

Programme for the competitiveness of enterprises and SMEs, COSME 2014-2020

2011/0394(COD) - 30/11/2011 - Legislative proposal

PURPOSE: to establish a Programme for the Competitiveness of Enterprises and small and medium-sized enterprises for the period 2014 – 2020.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

BACKGROUND: small and medium-sized enterprises (SMEs) are an important contributor to growth and employment in the Union. If the Union is to deliver its [Europe 2020](#) priorities of smart, sustainable and inclusive growth, competitiveness needs to be centre stage.

While regulatory means are at the Union's disposal, including smart legislation and cutting red tape for Union enterprises, some market failures can be addressed effectively through public funding at EU level. This is already happening. The [Competitiveness and Innovation Framework Programme \(CIP\)](#) provides funding for relevant action. The need to continue and develop such financial support was recognised in the Commission [Communication “A budget for Europe 2020”](#).

Accordingly, the Commission has proposed a "Programme for the Competitiveness of Enterprises and SMEs" (COSME) as a **means of addressing key market failures that limit the growth of enterprises, particularly SMEs**, in the Union.

The Programme is designed to create the conditions for European enterprises to flourish and to ensure that SMEs are able to take full advantage of the Single Market's enormous potential, as well as encouraging them to look beyond it. There needs to be a special effort to promote the development of **SMEs, a major source of economic growth and job creation in the Union**, accounting for more than 67 % of private sector jobs and providing more than 58 % of total turnover in the EU.

It should also be noted that particular attention will be given to improve the competitiveness of enterprises in the tourism sector to implement the new competencies of the Union provided for in the Lisbon Treaty, the reason being the significant contribution of this sector to the Union's GDP and the high proportion of SMEs active in this sector.

IMPACT ASSESSMENT: an impact assessment covering the instruments of the Programme was carried out and it accompanies this Commission proposal. The impact assessment considered four options:

- **Option 1 status quo:** this would cover the same competitiveness- and SME-related elements as the EIP is expected to cover in 2013;
- **Option 2:** this would discontinue all current financial interventions.
- **Option 3b:** this option would maintain the current scope of intervention with a balanced budgetary expansion;
- **Option 3c:** this would mean a focused budgetary expansion, with financial support restricted to the financial instruments and the Enterprise Europe Network.

The impact assessment has concluded that **modest budgetary expansion is the preferred option (3b)**, as it would provide a balanced approach in terms of supporting efficiency gains, critical mass, coherence and effectiveness, and tackling market and regulatory failures.

LEGAL BASIS: Articles 173 and 195 of the Treaty on the Functioning of the European Union (TFEU).

CONTENT: the proposed regulation aims to establish a programme for Union actions to improve the competitiveness of enterprises, with special emphasis on small and medium-sized enterprises (SMEs) for the period from 1 January 2014 to 31 December 2020.

General objectives: the Programme aims to:

- strengthen the competitiveness and sustainability of the Union's enterprises including in the tourism sector;
- encourage an entrepreneurial culture and promoting the creation and growth of SMEs.

The achievement of these objectives shall be measured by certain indicators which are specified in the proposal.

Specific objectives: the specific objectives of the Programme shall be:

(1) to improve **framework conditions for the competitiveness and sustainability** of Union enterprises including in the tourism sector;

(2) to promote **entrepreneurship**, including among specific target groups;

(3) to improve **access to finance for SMEs** in the form of equity and debt;

(4) to improve **access to markets** inside the Union and globally.

(1) **Improve framework conditions for the competitiveness and sustainability of Union enterprises including in the tourism sector** by supporting coherence and consistency in implementation as well as informed policy-making at Union level. Union actions will include:

- reinforcing the use of the "Think Small First" principle in Union and Member State policy-making;
- identifying and exchanging best practices to contribute to implementing the Small Business Act; and
- supporting SMEs in making the most of the Single Market's potential. Business sectors, including manufacturing and services, and selected sectors in which there are a high proportion of SMEs will be strengthened.

(2) **Promoting entrepreneurship, including among specific target groups:** activities will include:

- simplifying administrative procedures;
- developing entrepreneurial skills and

- attitudes, especially among new entrepreneurs, young people and women;
- promoting second chances for entrepreneurs.

(3) **Improving access to finance for SMEs in the form of equity and debt:** financial instruments for growth, including new equity and debt platforms to provide equity facility and loan guarantees, will enable SMEs to access funding more easily:

- **an equity facility** for growth-phase investment will provide SMEs with commercially-oriented reimbursable equity financing primarily in the form of venture capital through financial intermediaries;
- **a loan facility** will provide SMEs with direct or other risk-sharing arrangements with financial intermediaries to cover loans.

An annex gives details of the actions linked to improving SME financing.

(4) **Improving access to markets inside the Union and globally:** growth-oriented business support services will be provided via the [Enterprise Europe Network](#) to facilitate expansion in the Single Market and beyond. This Programme will also provide SME business support in markets outside the Union. There will also be support for international industrial cooperation, particularly to reduce differences in regulatory and business environments between the EU and its main trading partners.

The proposal also contains provisions covering expenses pertaining to preparatory, monitoring, control, audit and evaluation activities.

Management and implementation of the Programme: management will be largely outsourced:

- the financial instruments will be operated by the European Investment Bank Group on behalf of the Commission;
- other actions may be managed by an executive agency, building on the positive experience with the Executive Agency for Competitiveness and Innovation (EACI) in the current multi-annual financial framework.

The use of one executive agency will also lead to a streamlined use of IT tools and electronic portals, thus further contributing to easier access for SMEs.

In order to implement the Programme, the Commission shall adopt an annual work programme, which will set out the objectives pursued, the expected results, the method of implementation and their total amount.

The work programme will also contain a description of the actions to be financed, an indication of the amount allocated to each action and an indicative implementation timetable. It shall include for grants the priorities, the essential evaluation criteria and the maximum rate of co-financing.

Simplification: a priority for the Commission in this Programme, as in other programmes within the context of the Multiannual Financial Framework (MFF), is to simplify the regulatory environment and **facilitate access to funds for EU enterprises**, particularly SMEs, as far as possible. This approach is applied in the Competitiveness and SME Programme (COSME) by basing it solely on the rules of the Financial Regulation, **without any derogation**. This provides for simple, coherent and standardised administrative procedures for enterprises to access funds.

The revision of the Financial Regulation will help to make it easier for small enterprises to take part in funding programmes, for example by:

- simplifying rules;
- reducing the costs of participation;
- accelerating award procedures and
- providing a "one-stop shop" to make access to Union funding easier. A new system of lump sums is proposed.

To allow for an improved access to funding for SMEs, the rules for participation and eligibility of all future Union funding programmes will be aligned to the greatest extent possible.

Financial instruments: financial instruments as such are simple to use for enterprises as they **address their bank or venture capital fund with an ordinary financing request and not with a project proposal as for grant finance**. As regards the financial instruments to be implemented by the European Investment Fund (EIF) or other appropriate financial institutions, the Commission proposal for the equity and debt platforms and the revised Financial Regulation will govern the financial instruments' administrative requirements. The rules will be simplified to the greatest extent possible, to strike a balance between reporting obligations on intermediaries and beneficiaries on the one hand, and sound financial management, including audit requirements, on the other.

In addition, the simplified procedures developed by the EACI will be taken over by the Commission for similar types of projects. Best practices will be shared as regards, for example, simplifications the Agency introduced in grant agreements, contracts and procedures. Further simplification might include more flexible implementation modalities for grant agreements to avoid the need for amendments at a later stage.

Participation of third countries: the Programme shall be open to the participation of:

- European Free Trade Association (EFTA) countries which are members of the European Economic Area (EEA), in accordance with the conditions laid down in the EEA Agreement, and other European countries when agreements and procedures so allow;
- acceding countries, candidate countries and potential candidates in accordance with the general principles and general terms and conditions for the participation of those countries in Union's programmes;
- countries falling under the scope of the European neighbourhood policies, when agreements and procedures so allow.

Monitoring and evaluation: the Commission shall monitor the implementation and management of the Programme. It shall draw up an annual monitoring report examining the efficiency and effectiveness of supported actions in terms of financial implementation, results and, where possible, impact. By 2018 at the latest, the Commission shall establish an evaluation report on the achievement of the objectives of all the actions supported under the Programme.

Repeal and transitional provisions: [Decision 1639/2006/EC](#) is repealed with effect from 1 January 2014. However, actions initiated under Decision 1639/2006/EC and financial obligations related to those actions shall continue to be governed by that Decision until their completion.

BUDGETARY IMPLICATIONS: the financial appropriations for implementing the Programme for the period from 1 January 2014 to 31 December 2020 shall amount to **EUR 2.522 billion** of which approximately **EUR 1.4 billion** shall be allocated to financial instruments.

DELEGATED ACTS: the proposal contains provisions empowering the Commission to adopt delegated acts in accordance with Article 290 of the Treaty on the Functioning of the European Union particularly in respect of specific rules for participation and externalisation of certain tasks.