COUNCIL OF THE EUROPEAN UNION

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COVER NOTE

from:	Mr Janusz LEWANDOWSKI, Member of the European Commission
date of receipt:	13 June 2013
to:	Mr Brian HAYES, President of the Council of the European Union
Subject:	Transfer of appropriations No DEC 09/2013 within Section III - Commission - of the general budget for 2013

Delegations will find attached Commission document DEC 09/2013.

Encl.: DEC 09/2013

EUROPEAN COMMISSION

BRUSSELS, 07/06/2013

GENERAL BUDGET - 2013
SECTION III - COMMISSION TITLES 01, 02

TRANSFER OF APPROPRIATIONS N° **DEC 09/2013**

EUR

FROM

CHAPTER - 0202 Competitiveness, industrial policy, innovation and entrepreneurship		
ARTICLE - 02 02 01 Competitiveness and Innovation Framework Programme - Entrepreneurship and Innovation Programme	Commitments	- 19 600 000

TO

CHAPTER - 0104 Financial operations and instruments		
ARTICLE - 01 04 04 Competitiveness and Innovation Framework Programme - Entrepreneurship and Innovation Programme	Commitments	19 600 000

I. INCREASE

a) Heading

01 04 04 - Competitiveness and Innovation Framework Programme - Entrepreneurship and Innovation Programme

b) Figures at 15/05/2013

		Commitments
1A.	Appropriation in budget (initial budget + AB)	208 950 000
1B.	Appropriation in budget (EFTA)	5 850 600
2.	Transfers	0
3.	Final appropriation for the year (1A+1B+2)	214 800 600
4.	Utilisation of final appropriation	208 950 000
5.	**Amount not used/available (3-4)**	**5 850 600**
6.	**Requirements up to year-end**	**25 450 600**
7.	**Increase proposed**	**19 600 000**
8.	Increase as percentage of appropriation in budget (7/1A)	9.38%
9.	Increase, as a percentage of the final appropriation for the year, in the sum of transfers referred to in Article 26(1)(b) and (c) of the Financial Regulation, calculated in accordance with Article 14 of the Rules of Application	n/a

c) Receipts arising from recovery (carried over) (C5)

		Commitments
1.	Appropriation available at start of year	0
2.	Appropriation available on the 15/05/2013	0
3.	Rate of utilisation [(1-2)/1]	n/a

d) Detailed grounds for the increase

With a view to facilitating access to finance for small and medium-sized enterprises (SMEs), the Competitiveness and Innovation Framework Programme (CIP) implements two financial instruments for SMEs through budget article 01 04 04, i.e. GIF (High Growth and Innovation Facility for SMEs, venture capital) and SMEG (guarantee facility for loans to SMEs), managed by the European Investment Fund (EIF) on behalf of the Commission.

Both instruments are proving extremely relevant in the present economic context, by encouraging productive investment, underpinning the nascent recovery, and are presently in very high demand.

By the end of March 2013, the EIF estimates that the pipeline of potential deals for 2013 is in the range of EUR 65-102 million for the SMEG guarantee facility and about EUR 240 million for the GIF. Not all potential deals will be finalised in 2013. Nevertheless, it is evident that actual market demand for the two instruments far exceeds the resources available in the EU budget 2013 which are only EUR 208.95 million.

GIF – Venture Capital

With regard to venture capital investments, there are 7 potential deals in the pipeline amounting to about EUR 240 million. Out of these, EUR 130 million are earmarked for eco-innovation which is an important political objective of the programme. While the largest share of the investment pipeline would be dedicated to venture capital funds investing on a multi-country basis (cross-border), also single country deals in Norway, Poland, Italy and the UK could be supported.

SMEG – Loan Guarantees

With regard to the SME guarantee facilities, the potential deals in the pipeline concern countries such as Spain, Poland, Romania, Czech Republic and Turkey for an amount in the range of EUR 65-102 million. For the first time, potential guarantee deals are also envisaged in Greece, UK, Malta and the Former Yugoslav Republic of Macedonia, in view of the balanced geographical coverage of the instrument.

For GIF, the absence of additional EIF support could imply that venture capital (VC) funds may be unable to raise sufficient funding to reach a viable size, while in the context of SMEG, it would restrict the ability of thousands of SMEs to have access to the necessary debt finance.

Regular discussions take place between the Commission and EIF to ensure the most effective use of the available budgetary resources and the foreseen appropriations are being committed according to schedule.

In the current and expected economic conditions during 2013, it is vital to use available public means in the best way to support growth through investment in new enterprises and in technological development. A clear need exists for access to finance as a way to support SME growth.

Moreover, channelling the additional resources to the financial instruments assures their efficient use thanks to the high leverage with private funds and the alignment of interests between private financial professionals and EU policy objectives. The leverage effect being about 1:30 for guarantee instruments (it means that every single euro from the EU budget spent under the SMEG instrument until now may allow mobilisation of EUR 30 in the financial markets to ensure better financing of SMEs), and about 1:6 for equity investments.

Finally, the additional resources under both SMEG and GIF will help the EU and the EIF to preserve their active participation in the relevant markets, and also positively impact the possibility of achieving a more widespread geographical coverage.

In order to meet at least partially the very strong demand for financial instruments, an increase of EUR 19 600 000 of commitment appropriations is requested.

II. DECREASE

a) Heading

02 02 01 - Competitiveness and Innovation Framework Programme - Entrepreneurship and Innovation Programme

b) Figures at 15/05/2013

		Commitments
1A.	Appropriation in budget (initial budget + AB)	161 500 000
1B.	Appropriation in budget (EFTA)	4 522 000
2.	Transfers	0
3.	Final appropriation for the year (1A+1B+2)	166 022 000
4.	Utilisation of final appropriation	50 263 059
5.	**Amount not used/available (3-4)**	**115 758 941**
6.	**Requirements up to year-end**	**96 158 941**
7.	**Proposed decrease**	**19 600 000**
8.	Decrease as percentage of appropriation in budget (7/1A)	12.14%
9.	Decrease, as a percentage of the final appropriation for the year, in the sum of transfers referred to in Article 26(1)(b) and (c) of the Financial Regulation, calculated in accordance with Article 14 of the Rules of Application	n/a

c) Receipts arising from recovery (carried over) (C5)

		Commitments
1.	Appropriation available at start of year	238 116
2.	Appropriation available on the 15/05/2013	238 116
3.	Rate of utilisation [(1-2)/1]	0.00%

d) Detail grounds for the transfer

Access to finance is signalled as a major obstacle European SMEs face in today's economic and budgetary crisis. As a result, priority should be given to the reinforcement of financial instruments.

At present, an amount of EUR 19 600 000 is still available on the CIP budget line dedicated to entrepreneurship and innovation actions in favour of enterprises.

The overall commitment appropriations were increased by EUR 5 million by the Budget Authority in the voted budget 2013 and an additional amount of EUR 14.8 million originated from EFTA appropriations and third country contributions.

Given the acknowledged political priority of enhancing access to finance by SMEs and the heavy demand under the financial instruments within the CIP programme, it is proposed to transfer EUR 19 600 000 to cover the greater needs for the financial instruments.

This would not jeopardise any of the planned measures to boost competitiveness and innovation.