



## COSME Position Paper

### *European Association of Development Agencies*

31<sup>st</sup> August 2017

#### Introduction

This document reflects the opinion of EURADA, the European Association of Development Agencies (with transparency register number 827929825168-90), in the context of the public consultation on the COSME programme<sup>1</sup>. Its purpose is to contribute to the dialogue established between EURADA and the European Commission 25 years ago. We hope this position paper will be used by the European Commission to:

- a) improve the execution of the last three years of the COSME programme with a higher impact in the new actions implemented,
- b) and to design a stronger programme to support industry and SMEs for the period 2020-27.

#### Relations between European Regional Development Agencies and COSME

COSME is an important programme for the European development agencies because most of the actions carried out in the programme are aligned with the activities carried out by development agencies. The members of EURADA are focused on territorial development providing support to enterprises' competitiveness. European development agencies have a wide range of services and support mechanisms to promote the creation of companies, the scale-up of existing enterprises, their access to finance, internationalisation and innovation.

COSME is vital for development agencies because these entities are direct beneficiaries in actions carried by the programme. During the first three years of execution of COSME (2014-2016), the members of EURADA have participated as follows:

- Access to markets: 21 members of EURADA are part of Enterprise Europe Network<sup>2</sup>, ACCIO coordinates the project 'Public procurement and cross-border tendering' (COS-2016-2-05)
- Entrepreneurship: 4 members of EURADA have participated in the last calls of Erasmus for Young Entrepreneurs<sup>3</sup> during the COSME programme
- EURADA secretariat is one of the partner of the tender Re-Confirm<sup>4</sup> and have the EMEN project approved in the call COS-MigrantsENT-2016-4-02

#### COSME is a relevant programme for the EU with a modest budget

EURADA's overall assessment of the COSME programme is positive. There is a consensus among the professionals of development agencies and regional practitioners about the relevance of providing access to finance to private enterprises, facilitating access to markets, establishing a more favorable environment for business, reducing administrative burden and fostering entrepreneurship. However, to increase the impact for the last years of implementation of COSME and in the interest of designing a programme to support SMEs in Europe, we recommend the European Commission and other EU institutions to consider the increase of the budget for the remaining period, to reinforce the current economic recovery and gain momentum.

COSME has an overall indicative budget of 2.3 billion of euros for the seven-year period 2014-2020. This figure represents less than 0.3% of the total EU budget for the period. We find that the EU should consider a larger programme to support SMEs. Europe needs such a programme and that should be taken into account during the future discussions of the next Multiannual Financial Framework for the years 2020-27. This future programme should be focused specifically on SME support, taking into account the critical role of SMEs in the European economy. SMEs are the seeds of the private sector, the source of innovation and diversification. They are flexible to adapt the European economy to new competitive changes. Furthermore, SMEs supply larger companies and develop their own activities and product lines, making larger companies more competitive. When they grow, SMEs provide further employment and tax revenues. SMEs are the engine of economic growth and the economic entities that create most of the net employment.

### **COSME has to be realigned with the new economic framework**

The COSME programme was designed to provide a policy answer for the implementation of the Small Business Act (2011) and an effective solution to the crisis of 2008. However, the economic context has changed. According to the annual report on European SMEs elaborated by the European Commission<sup>5</sup>, the level of added value generated by EU28 SMEs in 2015 in the non-financial business sector was almost 9% higher than in 2008; while SME employment was still about 2% below its 2008 level. In consequence, we suggest to the European Commission to consider that the implementation of the last years of COSME be focused on employment creation as follows:

- Strengthening the overall employment creation performance of SMEs, in particular, public policies supporting scale-up of SMEs by the access to skills and competences.
- Supporting the creation of companies, because new startups create net employment. In particular accelerating the implementation of second chance initiatives that would make it easier for honest entrepreneurs whose business went bankrupt to have another opportunity of starting a new business.

### **COSME should implement innovative mechanism of access to finance**

Access to finance has gathered 63% of the total COSME spending for the years 2014-2016. However most of the budget<sup>6</sup> has been spent in guarantees and equity funds with traditional financial intermediaries and financial instruments managed by the European Investment Fund (EIF). At the same time (from 2014) the European Commission launched, together with the European Investment Bank, the European Fund for Strategic Investment (EFSI) with 16 billion euros of guarantees from the EU budget that will produce an overall investment of 315 billion of euros by 2018. Both funds have been aligned since 2015, allowing the combination of funds to satisfy the demand from financial intermediaries. Something that was not possible to cover only with COSME resources.

Most of the SMEs depend on bank loans for their external financing<sup>7</sup>, therefore suitable alternatives should be put at their disposal. The impact of funds, coming from COSME resources deployed to foster access to finance, will be increased if these resources are also used to improve the access of SMEs to capital markets, to alternative finance mechanisms (crowdfunding, peer-to-peer lending, leasing, etc.) and to stimulating the activity of business angels.

## **The EEN mandate should be more focused to increase the impact of the network**

The Enterprise Europe Network (EEN) should be reinforced because it is the most important delivery point of EU information, tailored services to enterprises and the main channel to implement EU initiatives in European enterprises. During the past years the success of the EEN has also generated difficulties because this network was used broadly to communicate any EU initiative relevant to companies. This responsibility implied a wide diversity of subjects, compromising in some cases the core activities of the network. EEN's staff face a continuous challenge to upgrade the knowledge of the topics managed to maintain its high quality standards of professional advice provided to companies. Therefore, EEN members should receive more tailored trainings and information about European opportunities for enterprises, in particular in order to increase the quality of advisory support services. For example, more information about local enterprises participating to SME Instrument could be delivered to EEN members in order to contact and provide them supporting services

We find it necessary to maintain the EEN involvement in all EU initiatives related to enterprises because it reinforces the 'no wrong door' principle. It is important for SMEs to keep the identification of their local node of the EEN network as main interlocutor for any European related topic. To balance the situation, the EEN should reinforce its core services on internationalisation and search for R&I partners; while maintaining other auxiliary activities that gave each EEN node the capacity to be an effective interlocutor on access to finance (including alternative sources of financing), EU funding, SME instrument in H2020, intellectual property rights, etc.

## **Strengthening of the coordination of COSME with other EU programmes**

Most of the activities carried out in COSME are also relevant for another EU programmes. A better coordination of the programmes to maximize the impact of the initiatives is key. In particular, almost all of the actions of the COSME programme are aligned with the 3<sup>rd</sup> thematic objective 'enhancing the competitiveness of SMEs' of the European Structural and Investment Funds (ESI Funds).

For example, it is necessary to establish closer coordination links at the level of beneficiaries, between COSME actions and the policy area of 'SME competitiveness' in the Interreg Europe programme. A good tool for that might be the existing policy learning platform of the Interreg Europe Programme that could capitalise on previous results of COSME initiatives in ongoing Interreg Europe projects, making regional practitioners aware of interesting results.

## **Use the strength of public procurement instruments to promote SME's access to new markets**

The future programme to support SMEs (2020-2027), should be better focused on unleashing the potential of public procurement to support the competitive position of SMEs. The new instrument should provide full access to SMEs to public procurement, improving the EU competition and benefiting from lower prices. Without the innovation aim but inspired on the tried and tested mechanism of SMEs' access to public procurement (like SBIR, PCP and PPI)<sup>8</sup>, the new instruments might aimed at promoting the SME's access to new markets.

## Conclusions

Following the public consultation for the interim evaluation of the COSME programme, the European Association of Development Agencies (EURADA) suggests to the European Commission and other EU institutions to consider:

- i) the increase of funds available for COSME actions taking into account the relevance of SMEs in the ongoing economic recovery,
- ii) to encourage employment creation supporting entrepreneurship and scale-up,
- iii) implementing financial instruments using alternative financing,
- iv) focusing the current mandate of EEN,
- v) strengthening the coordination of other ongoing initiatives (specially ESI Funds),
- vi) the deployment of instruments to guarantee a better SME access to public procurement.

We wish to thank the European Commission for the opportunity of expressing our opinion and remain at its disposal for any further clarification and support. Since 1992, during its 25 years of existence, EURADA has established a fruitful dialogue with the European Commission exchanging ideas for future programmes.

## NOTES

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<sup>1</sup> Public consultation for the interim evaluation of the Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME), open until 31 August at [http://ec.europa.eu/info/consultations\\_en](http://ec.europa.eu/info/consultations_en)

<sup>2</sup> There are 21 members of EURADA which are members of the EEN:

1. Agence pour l'Entreprise et l'Innovation (BE),
2. Agencia de Desarrollo Economico (ES),
3. Agencia de Desarrollo Economico de la Rioja (ES),
4. Agencia de Innovacion y Desarrollo de Andalucia (ES),
5. Agencia per a la Competitivitat de la Empresa (ES),
6. Agentia pentru Dezvoltare Regionala Nord-Est (RO),
7. Aquitaine Développement Innovation (FR),
8. ASTER - Societa Consortile per Azioni (IT),
9. Bureau Economique de la Province de Namur (BE),
10. Business Upper Austria (AT),
11. Dev'Up (FR),
12. Fundacion FUNDECYT - Parque Cientifico y Tecnológico de Extremadura (ES),
13. Highlands & Islands Enterprise (UK),
14. Instituto de Desarrollo Economico del Principado de Asturias (ES),
15. Instituto de Fomento de la Region de Murcia (ES),
16. Instituto Tecnológico de Canarias (ES), Sociedad para la Transformacion Competitiva (ES),
17. Instituto Valenciano de la Competitividad Empresarial (ES),
18. NEXA - Agence Regionale de Developpement d'Investissement et d'Innovation (FR),
19. Nord France Innovation Developpement (FR)
20. Scottish Enterprise (UK),
21. Turku Science Park Oy Ab (FI).

<sup>3</sup> Examples of recent participation of EURADA members in the programme Erasmus for Young Entrepreneurs:

- YOU ENTER IN EU – DURA City of Dubronik Development Agency (HR)
- GYMNASIUM VII – TSP2 Turku Science Park Oy Ab
- OPEN EYE 8 - ASTER - Societa Consortile per Azioni
- OPEN EYE 8 – ITC Instituto Tecnológico de Canarias

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<sup>4</sup> The Regional cooperation networks for industrial modernisation (ReConfirm initiative), provides assistance to those regions which have establish partnership on the industrial modernisation platform of smart specialisation to establish common investment protocols.

<sup>5</sup> The annual report on European SMEs is prepared on a yearly basis. It provides a synopsis of the size, structure and importance of SMEs to the European economy and an overview of the past and forecasted performance of SMEs from 2008 to 2017. Comparisons with partner countries outside the EU and with the large enterprise sector are also included. The 2015/2016 report is available at [https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review-2016\\_en#annual-report](https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review-2016_en#annual-report)

<sup>6</sup> According to data of the European Commission the strategic objective of Access to Finance (SO1), has 551.4 million of euros of spending; this is 63% of 878.6 million of euros of the total budget spend in COSME during the years 2014-2016. The budget distribution of access to finance was as follows:

- Loan Guarantee Facility (LGF) 375.5 million of euros (68%)
- Equity Facility for Growth (EFG) 172.9 million of euros (31%)
- Accompanying actions (SAFE, Access2finance, events, etc.) 2.9 million of euros (1%)

<sup>7</sup> Bank loans are the major source of finance for SMEs, as identified in the European Commission's action plan to improve access to finance for SMEs ([COM/2011/0870 final](#)). This is confirmed in the Survey on the Access to Finance of Enterprises in the euro area ([SAFE May 2017](#)), which indicates that between October 2016 and March 2017, 51% of SMEs considered bank loans overdrafts to be relevant.

<sup>8</sup> The European Commission estimates that every year, over 250 000 public authorities in the EU spend around 14% of GDP on the purchase of services, works and supplies. There have been initiatives to use these purchase resources to foster research and innovation in SMES like the Small Business Innovation Research (SBIR) programmes, Pre-commercial Procurement (PCP) and Public Procurement of Innovative Solutions (PPI)