



*Thinking ahead for Europe*



# **ESIF and link with other investment funds RETHINKING WHAT IS REALLY NEEDED**

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# WHAT ARE THE FUNDAMENTAL ISSUES?

# FUNDAMENTAL NEEDS

- We need a budget able to respond to modern needs
- Integrated programming increases in importance
- Innovative solutions are needed in a fast innovation world, this needs:
  - Innovative procurement
  - Combination of grants, financial instruments and private sector
  - Needs more social innovation
  - Needs to tackle multiple objectives
  - Public sector investment from gray infrastructure to entrepreneur and risk taker

# FUNDAMENTAL PROBLEMS

## A) TRUST

- There is a strong mistrust in the budget which has led to:

## B) COMPLEXITY

- Heavy administrative burdens
- Excessive focus on process – ***ex-ante protection of financial interest*** given the ***ex-post lack of accountability***
- See HLG on simplification reports on multiple auditing use of delegated legislation and guidelines to ***increase complexity through simplification***

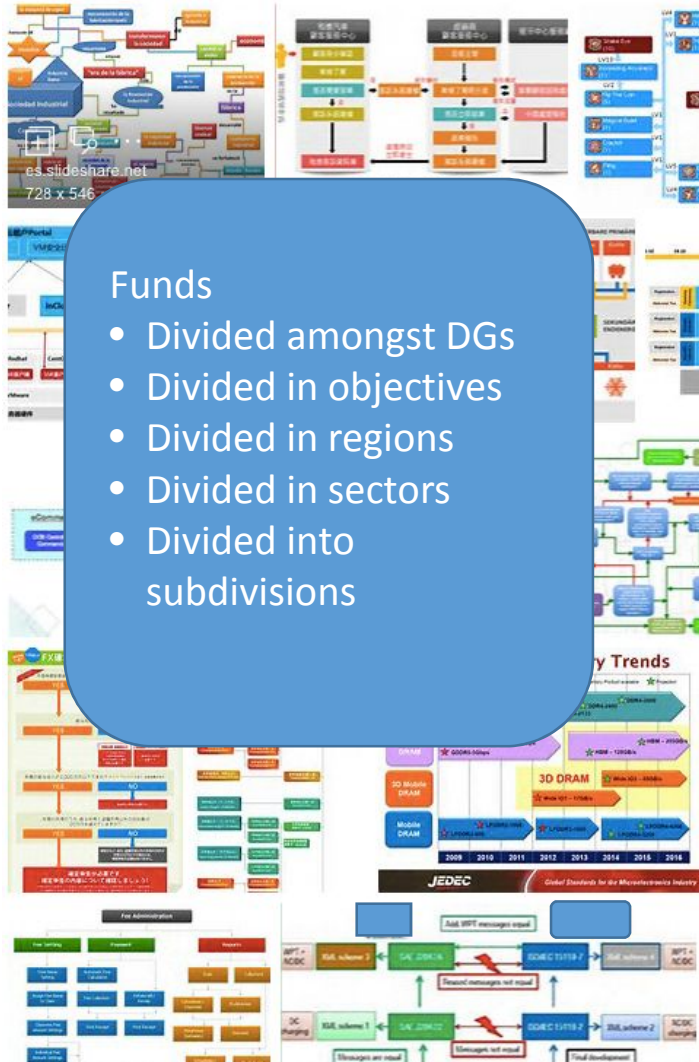
### **C) FRAGMENTATION**

- Different procedures for different DGs, means use of funds together creates multiple applications, multiple reporting, multiple audits for same project.
- Fragmentation of funds by pre-allocation, means eligibility and modern needs do often not correspond
- for Agriculture: Historical yields to address what? GDP per capita, or actual income and industrial and economic decline?

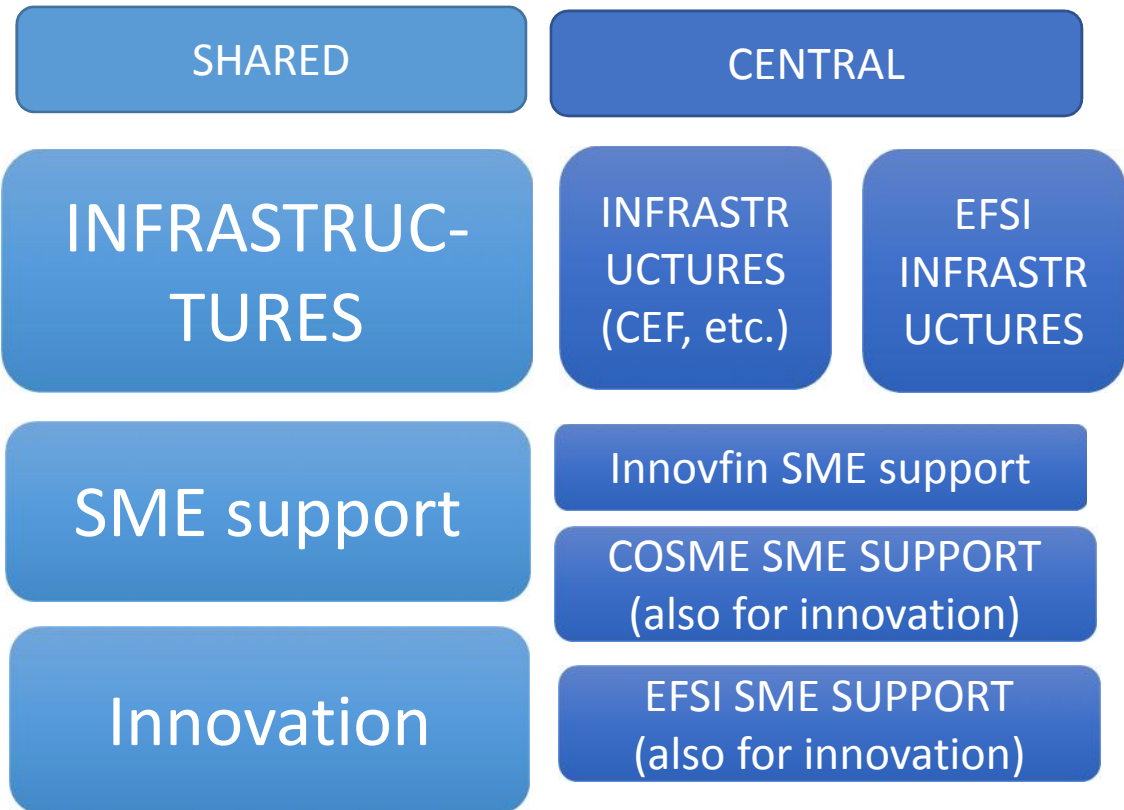
# Causes complexity and overlap



## GRANTS



## Financial Instruments



# Reforms

Mid-Term Rev....  
Brings us to 2020

RISKS

GRANTS

## Funds

- Divided amongst DGs
- Divided in objectives
- Divided in regions
- Divided in sectors
- Divided into subdivisions

Flat rate financing

Performance based  
budget

Simplification &  
Harmonisation  
Audits, calls, rules

Help combine ESIF  
and EFSI

Complementarity  
and synergies

Flexibility

Internal Trust Funds

Exceptions, delegated  
regulations....

Very likely without  
simplification

TRUST PROBLEM ->  
Exceptions, delegated  
legislation, regulations

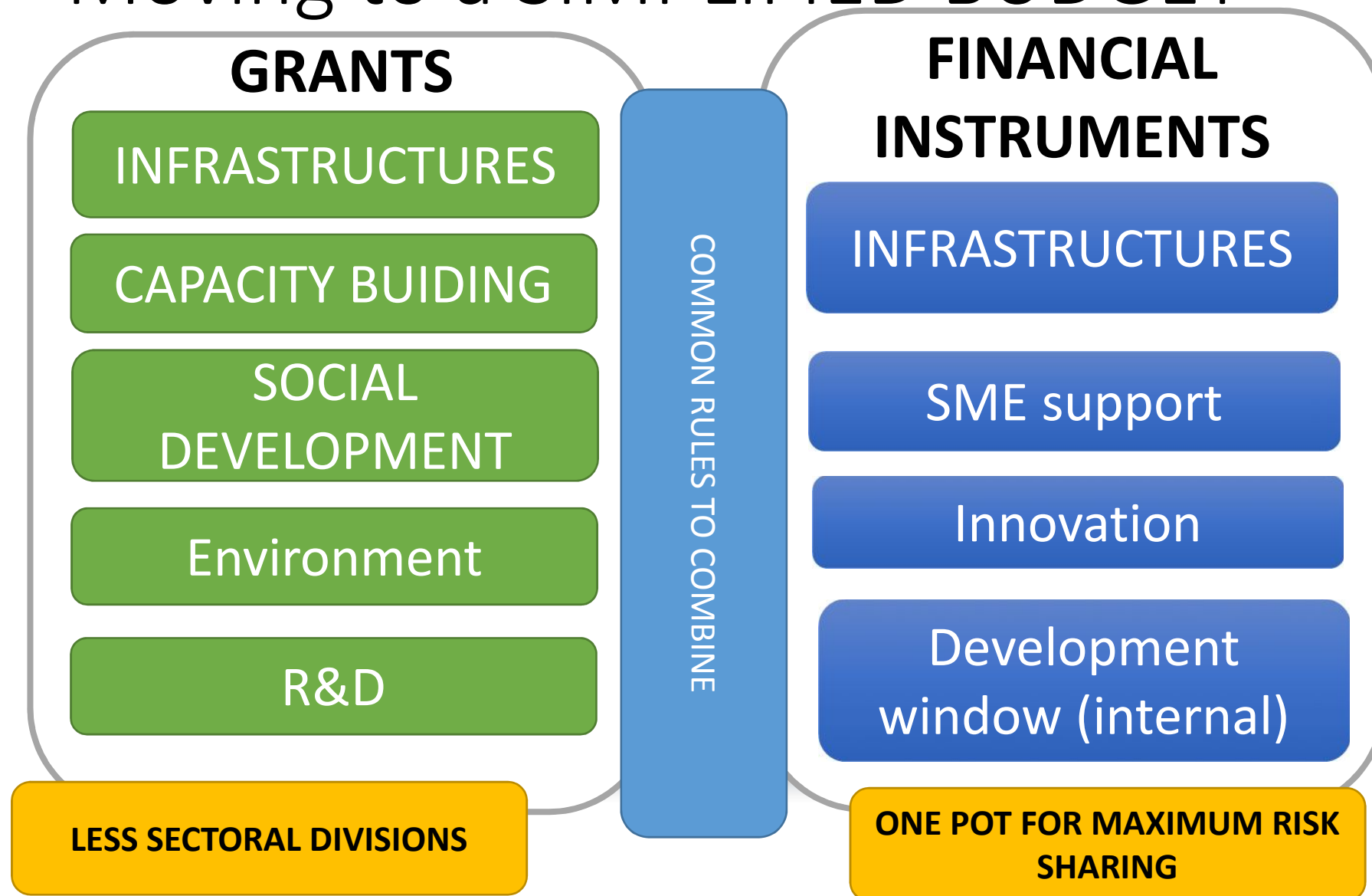
This may improve, using  
EFSI rules ESF –EFSI/  
ERDF -EFSI

Fragmentation stays

Drain high value added  
for low value added

Dilution of the unity of  
the budget, lower  
governance

# Moving to a SIMPLIFIED BUDGET





# Improvement but not optimal



- We need seamless use of grants in different areas, further aligning rules
- Allocation based on needs and quality of programmes (there are some advances here)
- Reduce the growing complexity of financial instruments: *These are demand driven, not only objective driven.*
- Creating restricted subgroups kills the instruments. Small funds kills the risk spread and thus reduces operational use and leverage.
- All financial instruments should originate from one pot, eligibility, focus and additionality rules by sector and risk.
- One stop shops, one application procedure, one audit...

