



# Position Paper

29 August 2017

## EUROCHAMBRES' response to the public consultation on the mid-term evaluation of the COSME programme

Significant steps towards the completion of the Single Market have been done so far but lots remain to be achieved. The lack of progress on this front impacts especially SMEs, which are the most negatively affected by Single Market barriers. At the October 2016 European Parliament of Enterprises<sup>1</sup>, 87% of the participating entrepreneurs answered NO to the questions 'Is the EU Single Market sufficiently integrated allowing your company to operate and compete freely?', 3% more compared to 2014. This result highlights the persistence of a worrying gap between internal market rules and the benefits perceived by businesses.

The COSME programme, key for the implementation of the Small Businesses Act (SBA), is playing a significant role in helping SMEs deal with the barriers they are confronted with and should continue to do so in the years to come. SMEs are the heartbeat of the European economy and support them will contribute to achieving growth and jobs as well as to releasing innovation.

For this reason, **it is paramount to maintain a programme dedicated to supporting SMEs and the budget allocated to COSME (or its successor programme) should not be reduced in the next Multiannual Financial Framework.**

### **COSME priority areas remain valid but fragmentation of the actions should be overcome**

COSME priority areas, reflected in the four specific objectives – access to finance, access to markets, improving framework conditions for enterprises and encouraging entrepreneurship – remain valid.

Among the actions under COSME, **the financial instruments (EFG and LGF), the Enterprise Europe Network and the Erasmus for Young Entrepreneurs programme** are considered to be the ones with the greatest impact. In view of their role in supporting SMEs and promoting entrepreneurship, they should continue to be prioritised.

With the exception of these four actions, that are allocated a significant share of the COSME budget<sup>2</sup>, there is a significant fragmentation, notably under SO3 and SO4. The high number of calls under the COSME programme results in a relatively low budget for each individual call, which often prevents a long-

<sup>1</sup> The 2016 European Parliament of Enterprises, one of EUROCHAMBRES' flagship initiatives, brought together over 700 European entrepreneurs in the hemicycle of the European Parliament in Brussels. The results of the voting sessions are available here: [http://www.parliament-of-enterprises.eu/upload/161013-EPE\\_multiscenario\\_FINALE\\_58050b458eb99.pdf](http://www.parliament-of-enterprises.eu/upload/161013-EPE_multiscenario_FINALE_58050b458eb99.pdf)

<sup>2</sup> The financial instruments are allocated 63% of the COSME budget, of which 68% to the LGF and 31% to the EFG; the EEN 82% of the SO2 budget and EYE 65% of the SO4 budget.

lasting impact. In order to maximise the efficiency and effectiveness of COSME, the programme should focus on the actions which have proved their added value and relevance to SMEs and provide more budget for each of them.

### **Principles that should underpin the COSME actions**

All the actions under COSME should respect the principles of **subsidiarity, non-duplication and complementarity**. This means that COSME should serve to fill gaps or reinforce existing support services, whereas it should not duplicate services or create new structures that compete with those already existing at national and regional level.

More synergies between the different actions or programmes, including programmes managed by different Directorates General, should be established. This is key to ensure an optimal use of the available resources and avoid overlaps. A glaring example of overlapping can be observed in the case of PRE-SOLVE, co-funded under the Justice Programme of the European Union of 2015 (DG JUST) and Early Warning Europe, co-funded under the COSME programme in a 2016 call (DG GROW). To avoid overlaps, it is suggested to put in place a database with all the existing and upcoming calls, where the Commission's services can check whether a call for a similar initiative to the one they intend to develop already exists and, if so, explore how their planned project can be integrated into existing or developing initiatives.

### **Specific Objective 1 - Access to finance**

Despite progress made in recent years, access to finance remains a top issue for SMEs. The COSME specific objective 1 aims to improve access to finance in the form of equity (Equity Facility for Growth) and debt (Loan Guarantee Facility). This objective is considered to be highly relevant and was found to have a significant impact on SMEs over the period 2014-2016. Access to finance should therefore remain a priority within COSME.

Between the two financial instruments, priority in terms of budget allocation should be maintained on the LGF, which addresses all SMEs (with relatively 'small tickets') and is found to be easier to implement than the EFG. It could be also relevant to further expand the scope of LGF by addressing crucial SMEs' needs such as digitisation (in synergy with national or regional programs). However, it should be emphasized that both LFG and the EFG are relevant to their respective target groups and both of them should therefore be maintained.

In addition, it is important to avoid overlaps with the new EFSI SME-window financial instruments, which target SMEs in the growth and expansion stage as well.

Last but not least, it is necessary to improve the distribution of these funds among the EU countries.

Regarding accompanying actions, the 'Access to finance' portal needs to be improved in order to put the users in direct contact with the most relevant intermediaries in their respective countries.

### **Specific Objective 2 - Access to markets**

#### **Enterprise Europe Network**

Among the actions foreseen under COSME Specific Objective 2 - Access to markets, the EEN would seem to be the one that is most pertinent to SME growth facilitation, also based on studies on the internationalisation of SMEs that found a direct relation between more internationalised SMEs and more

growth and jobs<sup>3</sup>. **Over the period 2014-2016, the Enterprise Europe Network played a key role in helping SMEs internationalise and grow** and proved to be a key tool to inform SMEs on regulatory aspects, legislation and EU funding opportunity, thereby encouraging SMEs to take advantage of the opportunities of the Single Market. **Support to SMEs looking to internationalise, both within and beyond the Internal Market, should continue to be provided** in the 2018-2020 period and after 2020.

### **The focus of the EEN should remain on access to markets, particularly inside the EU**

The focus of the services offered by the EEN should be on access to markets, and especially within the Single Market, while there seems to be a growing focus on innovation and internationalisation beyond the EU. The EEN should maintain a clear European profile. Internationalisation within the Single Market remains a core business for the EEN and the main source of its EU added value given that there is still a huge potential to enhance SMEs' ability to capitalize on opportunities within the EU.

### **Business Cooperation Centres (BCCs)**

Although they do not receive funding under the COSME programme, the focus of the BCCs should always favour EU businesses in order to increase the effectiveness of the EEN in helping SMEs to access third countries' markets. Moreover, the expansion of the BBC network should be coherent to trade policy objectives and not follow the interest from third countries' bodies to become BCCs. The principles of non-duplication and complementarity are also crucial with regards to the BCCs.

### **Target of the services of the EEN**

The emerging focus on start-ups and scale-ups should not be to the detriment of other SMEs. SMEs looking to internationalise, regardless of whether they are considered innovative or not, should continue to benefit from the services of the Network as they make a significant socio-economic contribution.

### **Need to further simplify reporting and administrative requirements**

Burdensome reporting and administrative requirements remain an issue for the Host Organisations involved in the EEN, which are obliged to spend a disproportionately large amount of time reporting to the Commission and EASME on their activities and results rather than delivering services to the SME community. Further steps need to be taken to lighten such requirements to ensure that the provision of services to client SMEs is not affected.

### **Visibility**

EUROCHAMBRES welcomes the efforts towards enhancing the visibility of the EEN among prospective client companies and public authorities. With regards to the latter category, it would be helpful to organise a session on the EEN at one of the SME Envoy Network meetings.

### **Governance**

The EEN is co-owned by the European Commission and the Host Organisations, nearly 30% of which are Chambers Of Commerce. The governing process should reflect this co-ownership and strategic decisions should be taken in close collaboration with the various stakeholders.

### **Flexibility**

Local and regional entities that are involved in the EEN are the best placed to understand the needs of SMEs in their area. There is no 'one size fits all' approach to serve client SMEs and regional particularities and needs should be taken into consideration by giving the flexibility to each consortium to modulate their service portfolio according to local conditions. This implies the need of flexibility in the way the terms of reference are delivered.

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<sup>3</sup> European Commission (EC), 2010. *Internationalisation of European SMEs*, DG Enterprise and Industry, Brussels, pp. 54-55.

## IPR SME Helpdesks

The importance of synergies highlighted above can be observed with regards to the IPR SME Helpdesks. The positive impact of the advice and support services provided by the Latin America, China and ASEAN IPR SME Helpdesks to EU SMEs facing difficulties in or arising from the covered areas is enhanced by synergies with other projects regarding the promotion of access to markets, developed not only by DG GROW but also by other DGs (e.g. DEVCO).

In particular, the Latin America IPR SME Helpdesk, implemented by a consortium that includes EUROCHAMBRES, established synergies not only with the other two IPR SME Helpdesks and the Enterprise Europe Network, but also with different EU and Latin America co-funded SME support structures and projects in the target countries, such as European and Latin American Business Services ELAN1<sup>4</sup>, European and Latin American Innovation Network ELAN2<sup>5</sup>, Low Carbon Brazil<sup>6</sup> and Low Carbon Mexico<sup>7</sup>. Special coordination is done in terms of exchange of information, joint events, promotional activities and policy support. Such synergies have been facilitated by the fact that EUROCHAMBRES is one of the official project partners for ELAN Network and AL-Invest 5.0 and has managed several Latin America initiatives in the past.

## Single Digital Gateway

A survey carried out by EUROCHAMBRES in 2015 over 592 EU entrepreneurs showed that difficulties in accessing information on rules and requirements is one of the top obstacles to do business within the Internal Market, with 81% of respondents identifying it as a significant to extremely significant barrier<sup>8</sup>. This suggests that more should be done on this front. EUROCHAMBRES is supportive of the proposal on the Single Digital Gateway and underlines the importance to fund it adequately – whether under the COSME programme or through other funding forms – to ensure that it becomes effective. Also crucial is to ensure a good synergy between the SDG and the EEN.

## Specific Objective 3 – Framework Conditions for Enterprises

Improving the framework conditions for enterprises, particularly SMEs is crucial to enable them to thrive and to create economic growth. The achievement of this objective requires the improvement of the quality of the EU policy-making and, more specifically, a thorough application of the SME test.

EUROCHAMBRES' assessments of the European Commission's application of the SME test<sup>9</sup> highlighted a lack of quantification in the analysis of the impact of the proposals on SMEs, often due to the difficulties of the responsible services in finding relevant data. Under SO3, a mechanism should be developed to help the European Commission, in collaboration with the EU Member States, to improve the availability and quality of data relating to SMEs, so as to ensure true progress towards embedding the 'Think Small First' principle in the policy-making.

At present, SO3 is very fragmented in terms of themes and actions. In addition to the initiative suggested above, to enhance the impact of this specific objective on SMEs, there should be a focus on the most relevant areas/actions:

- SME policy.

<sup>4</sup> [www.elanbiz.org](http://www.elanbiz.org)

<sup>5</sup> [www.elannetwork.org](http://www.elannetwork.org)

<sup>6</sup> [www.lowcarbonbrazil.com](http://www.lowcarbonbrazil.com)

<sup>7</sup> [www.lowcarbon.mx](http://www.lowcarbon.mx)

<sup>8</sup> EU Internal Market Barriers and Solutions: The Business Perspective, September 2015.

<sup>9</sup> SME Test Benchmark 2011, 2013 and 2017 (forthcoming).

In particular,

- The **SME Performance Review** might be useful in the context of the development of a mechanism to improve the collection of data on SMEs to be used in the impact assessments.
- **SME Envoys Network**: there is value in bringing the SME Envoys together and their network meetings should be continued. The meetings are found to be very effective on the information side, but they should better reflect the SBA priorities. It is regarded as positive that the SME Envoy Report and the SME Action Programme will be presented at the Competitiveness Council. Connections between the Network of the SME Envoys and the High Level Group on Competitiveness and Growth, the Competitiveness Council and the Innovation Council should be further enhanced so as to contribute to improving the governance of the SBA.
- SME Assembly: it is a very useful opportunity, but there should be a more structured engagement with stakeholders, based on the SBA priorities. Dialogue with stakeholders should be prioritised over awareness raising and promotional activities.
- **SME digitalisation/ digital skills for SMEs** (e.g. digital transformation, e-skills, cybersecurity).
- **Cluster Internationalization**: boosting cluster collaboration across borders should facilitate, in the long run, the integration of SMEs into EU value chains.

## Specific Objective 4 – Encouraging Entrepreneurship

As stated in the European Commission's Entrepreneurship 2020 Action Plan, 'to bring Europe back to growth and higher levels of employment, **Europe needs more entrepreneurs**'. It is therefore important that promotion of entrepreneurship remains a priority of COSME.

Of the actions foreseen under this SO, the Erasmus for Young Entrepreneurs programme is certainly the one with the most significant impact regarding the promotion of entrepreneurship.

### Erasmus for Young Entrepreneurs (EYE)

As of 2014, COSME funds the **Erasmus for Young Entrepreneurs programme** which enables cross-border exchanges amongst the 38 COSME countries and of which EUROCHAMBRES acts as a support office. In the programme, a new or aspiring entrepreneur is hosted by an experienced entrepreneur in another participating country for up to six months.

In the eight years since its launch, the **programme has demonstrated a positive impact in stimulating innovative business practices, the development of new products and services, and the expansion into new markets** for the entrepreneurs involved.

According to the latest data available,

- **96% of new entrepreneurs consider that EYE has contributed to their ambition** of becoming entrepreneur.
- **One third of the aspiring new entrepreneur participants have created their own business.**
- Newly established entrepreneurs, who participated, demonstrate **considerably higher survival rates than average European SMEs.**
- **61% of New Entrepreneurs (NE) and 54% of Host Entrepreneurs (HE) surveyed increased their turnover** after participating in the programme.
- **90% of NEs have acquired intelligence about the new marketplaces** they are exposed to during the exchange.
- **65% of host entrepreneurs extended their operations to other markets after the exchange**, with a quarter of them going on to operate specifically in the country of the visiting entrepreneur. The **level**



**of internationalisation of the HEs** after their involvement in the programme is **higher than the EU average**.

Still, EYE faces several issues:

- The **distribution of participating entrepreneurs across all countries is not even**: there is a very strong participation from Italy and Spain, as well as reasonable participation from the UK, Germany, Belgium and the Netherlands. However, the participation is very limited in other countries, e.g. candidate countries, Malta, Estonia, Luxembourg, and Czech Republic. Participation for the programme in the non-EU COSME countries remains rather modest, as altogether the ten countries account for only 2.4% of the applications and 3% of the entrepreneurs who have taken part in an exchange. This difference in the distribution can be partially due to low number of IOs in those country but it should be looked into whether there are other ways to overcome it and into how to stimulate interest in less popular countries.
- The **distribution of NEs and HEs within each country is also not even**. For example, the UK is very strong in hosting new entrepreneurs from other countries, but three times less British new entrepreneurs than host entrepreneurs participate to go to another country. Similar figures can be observed for Germany. Other countries are strong in sending NEs abroad (for example Central and Easter Europe and non- EU COSME countries) but are not appealing to incoming NEs.
- **In some countries** (e.g. Poland, Serbia and Italy) the **financial support provided to new entrepreneurs is taxed** by the local authorities (sometimes up to 20%), which can pose a significant financial challenge to the participants, even if the money is reimbursed with the tax return. **In others, there is no clear status for the NE who is staying there**, unlike for Erasmus+, which can often be challenging.

Tackling these issues is crucial to maximise the impact of the programme.

Erasmus for Young Entrepreneurs is currently allocated 65% of SO4 budget, while the remaining budget is very fragmented (e.g. 5% women's entrepreneurship, 4% to migrant entrepreneurs, 1% senior entrepreneurs, 1% entrepreneurship education). Encouraging demographic groups that are underrepresented within the entrepreneurial population (e.g. women, migrant, seniors and young people) to take part in EYE could help to compensate for the limited share of budget allocated to such groups and at the same time enhance the impact of the programme.

The creation of synergies between the actions of this specific objective or with actions belonging to other specific objectives (e.g. EEN and EYE) would also be beneficial with a view to enhancing their impact.

## Additional suggestions

- Organise more often info-days and webinars for open calls, as they are found to be very helpful for COSME coordinators and institutions that promote the programme.
- Announce forthcoming calls adequately in advance to allow for a thorough preparation of the application.

## Concluding remarks

Overall, the COSME programme plays a key role in supporting SMEs accessing finance and new markets as well as in promoting entrepreneurship. The more impactful actions are considered to be the financial instruments, the Enterprise Europe Network and the Erasmus for Young Entrepreneurs programme, that should continue to be prioritised in the period 2018-2020 and after 2020.

The impact of SO3 is more difficult to assess, but the improvement of framework conditions for enterprises remains a key objective to pursue.

The impact of COSME would be increased by overcoming the fragmentation of the actions foreseen under each specific objective and by focusing more resources on the actions that have proven their added value and relevance to SMEs.

As a final remark, it should be reiterated that in the current context, where innovation is emerging as a priority, it is essential not to overlook European SMEs that are less innovation-oriented but make nonetheless a significant socio-economic contribution.

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