

## **COSME INTERIM EVALUATION**

### **COMMISSION WORKSHOP 31 MAY 2017**

#### **SPEAKING POINTS OF DANIEL CLOQUET, DIRECTOR FOR ENTREPRENEURSHIP & SMEs IN BUSINESSEUROPE**

##### **A. GENERAL COMMENTS**

The further implementation of COSME (the EU programme for the Competitiveness of SMEs) should prioritize the following three areas in the period 2017-2020:

- **Internationalization** - Internationalization and access to new markets for startups and SMEs should be a focus area in future COSME activities. Any new initiatives developed by the Commission should be well integrated into existing internationalization support schemes in Member States and provide real added value for businesses.
- **Better Regulation** – Improving the quality of EU policy and law-making must be a prioritized area in future COSME activities, under the COSME objective “Better framework conditions for enterprises”.

Taking a smart approach to regulation, boosting competitiveness and developing the single market by using better regulation tools, can make a real impact for SMEs on the ground.

COSME initiatives should be developed to enhance the quality of information used in EU law-making, so that it is truly evidence-based, with accurate measurement of cost impacts for SMEs in particular. Further ways should be explored to increase stakeholders’ involvement in the EU policy design process, taking inspiration from best practices at national level.

- **Access to finance** – Many European startups and SMEs are still facing severe difficulties for accessing risk finance to support their growth and innovation efforts. Therefore, access to finance must be a prioritized area in future COSME activities to overcome the barriers that startups and SMEs face in their search for risk finance at national level. BusinessEurope assesses in a very positive way the COSME Loan Guarantee Facility, which facilitates financing transactions which the financial intermediary would have otherwise not engaged in due to the perceived higher risk of such transactions or because of a lack of collateral from the SME. However, the role of some national financial intermediaries must be improved to optimize the deployment of the COSME finance pillar.

We note that the policy landscape around the COSME is evolving:

- For example, as the move to EIC (European Innovation Council) is taking place, the Horizon 2020 SME Instrument is being substantially changed. It will finance mainly high-risk and high potential SMEs with ground-breaking concepts that could shape new markets or disrupt existing ones;
- This change seems to imply that the population of more traditional SMEs, whose projects are more focused on incremental innovation, will be excluded from the new SME Instrument calls already from beginning of 2018;
- We understand that the EEN will still play a role in the area of innovation coaching and other innovation-related activities while the EIC Community Platform will also provide services to all EIC grant beneficiaries;
- Changes are also planned regarding the Single Digital Gateway.

The COSME interim evaluation should go hand in hand with a broader reflection on the future deployment of EU SME-gearred initiatives.

Attention must be paid to the issue of addressing possible gaps in the portfolio of SME support measures, and of ensuring optimal synergies between COSME tools and other SME-relevant tools (like the EIC Community Platform, the National Contact Points for Horizon 2020, the Single Digital Gateway, the EIB Advisory Hub and the Digital Innovations Hubs).

The relevant Commission DGs should design the future SME support tools in an integrated and coherent manner, in order to avoid too much complexity and duplications.

## **A. COMMENTS ON THE IMPLEMENTATION OF THE COSME OBJECTIVES (2014-2016)**

### **1. Improving SME access to finance**

#### *COSME Loan Guarantee Facility (LGF)*

The LGF supports guarantees and counter-guarantees to financial institutions to help them provide more loans and lease finance to SMEs. This facility also includes securitisation of SME debt finance portfolios.

The status of LGF implementation at end 2016 was the following <sup>1</sup>:

- 108 applications
  - 60 for the direct guarantee
  - 48 applications for the counter-guarantee

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<sup>1</sup> More details can be found on:

[http://www.eif.europa.eu/what\\_we\\_do/guarantees/single\\_eu\\_debt\\_instrument/cosme-loan-facility-growth/implementation\\_status.pdf](http://www.eif.europa.eu/what_we_do/guarantees/single_eu_debt_instrument/cosme-loan-facility-growth/implementation_status.pdf)

- 67 guarantee contracts signed, covering 25 countries, for a total guarantee amount of EUR 612m.

76.4 % of the LGF finance goes to micro-enterprises (with less than 10 persons). The contracts are expected to provide over EUR 18,905m of financing to SMEs. These contracts are currently enabling the support of 143,344 SMEs and 556,044 jobs (at 1st inclusion).

#### *COSME Equity Facility for Growth (EFG)*

The EFG is dedicated to investments in risk capital funds that provide venture capital and mezzanine finance to expansion and growth stage SMEs, in particular those operating across borders.

#### *Assessment*

BusinessEurope has regularly supported the LGF financing model, and also the EGF, given that equity finance is underdeveloped in the EU.

The implementation of the LGF delivers a multiplier factor of 31.6, which is very positive.

While there has been a good uptake of the LGF products, room exists for improving:

- the visibility of the COSME financial products;
- the user-friendliness of the information provided about COSME, which is perceived as complex by micro-enterprises in certain countries;
- the coordination between COSME and the cohesion programmes (and the EU SME Initiative, in those countries where it has been deployed). A true “one –stop-shop” would help.

## **2. Improving SME access to markets**

### **2.1. EEN (Enterprise Europe Network)**

#### **a) Overall assessment of EEN for 2014 – 2016**

In a 2012 position paper, BusinessEurope stressed:

- the need to increase the visibility of the Network
- the need to have a strengthened governance model for the EEN, ensuring that the activities of services providers of the network were truly in line with the priorities of business

4 years later, BusinessEurope notes that significant progress had been made in these areas:

- Any service provider wanting to be active under EEN must, when replying to a call for tenders, provide a service implementation strategy, showing that he is

aware of the services already provided at national or regional level, and showing how his proposed services would be positioned in that map.

- An improved system of key performance indicators (KPI) has been introduced for reviewing the performance of service providers. Adherence to a code of conduct has become mandatory for the service providers. The issue of administrative burdens under EEN must however continue to be taken care of. The planned revision of KPIs should be carried out in a spirit of simplification and flexibility. Administrative tasks should not hinder or delay the provision of services to users.
- Some effort - though not enough yet - is also done at national level in order to ensure that the needs of private service providers are properly taken into account by the national delegates sitting in the EEN Steering and Advisory Group (SAG), which is in charge of the strategic management of the EEN.

Overall, BusinessEurope considers that EEN is delivering significant value and has the potential to deliver even more through continuously refining its management methods.

#### **b) Comments on the draft future EEN vision**

##### *EEN customised services*

BusinessEurope agrees that, whilst the EEN should continue to deliver a basic service to all interested SMEs, it should significantly expand its offer of customized services.

The target group for these customized services should be the growth-oriented SMEs, understood in a broad sense, which means:

- start-ups in the stand-up phase and in the scaling-up phase
- established SMEs with a growth potential, linked to strengths in the innovation area or in other areas.

For defining the target population for customized services, the recent draft EEN strategic vision paper refers mainly to the following key concepts:

- deployment of EEN Scale-up Advisors to provide tailored advice to start-ups and scale-ups
- development of in-depth, niche services for “ambitious SMEs with growth potential”.

BusinessEurope insists that these concepts should be interpreted in a sufficiently broad way in order to maximise the impact of customized services on growth-oriented SMEs. Experience with innovation-gearred services under EEN shows that customized services can be deployed in a way that does not create unfair competition to private consulting companies. Such EEN services have been positive for the development of private follow-up consulting services. This approach should inspire the future development of all customized services in the EEN.

### *Factors that are important for an efficient implementation of the EEN strategic vision*

SME-g geared support activities deliver especially good results in the EEN context when concrete cooperation is established on the ground between EEN and local stakeholders (clusters, regions, etc.). To foster this cooperation, it is important to put the emphasis on the provision of support services that have a broad local/regional coverage. The enhancement of these synergies should be specified in the framework of the next call for proposals.

### EEN's positioning

EEN should work with the regional ecosystems to seek complementarities and avoid duplication with existing services, providing added value services with a European dimension that fit into and complement the existing regional business and innovation support systems.

## **2.2. Other COSME support for access to markets**

### **a) ASEAN, China and MERCOSUR IPR SME Helpdesks**

The IPR SME Helpdesks offer practical business advice from experienced professionals in the area of Intellectual Property Rights. The services are provided both 'on the ground' to European SMEs already active in third countries and 'at home' in Europe.

Business finds the helpdesks very important because they offer services that could not be easily provided individually by each Member State.

### **b) EU-JAPAN Centre for Industrial Cooperation**

The seminars and training programmes organised by the Centre have attracted a good number of participants and deliver good value in terms of explaining how to succeed in Japan.

## **3. Improving framework conditions for enterprises**

### **3.1. Cluster internationalisation programme**

Clusters and export consortia represent an efficient tool for promoting SME internationalisation, which give the entrepreneur the choice to keep his identity and autonomy.

Through the cluster internationalisation programme, the Commission acts to enhance the level of excellence of the clusters, and to collect data – through an observatory – for assisting in the development of cluster strategies. The programme gives the opportunity to interested consortia to develop a joint international strategy and support SME internationalisation beyond Europe, especially in emerging thematic areas.

As an example, a recent call for tenders contributed to support the establishment of 15 co-funded European Strategic Cluster Partnerships:

- gathering 88 cluster organisations across 21 EU countries
- and reaching out to more than 10.000 SMEs across Europe .

The partnerships are active in areas like health, aerospace, mobility and logistics, agrifood, energy, marine and environment, packaging, materials and photonics, ICT, construction.

On the whole, this activity is assessed positively by BusinessEurope.

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<b>COSME OBJECTIVES</b>	<b>ACTION LINES</b>	<b>BUDGET IN MILLION EURO (2014-2020) (a)</b>	<b>%</b>
<b>N° 1: Improving framework conditions for the competitiveness and sustainability of EU enterprises</b>	Activities to improve European competitiveness	101.7	4%
	Activities to develop SME policy and promote SMEs competitiveness	64.5	3%
	Tourism	131.4	5%
	New business concepts for consumer goods	86,8	4%
	<b>Sub-total:</b>	<b>384.4</b>	<b>16%</b>
<b>N°2: Promoting entrepreneurship</b>	<b>Sub-total:</b>	<b>86.8</b>	<b>4%</b>
<b>N°3: Improving SMEs access to finance</b>	Guarantees for SME loans	746	31%
	Venture capital	690	28%
	<b>Sub-total:</b>	<b>1,436</b>	<b>59%</b>
<b>N°4: Improving access to markets</b>	Enterprise Europe Network (EEN)	423.9	17.3%
	Support to SMEs abroad (studies, platforms,etc)	39.1	1.6%
	Support to SMEs abroad (SME Centres)	60.0	2.4%
	Support to international industrial cooperation	12.4	0,5%
	<b>Sub-total:</b>	<b>535</b>	<b>26%</b>
<b>TOTAL BUDGET:</b>		<b>2,443</b>	<b>100%</b>

(a) As proposed in the EC 2012 proposal. The figures defined by the 2013 COSME Regulation are nearly the same.

<b>ANNEX II - OVERVIEW COSME 2017 WORK PROGRAMME</b>	
TITLE OF THE ACTION	<b>Draft BUDGET</b>
<b>OBJECTIVE A: ACCESS TO FINANCE</b>	
Financial Instruments – Loan Guarantee Facility including the SME Initiative	112,429,120
Financial Instruments – Equity Facility for Growth	110,000,000
Accompanying Actions	1,450,000
<b>TOTAL</b>	<b>223,879,120</b>
<b>OBJECTIVE B: ACCESS TO MARKETS</b>	
Enterprise Europe Network	62,043,244
Your Europe Business Portal	450,000
EU-Japan Centre For Industrial Cooperation	2,800,000
Internationalisation of Light Industries' SMEs - Market access	800,000
IP pre-diagnostic and improving access to Patent Protection For Innovative EU SMEs	4,300,000
Training for SME-friendly policies in central purchasing bodies	350,000
Creating missing links for the facilitation of public procurement of innovation	600,000
Improved user-friendliness of Points of Single Contact	500,000
Open for Business Campaign 2018 - 2020	2,000,000
<b>TOTAL</b>	<b>73,843,244</b>
<b>OBJECTIVE C: FRAMEWORK CONDITIONS FOR ENTERPRISES</b>	
SME Policy (SME Performance Review/SPR, Small Business Act/SBA, start-up, outreach)	5,950,000
EU REFIT Stakeholder Platform for Better Regulation	860,000
Accelerating the uptake of big data and supporting the establishment of B2B Digital Platforms in Europe	2,400,000
Monitoring Digital transformation and Key Enabling Technologies	1,800,000
European Cluster Excellence programme	1,200,000
Industrial Modernisation and Smart Specialisation	6,700,000
Blueprint for sectoral cooperation on skills	4,000,000
Nano-materials Observatory	600,000
Tourism	5,400,000
European Incubation Network(s) for creativity-driven innovation	2,600,000
Construction 2020	585,000
<b>TOTAL</b>	<b>32,095,000</b>
<b>OBJECTIVE D: ENTREPRENEURSHIP AND ENTREPRENEURIAL CULTURE</b>	
Erasmus for Young Entrepreneurs	8,680,000
Peer-Learning activities in Entrepreneurship Education and in Women Entrepreneurship	1,400,000
Social Business Initiative: digitisation/collaborative economy and social enterprise – promoting social considerations into public procurement	1,000,000
<b>TOTAL 2017 COSME BUDGET</b>	<b>340,897,364</b>