes and involvement of Horizon 2020 stakeholders in RIS3 development process and obligation to foresee **up- & down-stream measures to Horizon 2020** in RIS3: **Annex 1 to CPR, Section 3.4.**

State of play of RIS³ fulfilment

Over 60 strategies still need some work to conform with RIS³ requirements and some are behind schedule

OP Target date for RIS³ fulfilment (by last region in country)





Synergies with Horizon2020 inbuilt in RIS³ via the Entrepreneurial Discovery Process:

Authorities directly concerned by Horizon 2020 shall be closely associated with EDP.

RIS³s shall include:

- (a) **"Up-stream actions"** to prepare regional R&I players to participate in Horizon 2020
- (b) **"Down-stream actions"** to provide the means to exploit and diffuse R&I results, stemming from Horizon 2020"

See [Common Provisions Regulation for ESI funds No 1303/13](#) annex 1, point 4.3.2.

See also annex III of RIS3 Guide:
<http://s3platform.jrc.ec.europa.eu/s3pguide>

Synergies in the ESIF programmes and RIS³s: first insights & lessons (1)

- **Compulsory chapter in PA and OP on coordination among programmes:** *varying levels of detail, completeness and commitment. Positive: Some regions and MS focus not so much on the individual H2020 projects, but on seeking structured cooperation with coordination bodies such as the ERA-Nets, EIT-KICs, JTIs, Joint Programming initiatives etc.). "Cross border cooperation" & "critical mass" cited by half of OPs*
- **Focus on "up-stream" support:** *capacity building (mainly infrastructure), support for Horizon2020 participation, support for international network participation, attracting foreign researchers*
- **Some good examples of "down-stream" support,** *in particular via selection principles / criteria for projects ; mostly no direct link to FP7 / H2020*

Synergies in the ESIF programmes and RIS³s: first insights & lessons (2)

- **Simplification via alignment of cost models, lump sums, unit costs etc.:** *low interest and rarely specific alignment announced. Main obstacle are besides administrative traditions state aid limitations*
- **ESIF spending outside OP area:** *considered in about half the OPs and rarely beyond national borders. Focus on attracting foreign innovation actors to use domestic R&I capacities.*
- **Improved project selection methods:** *some interest in Horizon2020 independent evaluators*
- **Participation of Horizon2020 players in ESIF Monitoring Committees:** *yes for all national OPs and most regional ones, but impact on selection criteria and procedures?*

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Synergies: the wider perspective

Basic Principles, Concept of Synergies and Cumulation

Recommendations for policy-makers and implementing bodies for strategy development, programme design and implementation mechanisms;
Overview of Commission support

Annex 1

Explanations by programme

(differences, opportunities, management principles)

- **ESIF & Cohesion Policy**
- **Horizon2020**
- **COSME**
- **Erasmus+**
- **CEF digital services**
- **Creative Europe**

Annex 2

Scenarios & hands-on advice for policy-designers & implementers by project format (also interesting for beneficiaries)

1. Horizon2020
 - Standard R&I projects
 - ERA Chairs, Teaming & Twinning
 - Marie Skłodowska-Curie researchers' mobility
 - ERA-NETs, Joint Programming Initiatives, Art. 185 initiatives and Art. 187 Joint Technology Initiatives
 - EIT / Knowledge and Innovation Communities
 - Research Infrastructures
 - Pre-Commercial Procurement and Public Procurement of Innovative Solutions
 - Innovation in SMEs
2. COSME – Enterprise Europe Network
3. ERASMUS+ - mobility, Knowledge & skills alliances
4. Creative Europe –innovation in& with Creative Industries
5. CEF - Digital Services Platforms – e-government interop.



Synergies guide for policy-makers and implementers
(SWD(2014)205 final)

Synergies with Financial Instruments (ESIF and EFSI) and among ERDF-ESF-EAFRD-EMFF & ETC !

Good Practices & First Lessons Learnt in directly managed EU Programmes

Horizon2020:

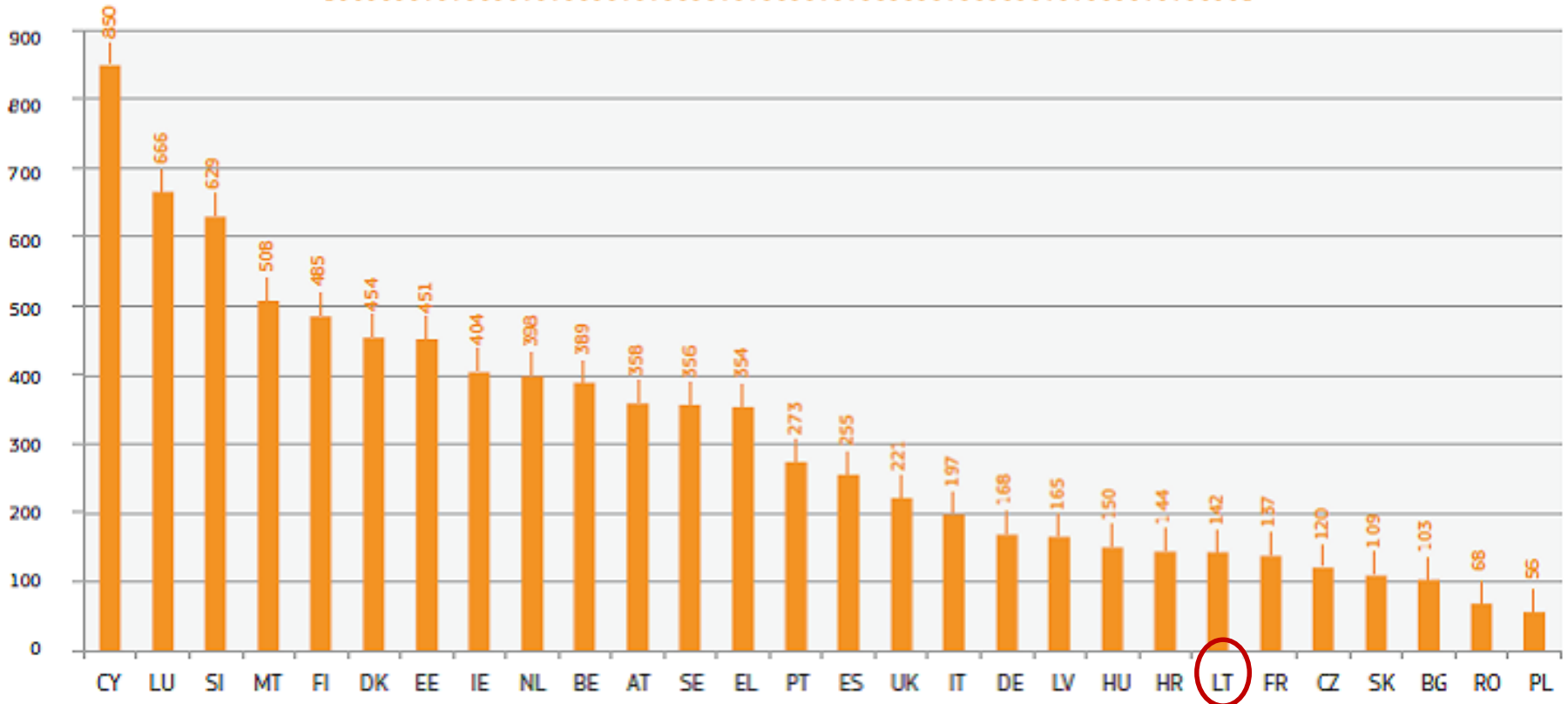
- ✓ Number of first calls included explicit encouragement for leveraging additional national / regional funding, including ESIF (ERA Chairs, Teaming, EIT / Knowledge and Innovation Communities, LEIT ...)
- ✓ Joint Technology Initiatives started establishing Memoranda of Understanding with ESIF MA with RIS3 priorities in their field (CleanSky2, ECSEL)
- ✓ Research Infrastructures
- ✓ Innovation in SMEs: Seal of Excellence launched

COSME:

- ✓ Enterprise Europe Network

Horizon2020 participation

Number of eligible applications to Horizon 2020 per capita

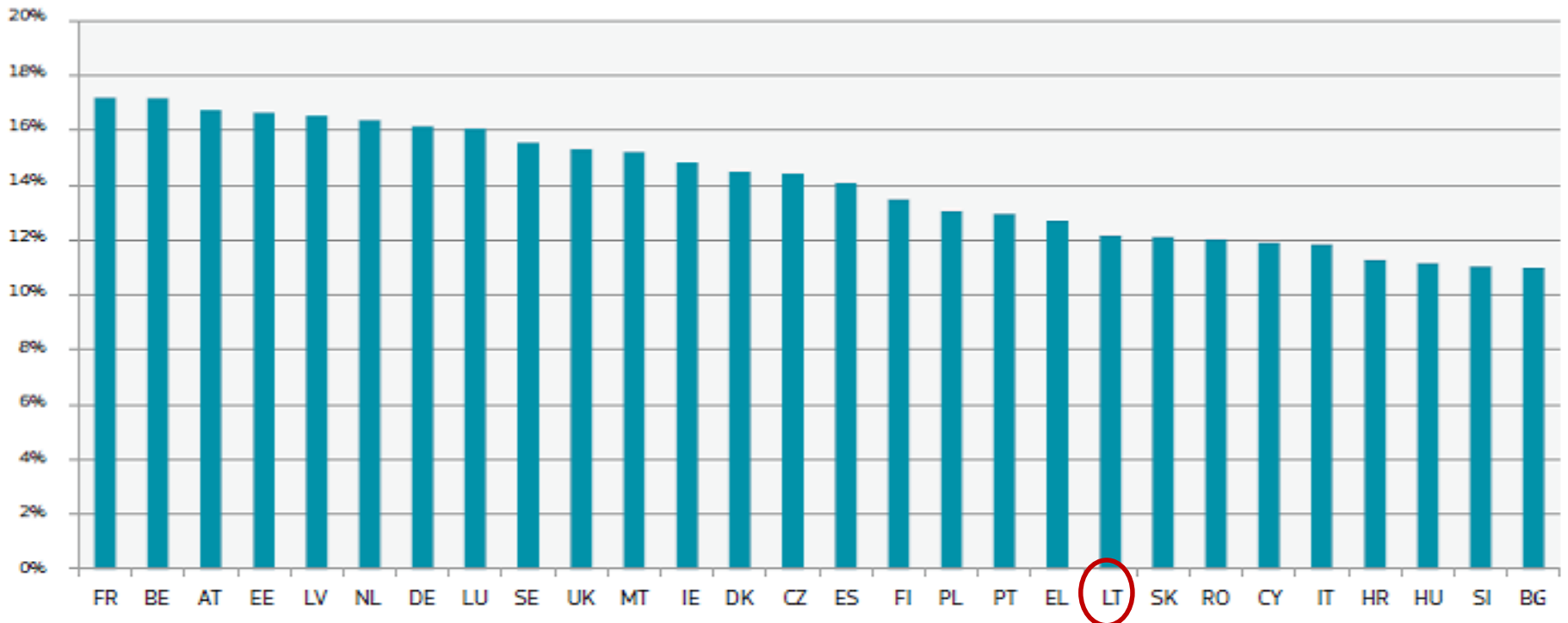


Horizon2020 statistics publication:

https://ec.europa.eu/programmes/horizon2020/sites/horizon2020/files/horizon_2020_first_results.pdf

Horizon2020 participation

Success rates for applications to Horizon 2020 per EU Member State



Horizon2020 statistics publication:

https://ec.europa.eu/programmes/horizon2020/sites/horizon2020/files/horizon_2020_first_results.pdf

Synergies: the wider perspective

- Optimise **impact** of EU funds on competitiveness, jobs and growth
- Improve the quality of national & regional innovation **eco-systems and policies**
- **Leverage** more national / regional funding towards of objectives of common European interest
- Strengthen **cooperation** between innovation actors and different policies relevant for innovation
- Cooperation of **leading & lagging regions** and SMEs with related smart specialisation priorities for win-win situations

**Key role of Smart Specialisation Strategies
& on-going Entrepreneurial Discovery Process!**

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Why are financial instruments popular and increase in ESIF?

- ➔ Higher immediate policy impact through leveraged resources (public and private)
- ➔ Sustainability of support due to revolving funds which remain in the programme area
- ➔ Financing provided before investment takes place (different from grants)
- ➔ Better quality of projects (investment must be repaid)
- ➔ Incentives to use FIs as alternative to grants (move away from "grant dependency" culture)

+ Investment Plan for Europe:

ESIF aims to deliver 50% of SME, 20% of CO2 reduction, 10% of ICT, 10% transport, 5% research and innovation, 5% environment and resource efficiency support through **financial instruments**

ESIF Financial instruments 2014-2020: Key novelties (1)

- ➔ **to ensure sound design and implementation of financial instruments:**
 - Compulsory **ex-ante assessment** which must be carried out prior to decision to support financial instruments
 - Payments in relation to FIs phased and subject to implementation on the ground
 - Management costs and fees performance oriented
 - Comprehensive annual reporting by managing authority on each financial instrument

ESIF Financial instruments 2014-2020: Key novelties (2)

⇒ Better combination of FIs & other forms of support:

- In financial instrument: Grant component may cover financing (e.g. state aid compliant subsidy element) or technical support for the benefit of the final recipient
- At the level of final recipients: Combination is now possible also with assistance from other programmes supported by the EU budget

⇒ MAs may undertake implementation tasks directly for FIs consisting solely of loans and guarantees

⇒ Incentives regarding EU co-financing rates:

- EU-level instruments: Up to 100% of the paid support may come from ERDF, ESF and CF; separate priority axis to be foreseen
- Instruments implemented at national/regional level: ERDF, ESF, CF co-financing rate to increase by 10% if an entire priority axis is implemented through financial instruments

ESIF Financial instruments 2014-2020: Key novelties (3)

More implementation options for managing authorities

- ➔ **Traditional implementation:** MA sets up a FI at national, regional, transnational or cross-border level:
 - Tailor made instruments (cf 2007-2013)
 - Standardised “off-the-shelf” instruments , quick roll-out
- ➔ **MA can implement loans or guarantees directly (or through intermediate body) without formal set-up of a fund**
- ➔ **MA can contribute programme allocations to EU level instrument (COSME, Horizon, "SME Initiative")**

SME initiative

- ➔ **Objectives:** Increase the volume of lending to SMEs in the EU by
 - Pooling resources: *European Structural Investment Funds + COSME and Horizon 2020*
 - Combining and fully utilising EIB/EIF and possibly National Promotional Banks' capacities
 - Providing Capital Relief to banks to make them more robust and to incentivize them to extend additional loans to SMEs
- ➔ **Design:**
 - Ex-ante assessment carried out (EIB and Commission)
 - SMEI indirectly managed by the Commission; implementation with EIF
 - A single dedicated OP at MS level with voluntary contribution (ERDF – EAFRD)
 - Two options proposed: (1) Uncapped Guarantee Instrument; (2) Joint securitisation instrument for new and existing loans

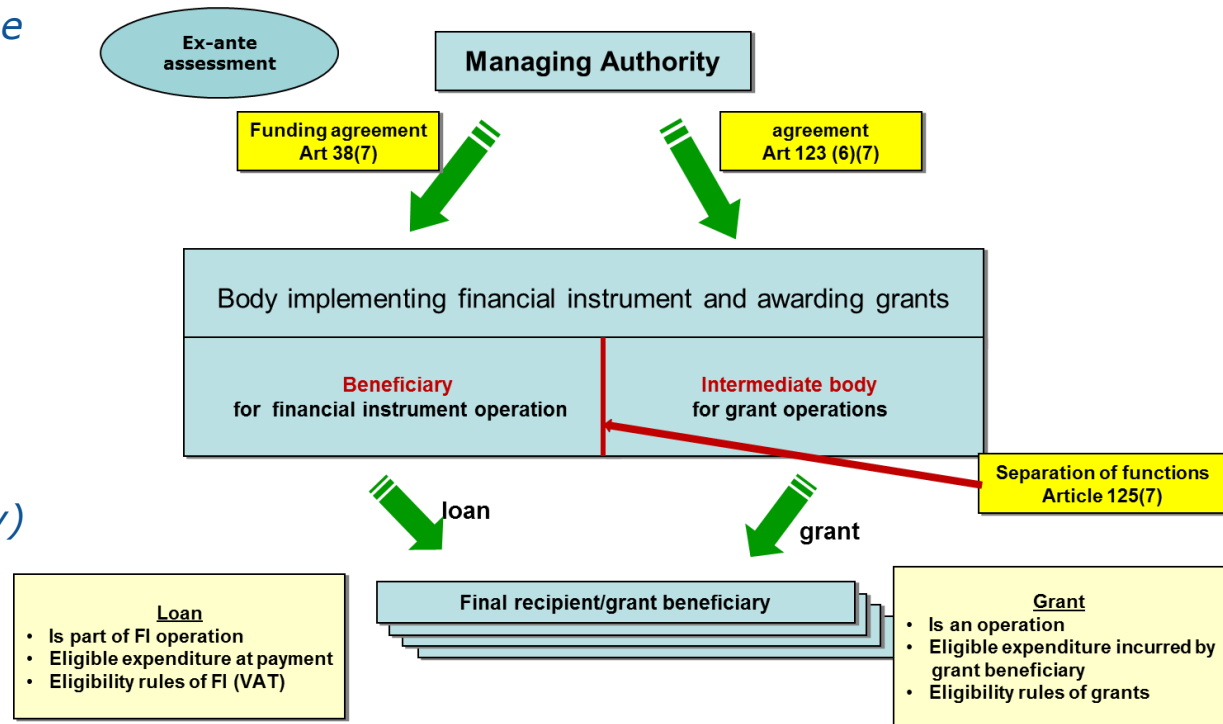
Combination of ESIF Financial Instruments at the level of final recipient within 2 operations

In **combination within 2 operations** loan and grant can be given:

- **by the same body** (it will be "beneficiary" for FI and "intermediate body" in case of grant)
- **to the same body** (e.g. enterprise)- ("final recipient" for FI and "beneficiary" for grant)
- **for the same project** or even expenditure item (e.g. machinery)

!!! NOT for the same eligible expenditure (the same expenditure cannot be declared twice to COM) !!!

- **Grants cannot be used to reimburse support from FI !**
- **FI cannot be used to pre-finance the grants !**



ESIF and EFSI (Investment Plan)

- **EFSI** shall mobilise **EUR 315 bn** in 3 years (**15x leverage**), under an **EU guarantee** of EUR 21 bn, implemented via two components:
 - an **Infrastructure and Innovation Window (IIW)** through EIB to support investments of **EUR 240 bn**
 - an **SME window (SMEW)** through EIF to support investments of **EUR 75 bn**

http://ec.europa.eu/regional_policy/en/funding/financial-instruments/ & www.fi-compass.eu

information on Investment Plan, EFSI, EIAH, application process etc.: www.eib.org
www.access2finance.eu

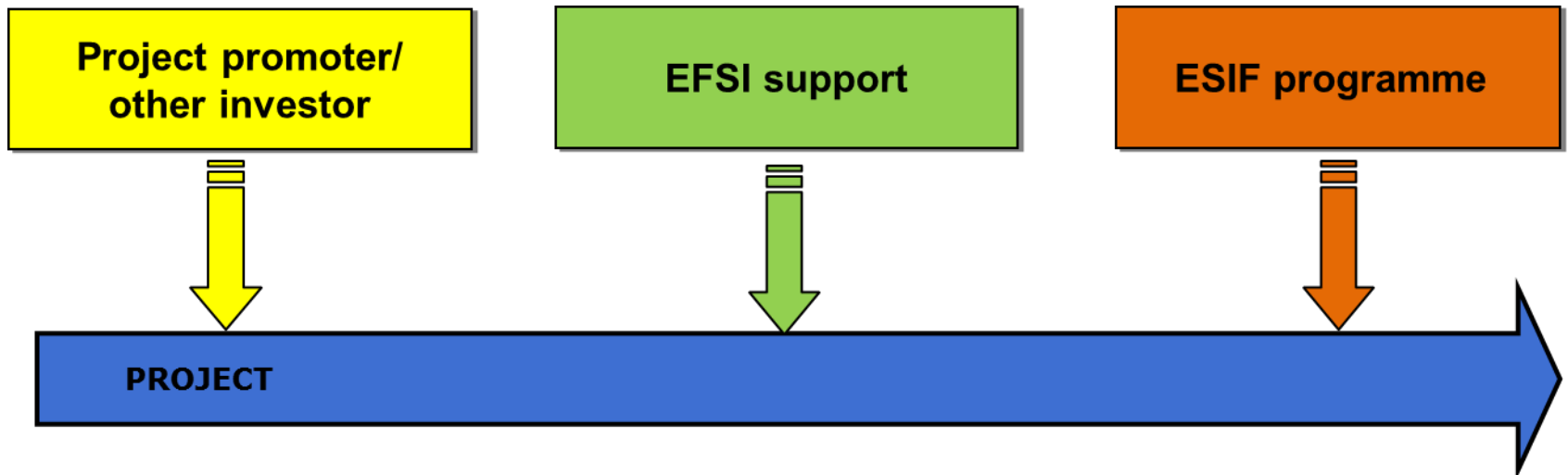
EFSI features

- EFSI **is not** a financial instrument (as per CPR)
- EFSI has its own governance: **Steering Board** (3 EC + 1 EIB) and **Investment Committee** (independent entity granting the EU guarantee)
- EFSI will offer advice to project promoters through a dedicated **advisory hub (EIAH)**
- EFSI has **no geographical or sectorial** allocations
- EFSI, through EIB, will support **high risk** profile projects or projects bringing **additionality**

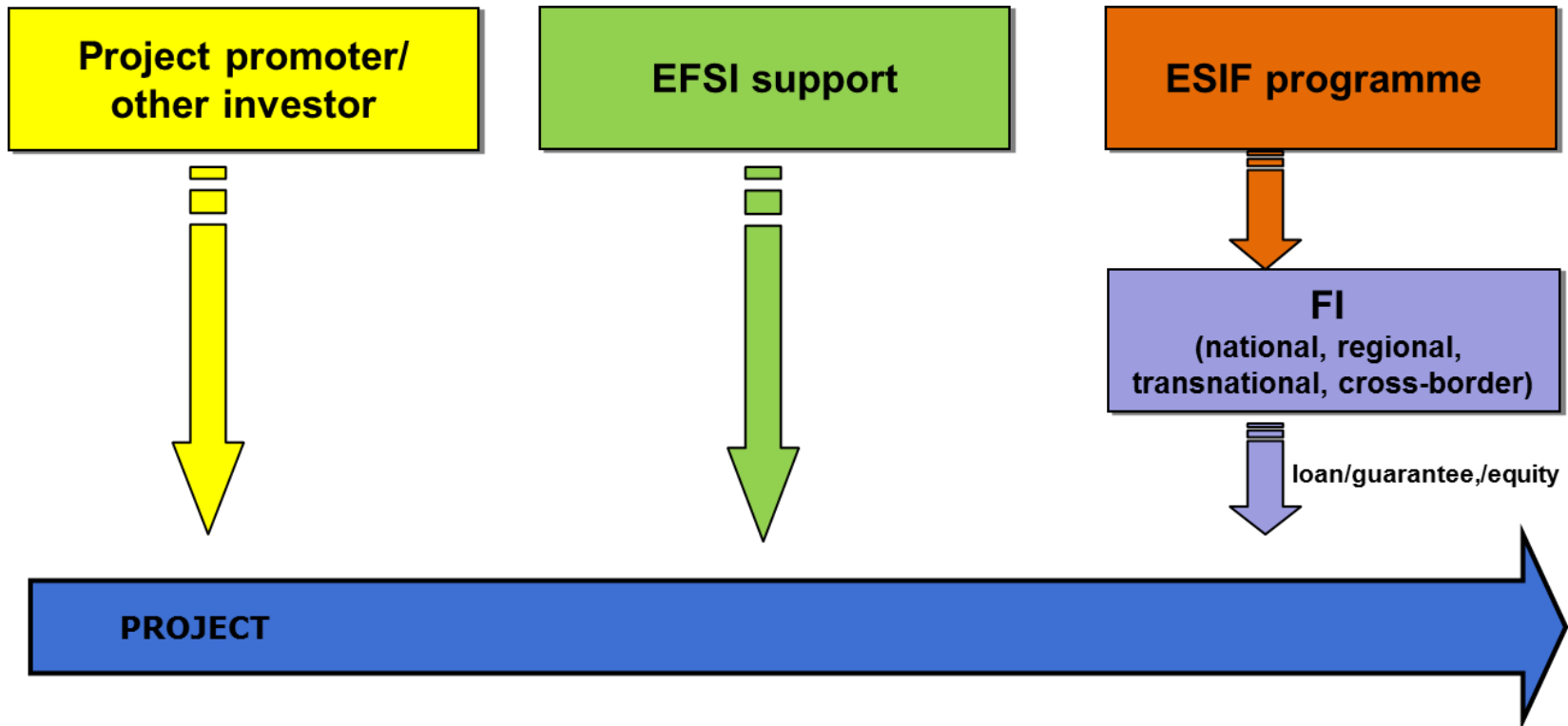
ESIF-EFSI complementarities

- Legal bases of both ESIF and EFSI allow for contributions to support each other's objectives (**complementarity element**)
- Their **combination** is also possible: at **project** level, **financial instrument** level and through **investment platforms**
- Implementation process has to respect applicable rules (**CPR v EFSI Regulation**)
- **State aid rules** apply on a case-by-case basis

ESIF and EFSI combination – Project level



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Shift from negotiation ... to implementation



Main challenges to make Smart Specialisation & ESIF work

Ensuring continuity of strategies

- RIS³ is conceived as an on-going (and reiterative) **Entrepreneurial Discovery Process**
- Avoid being captured by vested interests: different / fresh stakeholders
- Monitoring and adjustments

Implementation tools & capacities

- Appropriate & complementary support tools
- **Selection criteria** (and procedures) for ESIF OPs
- Administrative capacities to design such tools and manage them effectively and efficiently

International opening and cooperation

- **Generate critical mass via combining forces**
- **Complementing capacities and linking related regions**
- Synergies with Horizon 2020: from "acquisition of funding" aim to **eco-system** approach

Thematic guides

Relevant for **design of policy mix and implementation tools**

Available in *PDF format here:*

<http://s3platform.jrc.ec.europa.eu/guides>

- RIS3 guide
- Universities & regional development
- Service innovation
- Creative industries
- Social innovation
- How to convert research into commercial success
- Science and Technology Parks
- Etc.!
- Public procurement of innovation
- Synergies between ESIF, Horizon2020 and other EU programmes
- SME innovation
- Incubators
- Entrepreneurial mind-set
- SME internationalisation
- Digital growth
- Green growth



Mobilise Commission tools:

1. Keep the RIS³ process going

- *Commission advisory role in OP Monitoring Committees*
- *Support RIS³ action plan implementation*
- *Policy analysis and support: PSF, RIO, RIM*
- *S3Platform + alliances with thematic DGs: cooperation on themes (value chains etc.) and shared issues (policy mix, monitoring systems, etc.)*

2.Improve implementation tools & capacities

- *Experts – individual counselling ; new: peer-exchanges (TAIEX), training*
- *Preparatory action for RIS³ in Eastern Greece & Macedonia possibly expanded to lagging regions*
- *European Investment Advisory Hub*

3.International opening and cooperation

- *Macro-regional strategies & INTERREG: platforms & projects, Vanguard Initiative*
- *Horizon2020, COSME, Erasmus+ etc. projects and (cluster) networks*
- *European Innovation Partnerships, Joint Technology Initiatives, KICs ...*
- *Pilot action "Stairway to excellence" for synergies with Horizon2020*

For more information:

- *Cohesion Policy:*
http://ec.europa.eu/regional_policy/index_en.cfm
- *Research & innovation in Cohesion Policy:*
http://ec.europa.eu/regional_policy/en/policy/themes/research-innovation/
- *Smart Specialisation Strategies*
<http://s3platform.jrc.ec.europa.eu>
- *Seal of Excellence Initiative:*
<http://ec.europa.eu/research/regions/index.cfm?pg=soe> for registration send a mail to: RTD-SEAL-OF-EXCELLENCE@ec.europa.eu