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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

**COSME
2014-2020 Programme for the Competitiveness of Enterprises and SMEs**

2016 Monitoring Report

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1. INTRODUCTION

COSME is an EU programme to improve the competitiveness of enterprises, especially small and medium-sized enterprises (SMEs). It builds on the 2007-2013 entrepreneurship and innovation programme (EIP) established under the competitiveness and innovation framework programme. It seeks to optimise links with other EU spending programmes, in particular the European Structural and Investment Fund and Horizon 2020, which includes the innovation activities that were previously part of the EIP.

COSME adds value by addressing transnational issues and market failures in four key areas¹:

1. Improving **access to finance** for SMEs in the form of equity and debt (at least 60% of the total budget);
2. Improving **access to markets** inside and outside the EU (21.5%);
3. Improving **framework conditions** and **competitiveness** for businesses, including SMEs (11%);
4. **Promoting entrepreneurship** (2.5%).

In addition to the 28² EU Member States, the following countries participated in COSME in 2016: Albania, Serbia, Armenia, Turkey, Montenegro, North Macedonia, Ukraine and Moldova.

The Commission is responsible for the overall implementation of COSME. The first objective is implemented through the financial instruments entrusted to the European Investment Fund (EIF). Objectives 2, 3 and 4 are mainly delegated to the Executive Agency for SMEs (EASME)³. Indirect management by international organisations is also envisaged for certain analytical and benchmarking activities.

This report gives an overview of the COSME budget implementation in 2016, as required by the regulation. Given the multiannual nature of many projects, the decision was taken to delay the publication in order to allow the inclusion of comprehensive results and data in the report.

The report includes support measures and administrative expenses. Details on the implementation of each objective are available on the website⁴ along with the list of beneficiaries.

¹ Regulation (EU) N° 1287/2013 of the European parliament and of the Council of 11 December 2013.

² EU-27 + UK, with UK being part of the European Union at the time of the project execution.

³ As from 1 April 2021, the executive agency implementing the COSME projects is EISMEA (European Innovation Council and SMEs executive agency).

⁴ [Programming, monitoring and evaluation | Internal Market, Industry, Entrepreneurship and SMEs \(europa.eu\)](#)

2. ACTIVITIES AND RESULTS 2016

The overall planned budget for COSME in 2014-2020 (7 years) is EUR 2.3 billion including administrative costs. The financial commitments are planned to increase progressively up to 2020 (the programme's final year). An annual work programme with accompanying support measures is set for each year.

The COSME budget is implemented through four budget lines with appropriations specified by the corresponding revised financing decision for 2016⁵. After adding contributions from third countries, unused appropriations from the previous programming period and miscellaneous transfers the budget available for 2016 was:

- (a) budget line 02 01 04 01 for administrative expenditures: EUR 3 154 272
- (b) budget line 02 01 06 01 for the functioning of the EASME agency: EUR 7 419 744
- (c) budget line 02 02 01 for all other operational expenditure: EUR 125 410 483
- (d) budget line 02 02 02 for access to finance operational expenditure: EUR 221 596 885

The financing decision for support measures⁶ provides for a contribution of EUR 4 711 000, included in the budget line 02 02 01 of the EU's general budget for 2016.

On average, 84% of COSME's activities, with the exception of access to finance, were delegated to EASME⁷.

In total, **94.4% of the EUR 358 million euros available were committed**. For payments, the implementation rate was on average 75%.

⁵ C(2016) 63 final.

⁶ C(2016) 60 final.

⁷ SEC(2013) 493 final.

2.1 ACCESS TO FINANCE

The COSME Regulation specifies that at least 60% of the total budget (EUR 1.4 billion) should be allocated to the financial instruments for 2014-2020.

In 2016, access to finance represented 62.5% of COSME's financial envelope.

EUR 221 million was available for the financial instruments and accompanying actions, including transfers and third countries' participation.

EUR 137 million was committed for the Loan Guarantee Facility (LGF)⁸ and EUR 70 million for the Equity Facility for Growth (EFG).

In 2016, EUR 0.8 million was committed for accompanying actions, including promoting financial instruments, gathering data on SMEs' access to finance and a study on improving SMEs' access to public capital markets.

Loan Guarantee Facility

By the end of 2016, 67 guarantee agreements had been signed with financial intermediaries in 21 countries (18 Member States and 3 third countries). More than 143 000 SMEs received financing (51 000 in 2015) for an amount of almost EUR 5 547 million. This shows that the LGF, by providing financing to riskier SMEs that otherwise would not have had access to such financing, has an important impact on the real economy in the EU and other countries participating in the COSME programme. Furthermore, combining resources with EFSI has allowed sub-optimal financing situations in the Member States to be addressed much faster than would have been possible under the LGF on its own, significantly speeding up the much-needed financing of the economy.

Equity Facility for Growth

Four commitments were signed by the EIF in 2016 under the EFG. These funds mainly focused on investments in Germany, the UK and Sweden, but were also available for investments in other countries and for cross-border investments. The expected volume of investments into eligible final recipients amounts to almost EUR 470 million. All four operations signed in 2016 relate to growth and expansion stage funds. At the end of 2016, 9 operations were signed - 6 for growth and expansion stage funds and 3 for multistage funds operating in combination with the InnovFin Equity Facility for Early Stage set up under Horizon 2020.

Awareness-raising activities

⁸ Further information is available in the Report from the Commission to the European Parliament and the Council on financial instruments supported by the general budget according to Art.140.8 of the Financial Regulation as at 31 December 2016 and the accompanying Staff Working Document COM(2017) 535 final.

In 2016 the Commission continued to update and promote the single portal on EU financial instruments⁹. The portal is a single information point for SMEs looking for EU financing in Europe. It provides and regularly updates the contact details of around 1 500 intermediaries, covering EU financial instruments from various programmes (COSME, Creative Europe, EaSI, ESIF, EFSI, InnovFin, Life, WB Edif, EIB/ EIF own resources). The financial instruments covered provide access to over EUR 120 billion over a seven-year period.

In cooperation with national stakeholders and partner organisations, the Commission also organised 3 events in 2016: the European Small- and Mid-Cap Awards jury meeting, the Tax compliance costs for SMEs workshop and a journalists seminar with 28 journalists (one for each Member State) to inform them about the EU financial instruments.

The Commission, together with the European Central Bank, conducts regular surveys on the access to finance of enterprises (SAFE). These surveys provide information on the financial situation, financing needs, access to financing and expectations of SMEs. The 2016 results¹⁰ showed that access to finance was the most important concern of 9% EU SMEs in 2016 (down from over 15% in 2013), with bank loans remaining the most relevant form of external financing for 50% of the SMEs.

2.2 ACCESS TO MARKETS

The COSME Regulation specifies that 21.5% of the total budget should be devoted to easing access to markets.

In 2016 EUR 57.9 million was dedicated to the internationalisation of SMEs.

COSME provides support to European enterprises and, in particular, to SMEs to help them benefit from the single market by establishing business links outside their own country and also to export outside Europe.

Enterprise Europe Network (EEN)

The EEN provides integrated business support services to companies who seek to innovate, grow and explore opportunities in the single market and third countries. The Network provides services to around 250 000 SMEs per year, including specialised advisory services to some 70 000 SMEs.

In 2016, 536 participating organisations from 92 consortia covering 38 EU and third countries were associated with the COSME programme. The average EU contribution to the eligible costs of Network partners was about 55%. These ‘core Network partners’ worked with 80 business cooperation centres grouped in 30 consortia covering 29 countries. They focus on partnership services and have to finance their activities with their own resources. (See <https://een.ec.europa.eu/> for the current list of partners.)

In 2016, EASME started to systematically gather information from Network clients on the impact they expect the services to have on their businesses. Feedback was gathered on the

⁹ www.access2finance.eu

¹⁰ Detailed results available at: <http://ec.europa.eu/growth/safe>

expected impact of both partnership agreements and advisory services on meeting three key Network objectives: market improvement (market share/turnover); positive impact on jobs; and improved competitiveness through innovation. Results showed that nearly 70% of clients expect that Network support will improve their market situation, nearly 50% that it will improve their competitiveness, and over 40% that it will help them preserve or create jobs.

Other activities

The corporate communication campaign on COSME's benefits for SMEs targeted 1.6 million SME owners in Bulgaria, Czechia, Estonia, Lithuania and Slovenia. Phase I focused on organising an info day for stakeholders in each country. Phase II focused on encouraging them to spread information about EU and national policies and opportunities through their channels. To increase SMEs' use of services/tools provided at EU level, the action aimed at promoting local networks and info access points (such as the EEN and the relevant portals/web-sites). A key element of the campaign was its online and social media part, which achieved **207.2 million ad impressions**, 919 000 link clicks, 2.2 million video views, and **21 781 social media engagements**.

EU-Japan cooperation continued to develop thanks to the annual EUR 2.8 million grant to the EU-Japan Centre. The Centre was set up to improve European businesses' access to the Japanese market, by providing them with the needed data on local conditions and by acquainting them with commercial and industrial practices that EU businesses are facing in Japan. Training on production technologies, quality management and innovation aimed to increase the competitiveness of EU businesses.

The Your Europe Business Portal attracted 3.5 million unique visitors in 2016 which is an increase of 118% compared to 2015. The most visited sections¹¹ are VAT and customs (44%), funding (25%), and selling abroad (9%). Users who need more expert advice may send enquiries to a member of the EEN directly from the portal. From January to December 2016 EEN partners received close to 4 000 requests via the portal. Finance was the top subject (49% of enquiries) followed by expanding abroad (13%) and EU law and research (9%).

According to a survey of portal visitors conducted at the beginning of 2017, over 89% of users rate the portal as excellent, good or satisfactory.

2.3 IMPROVING FRAMEWORK CONDITIONS AND COMPETITIVENESS

The COSME Regulation specifies that 11% of the total budget should be devoted to improving framework conditions and competitiveness.

In 2016, EUR 37.9 million was allocated to this objective.

COSME funded actions that aim to promote the internationalisation of clusters, to create favourable conditions for the competitiveness of the tourism sector, to develop social businesses, and to increase the competitiveness of other strategically important sectors in the

¹¹ VAT and customs is now called 'Taxation', funding is now called 'Finance and funding', and Selling abroad is now called 'Selling in the EU'.

EU. COSME also promoted the better regulation platform, and the establishment of cooperation networks for industrial renaissance.

Clusters

The ‘Clusters internationalisation programme for SMEs’ supports consortia that wish to develop a joint international strategy, as well as the internationalisation of SMEs, especially in emerging thematic areas. It also helps facilitate international cluster cooperation by further developing the European cluster collaboration platform.

Cluster initiatives targeted groups of specialised companies and supported strategic interregional and international collaboration. Thanks to the European cluster collaboration platform’s online services it is now possible to map in a single place all cluster organisations in Europe and beyond. The website also has pages dedicated to European cluster strategic partnerships, matchmaking events and international cooperation. The matchmaking events have resulted in 2 984 bilateral meetings being organised and the development of 363 cluster cooperation cases.

Worth Partnership project

This capacity-building project aims to help new talent (creative SMEs) produce and upscale innovative ideas and prototypes. It supports collaboration between fashion designers, creative businesses, crafters and manufacturers, and tech companies.

In the first selection round, 41 partnership projects (involving 100 companies and designers) were preselected, of which 27 were chosen and collaboration agreements signed. The 27 selected projects involved 60 designers, startups and companies from 20 COSME countries, and several creative industries: 16 projects involved the fashion and textile sector, 2 footwear, 3 accessories, 3 furniture, 2 jewellery and 1 the leather sector.

One example to illustrate the creativity of these projects is ‘Wear Pure’, a partnership between Spain and the Netherlands to manufacture garments made with textiles incorporating a CO₂ purifying technology (CO₂pure is a mineral and micro-particle compound that has the property of mineralising the main greenhouse gases CO₂ and NO_x). The prototype was designed digitally and manufactured using a 3D printer. More information is available [here](#).

Tourism

The tourism initiatives funded by COSME in 2016 contributed to strengthening the competitiveness of the European tourism sector. Financially, the biggest action was on ‘Supporting the internationalisation of EU tourism operators, the promotion of trans-European tourist products and the organisation of B2B matchmaking during international fairs’. Out of the 8 planned matchmaking events, 6 have been organised so far. The action also aimed to gather at least 200 operators at each international event and to promote unique European tourist destinations at 10 international tourist fairs

An action with the OECD helped improve knowledge about the socioeconomic aspect of tourism to help EU institutions and national public authorities shape their policies and strategies. More research on tourism in the EU and OECD countries is needed (data, flows of

tourists, behaviours, expenditures, etc.). Under COSME, the OECD also prepared reports on tourism trends and policies (2018 report), on investment trends in tourism for effective policy responses, on megatrends to better shape the future of tourism, and on the impacts of terrorist incidents.

The visibility of European destinations of excellence has increased further. All 17 of the candidate destinations became beneficiaries, of which 16 were located in the EU and 1 in Serbia. The theme chosen for the 2016 edition was ‘cultural tourism’, i.e. the awarded destinations were those that have developed a specific tourism offer based on their local cultural assets.

2.4 PROMOTING ENTREPRENEURSHIP AND ENTREPRENEURIAL CULTURE

The COSME Regulation specifies that 2.5% of the total budget should be devoted to promoting entrepreneurship and entrepreneurial culture.

In 2016, EUR 14.2 million was allocated to this objective (4.6% of COSME’s total budget for that year), most of which was directed to Erasmus for young entrepreneurs.

Erasmus for young entrepreneurs

By November 2018, 2 800 matches had been made between new entrepreneurs and experienced entrepreneurs, with 98 intermediary organisations and 29 COSME countries involved. Intermediary Organisations were available in 39 countries.

A support office was selected to coordinate and support the activities of the programme’s European partnerships and intermediary organisations. The support office’s role is to assist and support the executive agency and the Commission in the management of the programme and to help with promotion and communication activities.

European Network for early warning and for support to enterprises and second starters

This Network aims to conceptualise, develop and implement support services for companies and company-owners in difficulty as well as honest bankrupt entrepreneurs vying for a second chance. Each year more than 200 000 EU businesses face insolvency, and 1,7 million jobs in the EU are lost due to insolvency. Moreover, the risk of bankruptcy is what Europeans fear most about setting up a new business: 43% of Europeans would not start a business if it might fail compared to just 19% in the United States.

Early Warning Europe established early warning mechanisms in Poland, Spain, Italy and Greece, providing support to 3 500 companies in distress in 2017-2019. The Commission supported the establishment of early warning mechanisms in five additional EU Member States in 2017-2019 – the ‘second wave countries.’ The project’s ultimate goal was to establish early warning mechanisms in all EU Member States.

3. SUPPORT MEASURES AND ADMINISTRATIVE EXPENDITURE

COSME support measures are financed under budget line 02.0201. In 2016, EUR 4.7 million was allocated to support measures.

Conferences, workshops and expert meetings were organised with various stakeholders (including national authorities, industry and consumer organisations, SMEs representatives, non-governmental organisations) to discuss challenges facing different industrial sectors. Particular attention was devoted to recommendations on how to better address SMEs' needs and how to further foster competitiveness.

Administrative expenditure represented 3% of the budget in 2016. The Commission's (DG GROW's) administrative expenditure amounted EUR 3 154 272 and EASME's amounted to EUR 7 419 744.

A notable support measure financed under the 2016 budget is the European Network of defence-related regions, which brought together regions with dual-use assets, to exchange best practices and cooperate. The aim was to increase the dual-use potential of their regional strategies (for smart specialisation), and enhance the dual-use market opportunities for SMEs in line with the 2013 Communication on defence and the 2014 implementation roadmap. Participating regions were involved in four events: 'The dual use of cyber-security' (Rennes, 23 November 2016), 'Maritime and defence dual-use conference' (Southampton, 4 May 2017), 'Dual-use conference- drones and space' (Aarhus, 4 May 2017) and the 'European forum on defence and dual-use technologies in the maritime domain' (Toulon, 20 September 2018). These events helped collect many best practices, which the Network plans to publish at a later stage.

Administrative expenditure covered studies, expert meetings, and information and communication actions, including corporate communication of EU political priorities related to COSME's general objectives. Expenses linked to IT networks and other technical and administrative assistance expenses incurred by the Commission for the management of the COSME programme were also covered.

4. CONTRIBUTION TO THE CLIMATE MAINSTREAMING OBJECTIVE

The COSME programme's contribution to the climate mainstreaming objective, set for all Commission programmes, has been estimated at EUR 20,7 million representing 6.6% of the financial allocation in 2016.

Relevant objective/output	DB 2016 (EUR million)
Enterprise Europe Network	13.7
Financial instruments	7

Total	20.7
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However, for several COSME actions it is difficult to track the contribution to climate mainstreaming without imposing an additional administrative burden on financial intermediaries and, ultimately, the hundreds of thousands of participating SMEs who are the final recipients. Moreover, some actions such as the WORTH partnership projects have an indirect impact on climate changes objectives which are not easily measurable.

5. CONCLUSION

Access to finance was a key action area in 2016. More than 143 000 SMEs received financing for almost EUR 5 547 million under the Loan Guarantee Facility (LGF), and guarantee agreements were signed in 21 countries. More than 91% of the SMEs that received financing had less than 10 employees, which illustrates that the LGF effectively targets SMEs that face particular difficulties in accessing the financing they need.

COSME continued to build on the solid experience from the predecessor programmes. Thanks to the Enterprise Europe Network (EEN), over 7 million SMEs received digital information services. More than 250 000 companies received direct support services (in the form of information sharing, advice service, events, and IPR business & technology reviews).

The framework conditions for EU SMEs were improved by cluster actions as well as actions targeted to the tourism sector. The EEN's integrated business support services helped facilitate SMEs' access to finance and markets, to decrease the disproportionate administrative burden and to promote entrepreneurship across the EU. As an SME-focused programme, COSME complemented other EU programmes and built on the solid results of previous programmes.

The COSME programme is on track to reach its objectives by the end of 2020, and its actions continue to be relevant for fostering economic growth and creating employment opportunities, while being aligned to the evolving needs of SMEs.

ANNEX

Table: COSME total budget available in 2016 for commitments

Budget line 02 01 04 01 for administrative expenditure

Voted budget:	2 766 027
Transfers:	44 873
Contributions from third countries:	343 372
Total budget available for commitments:	3 154 272

Budget line 02 01 06 01 for the functioning of the EASME agency:

Voted budget:	7 005 395
Transfers:	37 329
Contributions from third countries:	377 020
Total budget available for commitments:	7 419 744

Budget line 02 02 01 for all other operational expenditure

Voted budget:	110 863 958
Transfers:	2 315 091
Contributions from third countries:	12 231 435
Total budget available for commitments:	125 410 483

Budget line 02 02 02 for access to finance operational expenditure

Voted budget:	191 559 780
Transfers:	10 913 776
Contributions from third countries:	19 123 329
Total budget available for commitments	221 596 885

Table: COSME budget execution in 2016

Budget Line		Commitments ¹²			Payments		
		Budget available	Budget implemented	Implementation %	Credits available for payments	Payment executed	Execution %
02 02 02	Access to finance	221 596 885	209 325 361	94.46%	97 585 635	67 550 195	69.22%
02 02 01	Access to markets, business environment & entrepreneurship						
	total budget committed in 2016 including carry-overs for 020201	125 410 483	121 955 683	97.25%	67 233 839	57 189 265	85.06%
Carried over EASME	actions carried over to 2017	66 039 149	64 464 048	94.59%			
Carried over GROW	actions carried over to 2017	1 189 050	942 955	79.30%			
02 01 04 01	Administrative budget	3 154 272	3 109 344	98.58%	3 154 272	483 897	15.34%
02 01 06 01	EASME - Administrative budget	7 419 744	7 005 395	94.42%	7 419 744	7 005 395	94.42%
	Operational budget committed in 2016 including carry-overs	347 007 368	327 459 848	94.4%			
COSME Total	Total budget implemented, including adm. expenses, after execution of the carry-overs	357 581 384	337 574 588	94.4%	175 393 490	132 228 752	75.39%

¹² Including the voted budget, third countries and EFTA contributions and transfers.