



## Promoting public-private partnerships in transnational projects

In the framework of the research project „**Public-private partnerships in transnational cooperation – possibilities and limitations**“, the basic conditions of the involvement of private actors in projects of transnational cooperation (INTERREG B) were analysed on behalf of the Federal Ministry of Transport, Building and Urban Development.

### Project goals and methods

Private actors play a key role in strengthening the competitiveness of regions, but until now they have not been sufficiently involved in transnational projects. Moreover, the individual INTERREG cooperation programmes handle their participation rather differently. The research project shows to what extent the INTERREG programmes up to now succeed in involving private actors in transnational projects (INTERREG B). It also demonstrates advantages and limitations of the participation of private partners and proposes steps which can be undertaken to involve private actors more effectively in INTERREG.

The research project was based on investigations and expert interviews with actors from all five cooperation areas with German participation (Baltic Sea Region, North-West Europe, North Sea Region, Central Europe, Alpine Space). The results were validated in the course of two expert workshops.

### Involvement of “private actors“

The INTERREG B cooperation areas use different definitions of the term “private actor“, which is also reflected in differing regulations concerning participation. In addition, the European state aid regulations are an important determinant for involving private actors. These regulations are, however, complex and cannot be easily applied to the INTERREG programme context. Moreover, they are perceived by the programme actors as being fraught with risk. While there are no uniform guidelines, easily implementable in the context of INTERREG B, managing authorities and programme secretariats have developed different practices for the involvement of private actors ranging from restrictive to actively supportive measures.

In the five INTERREG B cooperation areas, currently (as per August 2011) approximately 300 private partners<sup>1</sup> are involved for which more than 50 million € of ERDF funds are being spent. This corresponds to around 8% of all partners and 7% of ERDF funds allocated so far. The share of private partners in INTERREG is largest in the North Sea Region (13%) and in Central Europe (12%), whereas in the Alpine Space (7%) and North-West Europe (6%), the percentage is only half as high; in the Baltic Sea cooperation area, the share of private organisations is low (2%). These proportions also apply to the share of funds received by private partners. Compared to the forerunner programme INTERREG IIIB, primarily the North Sea Region and North-West Europe have experienced an increase in the share of private actors, whereas the direct project involvement of private partners was reduced in the Alpine Space and the Baltic Sea Region.

The participation of private actors in INTERREG B as a whole shows a clear disparity in relation to the special strategic importance of public-private partnerships called for in numerous EU policy documents.

### Barriers and recommendations for action

The recommendations for action formulated in the framework of this study intend, based on a rather extensive interview and validation phase, to make suggestions for a discussion process between the actors involved. The project contractors have attempted to develop recommendations for all barriers identified as being relevant, unless structural restraints did not impede it (see the following overview concerning barriers and recommendations).

<sup>1</sup>Figures are based on calculations of BBSR, for which “private actors” are understood as enterprises/institutions organised under private law being mainly profit-oriented, i.e. active in the market.

<b>Barriers to the participation of private actors</b>	
<b>Programme profiling</b>	<ul style="list-style-type: none"> <li>• Differing profiles of the INTERREG programmes lead to a lack of clarity – especially for “new-comers”, increased by overlapping, not always comprehensible programme areas.</li> <li>• In some areas, INTERREG is in competition with other programmes with sometimes better conditions/less effort.</li> <li>• The communication of the INTERREG programmes is not optimally targeted at private actors.</li> <li>• In comparison with the Objective 1 and Objective 2 programme lines, INTERREG is perceived as “niche instrument” of structural funding without strong lobby.</li> </ul>
<b>EU state aid regulations</b>	<ul style="list-style-type: none"> <li>• The EU state aid regulations are complex and cannot be easily applied to INTERREG. Therefore, in some programme areas a restrictive implementation practice has become established.</li> <li>• State aid regulations are not uniformly interpreted; the available state aid instruments are in part not comprehensively applied.</li> <li>• Programme actors often miss legally binding counselling, clearer and more practical guidelines and stronger coordination between national authorities and units of the European Commission.</li> </ul>
<b>Rules of procedure</b>	<ul style="list-style-type: none"> <li>• Overheads can in part not be claimed at all or claiming is laborious, although they are project costs from the point of view of the enterprises; thus, overheads constitute an additional own contribution.</li> <li>• Because of the planning requirements, INTERREG rules are perceived as rigid/not responding to problems very adequately by private actors.</li> <li>• The guidelines for auditing result in an extensive examination procedure and require the disclosure of sensitive data; the implementation practice varies in the cooperation areas.</li> <li>• The protection of intellectual property is not unequivocally ensured; this leads to problems especially for universities and private partners with development activities.</li> </ul>
<b>Application process</b>	<ul style="list-style-type: none"> <li>• Application and selection procedures are partly considered to be intransparent and complex. Stakeholders of the private sector are not sufficiently involved in the selection process.</li> <li>• Evaluation criteria for projects do not always consider the requirements of applicants sufficiently; often, there is “input” instead of “output control”.</li> </ul>
<b>Working cultures &amp; capacities</b>	<ul style="list-style-type: none"> <li>• Private actors have to adapt to working cultures of the public sector, especially to the sometimes lengthy work flow.</li> <li>• Providing sufficient personnel capacities for an INTERREG project is often difficult especially for small enterprises.</li> </ul>
<b>Further barriers</b>	<ul style="list-style-type: none"> <li>• Lacking advance or progress payments lead to low levels of liquidity especially affecting SMEs and associations, and this has to be financed with external credits.</li> <li>• Funding rates are partly considered as being too low and they vary considerably across the cooperation areas, which is often confusing.</li> <li>• Private partners, especially in the IT sector with its short innovation cycles, are in need of shorter project durations.</li> <li>• Programme borders are perceived as being artificial and cross-programme cooperation as being difficult.</li> <li>• The data basis for assessing the involvement of private actors is considered to be insufficient.</li> </ul>

<b>Recommendations for action</b>	
<ul style="list-style-type: none"> <li>• Simplifying the rules of implementation would increase the effectiveness and attractiveness of the INTERREG programmes and would also promote unification.</li> <li>• Private and public actors should have equal opportunities of participation in INTERREG.</li> <li>• Funding rates could be differentiated according to type of activity (higher funding rates for cross-cutting tasks); analogous to the European Framework Programme.</li> <li>• Programme communication targeted at private actors; support from the national level (e.g. relevant ministries).</li> <li>• Promotion of cooperation across programme areas and less bureaucratic application of the “20% rule”.</li> </ul>	<b>Programme profiling</b>
<ul style="list-style-type: none"> <li>• Solution-oriented application of examination criteria on state aid through increased individual case examinations especially concerning the criteria of “selectivity” and “economic advantage” (inter alia by adopting the practice of the North Sea Region).</li> <li>• More uniform and less risk-oriented handling of state aid regulations (only if the examination criteria apply): “de minimis” rule, General Block Exemption Regulation (GBER), notification.</li> <li>• Since INTERREG B projects differ in essential aspects from national funding practices, the state aid relevance of those projects should be examined in principle [e.g. based on Article 107 (3) of the EU Treaty].</li> </ul>	<b>EU state aid regulations</b>
<ul style="list-style-type: none"> <li>• All cooperation areas should allow for overheads to be claimed (as lump sum or as part of the First-Level Control).</li> <li>• Opportunities to participate with reduced administrative effort should be increased (e.g. status as sub-partner).</li> <li>• Definition of unambiguous rules for the protection of intellectual property (according to the practice of the European Research Framework Programme).</li> </ul>	<b>Rules of procedure</b>
<ul style="list-style-type: none"> <li>• Increased use of a two-step, but more streamlined application procedure and more effective support for inexperienced partners.</li> <li>• Better representation of private actors in programme committees, e.g. stakeholders in national INTERREG committees.</li> <li>• Result-oriented project monitoring (“output instead of input orientation”).</li> </ul>	<b>Application process</b>
<ul style="list-style-type: none"> <li>• Different working cultures of public and private partners should be more consciously used for successful project implementation; programme secretariats should support this even better.</li> </ul>	<b>Working cultures</b>
<ul style="list-style-type: none"> <li>• Granting advance/progress payments (as in other EU programmes) for improving the “cash flow”.</li> <li>• While preparing projects and setting up funding contracts, the necessity of more flexible project sizes and durations as well as changes in project implementation should be better provided for.</li> <li>• Better conditions for cross-cooperation area projects should be created.</li> <li>• Uniform conditions to assess the involvement of private actors are required (data basis, definitions).</li> </ul>	<b>Further barriers</b>

### Advantages of involving private actors in INTERREG

From the point of view of many private actors, INTERREG is a potentially promising programme.

The interview partners of this study described INTERREG as:

- a good tool to open up new markets and to test new ideas;
- a possibility to create networks and increase the visibility of the company in the market;
- a path towards cooperation between competitors in a market segment;
- a good opportunity to gain “EU experience”
- a good option to work more intensively on one’s own topics in cooperation with European partners;
- a way to profile the company as a potential investor and service provider.

Involving private partners is also advantageous for the cooperation projects, as they can:

- use the current and practical know-how of private partners for innovation;
- integrate the market and marketing know-how of companies in a targeted way for sustainable project implementation and to achieve application-oriented results;
- open networks of private companies to all project partners;
- make communication channels and the technical infrastructure of private partners available to the project.

### Further information:

The complete final report of this research project can be found at:

[www.bbsr.bund.de](http://www.bbsr.bund.de) > Research Programmes > General Departmental Research > Spatial Planning > Public-private partnerships in transnational cooperation

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### Need for action: Involving private actors in INTERREG more efficiently

The research project comes to the conclusion that some concrete options for action are so far insufficiently employed, but could, in the short and medium term, facilitate better involvement of private actors without increasing legal risks.

Analysing legal literature, numerous programme documents and other material reveal that, on the one hand, the existing legal framework of state aid

- offers opportunities to promote public-private cooperation in INTERREG B projects complying with the rules in the short and medium term, but on the other hand
- insufficiently corresponds to the reality of the INTERREG programmes and that therefore essential aspects of state aid relevance should be reviewed.

At the same time, it is clear that more effective public-private partnerships in the complex interactive structure of INTERREG certainly cannot be easily created in the short term. The current discussions on the future of Interreg provide an opportunity to propose short- and medium-term recommendations. Through their implementation, improved conditions can be created for the interaction of public and private partners in transnational projects.