

Funding partnerships and projects

There are as many frameworks for financing cross-border economic partnerships and projects as there are potential financiers and beneficiaries. The adoption of Europe 2020 and the start of the new 2014-2020 programme period have redefined procedures for the use of this funding, especially with regard to the areas targeted (innovation, assistance to SMEs, employment, etc.) and the links between them.

Three major categories of financing may be identified: European funding, national and territorial authority funding, and cross-border venture capital funds.

EUROPEAN FUNDING

The **European Structural and Investment Funds (ESIF)** are the main source of funding at the cross-border territory level, notably through the European territorial cooperation programmes (ETC, formerly INTERREG), which directly co-finance projects.

In the economic field, ETC programmes co-finance initiatives related to entrepreneurship, innovation and competitiveness (business start-up support, cross-border networks and clusters, technology transfer, uptake of ICTs, business incubators, etc.), strategic and financial assistance to SMEs (access to capital in the start-up and growth phases, legal/administrative/tax support, etc.), help with cross-border development (support for internationalisation) and human resources.

Other European programmes may also contribute (e.g. the European Social Fund and the EURES placement services for job seekers).¹¹⁰

The 14 cross-border cooperation programmes for 2014-2020 relating to mainland France and its overseas territories put even greater focus on economic development and employment priorities than the programmes of the previous period did.

Nine programmes, a majority, have assigned funds to strengthening research and innovation (thematic objective 1) and promoting the competitiveness of SMEs (thematic objective 3). In addition, six programmes have devoted a significant portion of funds to supporting employment and mobility (thematic objective 8) and five to promoting social inclusion and combating poverty (thematic objective 9).

In the 2014-2020 period, greater attention will also be paid to measuring the impact of aid on territories. Indicators of performance and results have been designed to do so, notwithstanding the numerous methodological and practical challenges, and will help to provide objective data on the dynamics of cross-border economic development.

In previous programme periods, businesses were only very rarely the direct beneficiaries of these funds, which were mostly used by public and semi-public bodies to implement actions with strong economic leverage for the cross-border territory.

Direct aid to businesses is regulated by the state aid regime, and is authorised only in certain cases (defined in Articles 107-2 and 3 of the Treaty on the functioning of the European Union) where such assistance to businesses affects neither trade between Member states, nor competition, two key principles of the internal market. This is the case when state financial aid remedies market failure or promotes the common interest (innovation, energy performance, employment and training, development of the least-developed regions, etc.), and also when it is deemed appropriate and proportional to the extent that it is the aid instrument that creates the least distortions and is limited strictly to needs.

To these general criteria for compatibility of state aid with the single market may be added highly specific conditions under which it can be granted to businesses: incentive effect of the aid (change in behaviour of the beneficiary), compliance with the list of eligible costs, transparency, compliance with maximum aid intensity, rules for cumulation of aid measures (depending on the purpose and spending base) and the *de minimis* rule, which authorises aid of up to €200,000 per consolidated company over a three-year period.¹¹¹ In addition to its complexity, legislation relating to state aid is constantly evolving, both legally and jurisprudentially.

¹¹⁰ European Commission, *Enabling synergies between European Structural and Investment Funds, Horizon 2020 and other research, innovation and competitiveness-related Union programmes*.
http://ec.europa.eu/regional_policy/sources/docgener/guides/synergy/synergies_en.pdf

¹¹¹ See the CGET's website on regulations applicable to state aid to companies: <http://cget.gouv.fr/reglementation-aides-publiques-aux-entreprises>