

# EU funds - what to expect, what to avoid

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**Now is the time to start planning your priorities for the next seven years. The new programming period has opened fresh financing opportunities for various business activities.**

## What did the period 2007 – 2013 bring?

The years 2007 – 2013 brought Slovakia a greater flow of financial resources from the European Union. These seven years represent the first full programming period since our accession to the EU, during which Slovak institutions, both public and private, could use the European Structural Funds. Investments financed from these resources form a considerable contribution to regional development – e.g., a large part of the civil infrastructure was built (roads, sewers, wastewater treatment plants, etc.), public services and facilities were modernized and significant activities in the field of environment were realized. A large amount of these funds were intended for the public sector, but private sector institutions were also supported, especially in the areas of research, innovation, enterprise competitiveness and creation and sustainability of employment.

Besides the many positive contributions, the EU funds had some negative aspects as well. The media reported several scandals regarding a lack of transparency, particularly in the selection of suppliers for project activities. Another negative aspect is the allocation of non-repayable grants to private sector institutions, which creates a competitive advantage for the company. Consequently, the companies without subsidies are not able to compete, and the natural evolution of the market is partially degenerated.

## What to expect from the programming period 2014 – 2020

Financial resources from the Structural Funds are allocated to the Member States in seven year frameworks called programming periods. For each programming period, the priorities of support are defined at the level of the European Commission in the Common Strategic Framework document, and at the national level in the Partnership Agreement. Priorities defined in the Partnership Agreement are further elaborated in the operational programs, which are expected to have approval by the end of this year. Areas that will be supported by the European Structural Funds and Investment Fund in the next programming period will include:

- Environmental investments for building environmental infrastructure and climate change adaptation, with a focus on flood protection and increasing energy efficiency in all sectors of the economy.
- Transport infrastructure of all types (road, rail, shipping and intermodal).
- Civic infrastructure and infrastructure of public services and facilities, e.g., infrastructure of education, social and community services and health.
- Support of cultural and creative industries.
- Research and innovation which is intended mainly for the private sector. Supported activities will include strategic and promising fields of research, and the emphasis will be placed on the transfer of knowledge into practice and its use. Increasing innovation potential, innovation performance and the competitiveness of SMEs will also be given attention.

- Human resources quality will include support of education, employment, social inclusion and the support of marginalized groups.

All supported areas should contribute to the Europe 2020 strategy and ensure economic growth based on an intelligent, sustainable and inclusive economy.

## Hints and tips based on our previous experience

The wide range of areas supported by EU funds (€ 14 billion for the years 2014 – 2020) is certainly strong motivation for many institutions to start preparing their projects. However, it must be said that these resources are a tool and not a goal. Every project which intends to apply for external resources (and not just European ones), should therefore be based on the strategic plans of the particular organization. Adjusting strategic goals to the opportunities offered by EU funds often leads to a failure.

A common mistake that entrepreneurs make is the expectation of gaining financial support for their key activities. It is important to mention that the project proposals may not always be approved, and the key activities should therefore be financed through other means, e.g., loans. However, the EU Structural Funds are suitable for financing activities, which lead to companies' further development. Another reason why the companies should not rely on financing their key activities through grants is the time interval, as implementation of the project may take several years.

Entrepreneurs should also remember the necessity of providing their own financial resources for co-financing of the project, which may represent 30-60% of the total project costs. It is recommended to plan the co-financing options in advance, as proof of availability of these resources is required at the stage of application or contracting.

Another requirement for the projects is defining measurable quantitative indicators. When setting the criteria, it is recommended to keep in mind that their fulfilment will be monitored. In case the project does not meet the indicators, the resources provided will have to be returned. The indicators may be financial (growth of income or added value), the number of employed people, number of innovative production processes, energy saving, etc.

The non-repayable funds are public resources and suppliers selection needs to comply with the current legislation. In practice, public procurement must be realized, which involves additional administration and so the standard long-term relationships with suppliers cannot be used. The public procurement often postpones the project activities, usually by up to two or three years.

For a successful project proposal, planning in advance is essential concerning both the financial and strategic sides. Elaborating a strategic plan, which in the near future may prove to be in line with a specific objective of an operational program, is the number one priority.



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