



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 13 April 2012

8627/12

**Interinstitutional File:
2011/0394 (COD)**

**COMPET 199
IND 73
MI 240
CODEC 946**

NOTE

From: Presidency
To: Delegations
No. prev. doc.: 7855/12 COMPET 160 IND 64 MI 188 CODEC 714
No. Cion prop.: 17489/11 COMPET 553 IND 152 MI 605 COM(2011) 834 final

Subject: Revised draft Proposal for a Regulation of the European Parliament and of the Council establishing a Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (2014 - 2020)

The Working Party on Competitiveness and Growth examined the above proposal at its meetings on 13 January, 1 and 17 February, 7 and 16 March, and 10 April 2012. It also discussed the impact assessment accompanying the proposal. At this stage all delegations have a general scrutiny reservation. The French, the Slovenian and the United Kingdom delegations have entered a parliamentary scrutiny reservation.

The new text is compared to doc. 7855/12. Changes have been put in **bold and underlined**. Deleted text has been marked by ~~strikethrough~~.

**Proposal for a
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
establishing a Programme for the Competitiveness of Enterprises and small and medium-
sized enterprises (2014 - 2020)
(Text with EEA relevance)**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 173 and 195 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee,

Having regard to the opinion of the Committee of the Regions,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) The Commission adopted the Communication entitled “Europe 2020 - A strategy for smart, sustainable and inclusive growth”¹ in March 2010 (hereinafter "the Europe 2020 Strategy"). The Communication was endorsed by the European Council of June 2010. The Europe 2020 Strategy responds to the economic crisis and is intended to prepare the Union for the next decade. It sets five ambitious objectives on climate and energy, employment, innovation, education and social inclusion to be reached by 2020 and identifies key drivers for growth aimed at making the Union more dynamic and competitive. It also emphasises the importance of reinforcing the growth of the European economy while delivering a high level of employment, a low carbon, resource and energy-efficient economy and social cohesion.
- (2) In order to ensure that enterprises, **in particular SMEs**, play a central role in delivering economic growth in the European Union, the Commission adopted a Communication entitled "An Integrated industrial policy for the globalization era, putting competitiveness and sustainability at centre stage"² in October 2010, which was endorsed by the Council of December 2010. This is a flagship initiative of the Europe 2020 Strategy. The Communication sets out a strategy aiming at boosting growth and jobs by maintaining and supporting a strong, diversified and competitive industrial base in Europe, in particular by improving framework conditions for enterprises and strengthening several aspects of the Single Market, including business-related services.

¹ doc. 7110/10

² doc. 15483/10

- (3) In June 2008 the Commission adopted the Communication entitled “Think Small First - A “Small Business Act for Europe”³, which was **welcomed** ~~endorsed~~ by the Council of December 2008. The Small Business Act (SBA) provides a comprehensive policy framework for small and medium-sized enterprises (SMEs), promotes entrepreneurship and anchors the “Think Small First” principle in law and policy in order to strengthen the competitiveness of SMEs. The SBA establishes 10 principles and outlines policy and legislative actions to promote SMEs’ potential to grow and create jobs. Implementation of the SBA contributes to achieving the objectives of the Europe 2020 Strategy. Several actions for SMEs have already been set out in the flagship initiatives.
- (4) The Commission Communication entitled “Review of the Small Business Act for Europe”⁴ of February 2011, on the basis of which the Competitiveness Council of May 2011 adopted Council conclusions. The Review takes stock of the implementation of the SBA and assesses the needs of SMEs operating in the present economic environment, in which they find it increasingly difficult to get access to finance and to markets. That review presents an overview of the progress made in the first two years of the SBA, sets out new actions to respond to challenges resulting from the economic crisis that stakeholders have reported, and proposes ways to improve the uptake and implementation of the SBA with a clear role for stakeholders, and business organisations on the front-line.
- (5) With the proposal for a Council Regulation laying down the multiannual financial framework for the years 2014-2020⁵, adopted on 29 June 2011, the Commission lays down a package of legislative proposals and documents for the 2014-2020 Union budget. That multiannual financial framework describes how the policy goals of increasing growth and creating more jobs in Europe and establishing a low-carbon and more environment-conscious economy and internationally prominent European Union will be achieved.

³ doc.11262/08

⁴ doc.7017/11

⁵ doc.17229/11

- (6) In order to contribute to the reinforcement of competitiveness and sustainability of Union enterprises, in particular SMEs, the advancement of the knowledge society, and development based on balanced economic growth, a Programme for the Competitiveness of Enterprises and SMEs (hereinafter "the Programme") should be established.
- (6a) The Programme will give a high priority to the simplification agenda, in line with Commission Communication entitled "A Simplification agenda for the MFF 2014-2020"⁶ of February 2012.
- (7) The Commission has committed to mainstream climate action into Union spending programmes and to direct at least 20% of the Union budget to climate-related objectives. It is important to ensure that climate change mitigation and adaptation as well as risk prevention is promoted in the preparation, design and implementation of the Programme. Measures covered by this Regulation should contribute to promoting the transition to a low-carbon and climate-resilient economy and society.
- (8) The competitiveness policy of the Union is intended to put into place the institutional and policy arrangements that create conditions for the sustainable growth of enterprises, **in particular SMEs**. Improved productivity is the dominant source of sustainable income growth. Competitiveness also depends on companies' ability to take full advantage of opportunities such as the European Single Market. This is especially important for SMEs, which account for 99% of the enterprises in the Union, provide two out of three existing jobs in the private sector, and 80 % of newly-created jobs, and contribute ~~with~~ more than half of the total added value created by enterprises in the Union. SMEs are a key driver for economic growth, employment and social integration.

⁶ doc. 6708/12

- (9) Competitiveness has been put under the spotlight of Union policy-making in recent years because of the market, **policy and institutional** failures that are undermining the competitiveness of Union enterprises, particularly SMEs.
- (10) The Programme should therefore address market failures affecting the competitiveness of the Union economy on a global scale and which undermine the capacity of enterprises, **in particular SMEs**, to compete with their counterparts in other parts of the world.
- (11) The Programme should particularly address SMEs, as defined in Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises⁷. Particular attention should be paid to micro enterprises, enterprises engaged in craft activities, and social enterprises. Attention should also be paid to the specific characteristics and requirements of specific target groups such as young, **new, potential** entrepreneurs and **female women** entrepreneurs, as well as promoting business transfer, spin-offs, **spin-outs** and second chances for entrepreneurs.
- (12) Many of the Union's competitiveness problems involve SMEs' difficulties in getting access to finance because they struggle to demonstrate their credit-worthiness and have difficulties in gaining access to risk capital. This has a negative effect on the level and quality of the new enterprises created and on the growth of enterprises. The added value for the Union of the proposed financial instruments lies *inter alia* in strengthening the Single Market for venture capital and in developing a pan-European SME finance market. The Union's actions should be coherent and consistent between programmes, and complementary to the Member States' ~~use of~~ financial instruments for SMEs and avoid creating market distortion. The entities entrusted with the implementation of the actions should ensure additionality and avoid double financing through Union resources.

⁷ OJ L 124 20.5.2003, p. 36

- (12a) The Commission Communication entitled “a Framework for the next generation of innovative financial instruments – the EU equity and debt platforms”⁸ of October 2011, sets out the need for: increased coherence and consistency between EU financial instruments; interventions to be made conditional on the existence of a market failure; and action to improve their EU added value and visibility. The need for increased coherence and consistency is also underlined in the Commission Communication entitled “An Action Plan to Improve Access to Finance for SMEs”⁹ of December 2011.
- (13) The Enterprise Europe Network has proven its added value for European SMEs as an EU one-stop-shop to identify appropriate EU business support programmes to improve their competitiveness and explore business opportunities in the Single Market and beyond. The streamlining of methodologies and working methods and provisions of a European dimension to business support services can only be achieved at Union level. In particular, the Network has helped SMEs to find cooperation or technology transfer partners, get advice on sources of EU financing, and on EU legislation and intellectual property and on EU-programmes to encourage eco-innovation and sustainable production. It has also obtained feedback on Union legislation and standards. Its unique expertise is particularly important in overcoming information asymmetries and alleviating transaction costs associated with cross-border transactions.

⁸ doc. 16301/11

⁹ doc. 18619/11

- (14) The limited internationalisation of SMEs both within and outside Europe affects competitiveness. According to some estimates currently 25% of the SMEs in the Union export or have exported at some point over the last three years, of which only 13% export outside the Union on a regular basis and only 2 % have invested beyond their home country. In line with the Small Business Act, which called on the Union and the Member States to support and encourage SMEs to benefit from the growth of markets outside the Union, the European Union provides financial assistance to several initiatives such as the China Intellectual Property Rights SME helpdesk. European added value is created by promoting cooperation and by offering non-core trade promotion services at European level which strengthen the combined effort of public and private service providers in this field. Part II of the Council Conclusions on the industrial policy flagship initiative, entitled “Reinforcing implementation to industrial policy across the EU”¹⁰ should be fully taken into account. In that respect, a well-defined European cluster strategy should complement national and regional efforts to ~~orient~~encourage clusters towards excellence and international cooperation.
- (15) To improve the competitiveness of European enterprises, notably SMEs, the Member States and the Commission need to create a favourable business environment. The interests of SMEs and the sectors in which they are most active need particular attention. Initiatives at Union level are also necessary in order to exchange information and knowledge on a European scale and digital services can be particularly cost-effective in this area. Such actions can help develop a level playing field for SMEs.

¹⁰ doc.17851/11

- (16) Another factor which affects competitiveness is the relatively weak entrepreneurial spirit in the Union. Only 45% of the Union citizens (and less than 40% of women) would like to be self-employed as compared to 55% of the population in the United States and 71% in China (according to the 2009 Eurobarometer survey on entrepreneurship). Promotion of entrepreneurship education, demonstration and catalytic effects, for example European Awards, as well as coherence and consistency enhancing measures such as benchmarking and exchanges of best practices provide a high European added value.
- (17) Global competition, demographic changes, resource constraints and emerging social trends generate challenges and opportunities for many sectors. For example, design-based sectors need to adapt in order to benefit from the untapped potential of high demand for personalised, inclusive products. As these challenges apply to all SMEs in the Union in many sectors, a concerted effort at Union level is necessary in order to create additional growth.
- (18) As outlined in the Commission Communication of 30 June 2010, entitled "Europe, the world's No 1 tourist destination – a new political framework for tourism in Europe"¹¹, which was ~~endorsed~~ **welcomed** by the Council of October 2010, tourism is an important sector of the Union economy. Enterprises in this sector substantially contribute to the Union's Gross Domestic Product (GDP) and job creation and have significant potential for the development of entrepreneurial activity. The Lisbon Treaty acknowledges the importance of tourism outlining the Union specific competences in this field—~~similar to the Union's competences for industrial policy~~. The European tourism initiative ~~can~~**will** complement the actions of Member States **by encouraging the creation of a favourable environment** ~~to provide data and analysis~~ and **by promoting** cooperation between Member States, particularly by the exchange of good practice. Actions can include improving the tourism knowledge base **by providing data and analysis**, developing transnational cooperation projects in close cooperation with the Member States while avoiding unnecessary **mandatory requirements** ~~administrative burdens~~ for Union enterprises.

¹¹ doc.11883/10

(19) The Programme indicates actions for the objectives, the total financial envelope for pursuing those objectives, a minimum financial envelope for financial instruments, different types of implementing measures, and the arrangements for monitoring and evaluation and for protection of the Union's financial interests.

(19a) Financial instruments need to function via intermediaries or similar structures in the member states. The use of financial instruments should provide leverage and clear added value and function as a complement to national instruments.

(20) The Programme complements other Union programmes, while acknowledging that each instrument should work according to its own specific procedures. Thus, the same eligible costs should not receive double funding. With the aim to achieve added value and substantial impact of Union funding, close synergies should be developed between the Programme, Horizon 2020, the Structural Funds and other Union programmes.

(21) The principles of transparency and equal gender opportunity should be taken into account in all relevant initiatives and actions covered by the Programme. The respect of human rights and fundamental freedom for all citizens should be also considered in those initiatives and actions.

(22) This Regulation should lay down, for the entire duration of the Programme, a financial envelope constituting the prime reference, within the meaning of point 17 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on cooperation in budgetary matters and on budgetary discipline and sound financial management¹², for the budgetary authority during the annual budgetary procedure.

(23) To ensure that financing be limited to tackling market, policy and Institutional failures, and with a view to avoiding market distortions, funding from the Programme should comply with the Union State aid rules.

¹² OJ C 139, 14.6.2006, p.1

- (24) The Agreement on the European Economic Area and Protocols to Association Agreements provide for the participation of the countries concerned in Union programmes. Participation by other third countries should be possible when Agreements and procedures so indicate.
- (25) The Programme should be monitored and evaluated so as to allow for adjustments.
- (26) The financial interests of the Union should be protected through proportionate measures, including the prevention, detection and investigation of irregularities, the recovery of funds lost, wrongly paid or incorrectly used and, where appropriate, penalties, throughout the expenditure cycle.
- (27) In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission, to adopt an annual work programme for the implementation of the Programme. These powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by the Member States of the Commission's exercise of implementing powers¹³.
- (28) The power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in respect of specific rules for participation and externalisation of certain tasks. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level.
- (29) The Commission, when preparing and drawing-up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the Council.

HAVE ADOPTED THIS REGULATION:

¹³ OJ L 55, 28.2.2011, p. 13

CHAPTER I

Subject matter

Article 1

Establishment

A programme for Union actions to improve the competitiveness of enterprises, with special emphasis on small and medium-sized enterprises (SMEs) (hereinafter "the Programme"), is established for the period from 1 January 2014 to 31 December 2020.

Article 1a

Definition

For the purposes of this Regulation "SME" shall mean micro, small and medium sized enterprises as stated in the Commission Recommendation 2003/361/EC.

Article 2

General objectives

1. The Programme shall contribute to the following general objectives, paying particular attention to the specific needs of SMEs in the European Union and of SMEs in countries participating in the Programme according to Article 5:
 - (a) strengthening the competitiveness and sustainability of the Union's enterprises, particularly SMEs;
 - (b) encouraging an entrepreneurial culture and promoting the creation and growth of SMEs.

2. The achievement of the objectives referred to in paragraph 1 shall be measured by the following indicators:
- (a) percentage of growth of the Union's SMEs in all sectors in relation to total Gross Domestic Product (GDP) growth;
 - (b) **Performance of Union's SMEs as regards sustainability** ~~Union output growth in eco-industries compared with the Union's output growth~~¹⁴;
 - (c) reduction of the **regulatory and** administrative burden on SMEs;
 - (d) SME growth in terms of value added and number of employees;
 - (e) SMEs turnover **in terms of start-up rate and mortality**;
 - (f) share of SMEs trading across borders within or outside the Union; and
 - (g) competitiveness of SMEs of the European Union compared to competitiveness of SMEs of main competitors.

A detailed list of indicators and targets for the Programme are set out in Annex I.

3. The Programme shall support the implementation of the Europe 2020 Strategy and shall contribute to achieving the objective of “smart, sustainable and inclusive growth”. In particular, the Programme shall contribute to the headline target concerning employment.

¹⁴ ~~For the purposes of this regulation "Eco Industries" shall mean sectors within which the main or a substantial part of activities are undertaken with the primary purpose of the production of goods and services to measure, prevent, limit, minimize or correct environmental damage to water, air and soil, as well as problems related to waste, noise and eco systems.~~

CHAPTER II

Specific objectives and fields of action

Article 3

Specific objectives

1. The specific objectives of the Programme shall be:
 - (a) to improve access to finance for SMEs in the form of equity and debt;
 - (b) to improve access to markets, particularly inside the Union but also at global level;
 - (c) to improve framework conditions for the competitiveness and sustainability of Union enterprises, particularly SMEs, in **all** sectors including in the tourism sector;
 - (d) to promote entrepreneurship and entrepreneurship culture;
2. The need of enterprises to adapt to a low-carbon **emission**, climate-resilient, energy and resource-efficient economy shall be promoted in the implementation of the Programme.
3. To measure the impact of the Programme in achieving the specific objectives referred to in paragraph 1, performance indicators shall be used. Those indicators are set out in Annex I.
4. The annual work programme referred to in Article 10 shall specify in detail all actions to be implemented under this Programme.

Article 4

Budget

1. The financial envelope for implementing the Programme shall be EUR [2,522 billion], of which no less than EUR [1,4 billion/55,5 pct.] shall be allocated to financial instruments.
2. The financial envelope established under this Regulation may also cover expenses pertaining to preparatory, monitoring, control, audit and evaluation activities which are required for the management of the Programme and the achievement of its objectives. In particular **they will cover, in a cost effective manner**, studies, meetings of experts, information and communication actions, including corporate communication of the political priorities of the Union as far as they are related to the general objectives of the Programme, expenses linked to IT networks focusing on information processing and exchange, together with all other technical and administrative assistance expenses incurred by the Commission for the management of the Programme.
3. The financial allocation may also cover the technical and administrative assistance expenses necessary to ensure the transition between the Programme and the measures adopted under Decision No 1639/2006/EC of the European Parliament and of the Council of 24 October 2006 establishing a Competitiveness and Innovation Framework Programme (2007 to 2013)¹⁵. If necessary, appropriations may be entered in the budget beyond 2020 to cover similar expenses, in order to enable the management of actions not yet completed by 31 December 2020.

¹⁵ OJ L 310, 9.11.2006, p. 15.

Article 5

Participation of third countries

1. The following countries may participate in all or part of the Programme:
 - (a) 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;
 - (b) 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 established in the respective Framework Agreements and Association Council Decisions, or similar arrangements;
 - (c) countries falling under the scope of the European neighbourhood policies, when agreements and procedures so allow and in accordance with the general principles and general terms and conditions for the participation of those countries in Union's programmes established in the respective Framework Agreements, Protocols to Association Agreements and Association Council Decisions.

2. An entity established in a country referred to in paragraph 1 of this Article may participate in parts of the Programme where that country participates under the conditions laid out in the respective agreements described in paragraph 1 of this Article.

Article 5a

Participation of Entities of non-participating countries

1. In parts of the Programme where a country referred to in Article 5 does not participate, entities established in that country may participate. Entities established in other third countries may also participate in actions under the Programme.
2. Entities referred to in paragraph 1 of this Article shall not be entitled to receive Union financial contributions, except where it is indispensable for the Programme, in particular in terms of competitiveness and access to markets for Union enterprises. That exception shall not apply to entities which are profit-making.

Article 6

Actions to improve the framework conditions for the competitiveness and sustainability of Union enterprises

1. The Commission shall support actions to improve and strengthen the competitiveness and sustainability of Union enterprises, particularly SMEs, so as to enhance the effectiveness, coherence, coordination and consistency of national policies promoting competitiveness, sustainability and the growth of Union enterprises.
2. The Commission may support actions intended to develop new competitiveness strategies. Such actions may include the following:
 - (a) measures to improve the design, implementation and evaluation of policies affecting the competitiveness and sustainability of enterprises, including promoting the development of sustainable products, services, and processes, sharing best practices on framework conditions and on the management of world class clusters and business networks and encouraging transnational collaboration among existing clusters, as well as promoting resource efficiency and corporate social responsibility;

- (b) measures to address international aspects of competitiveness policies, focusing particularly on policy cooperation between Member States, other countries participating in the Programme and the Union's **global trade partners** ~~main competitors~~;
 - (c) measures to improve SME policy development, cooperation between policy makers, peer-reviews and exchange of good practices among Member States, particularly with a view to improving the ease-of-access to programmes and measures for SMEs in line with the Small Business Act Action Plan;
 - (d) measures to promote the competitiveness and sustainability of Union SMEs in the tourism sector by promoting cooperation between Member States, particularly by the exchange of good practices.
3. The Commission may support the member states in their initiatives accelerating the emergence of competitive industries **with market potential**. Such initiatives may **include** **encouraging** the exchange of good practices and identify skills and training requirements from industries, especially SMEs, in particular e-skills. They may also include initiatives to encourage the up-take of new business models and **the cooperation of SMEs in new value chains as well as** the commercial use of relevant ideas for ~~new sustainable, customised and inclusive~~ products and services.

Article 7

Actions to promote entrepreneurship

1. The Commission shall contribute to promoting entrepreneurship by improving framework conditions affecting the development of entrepreneurship. The Commission shall support a business environment and culture favourable to enterprise start-up, growth, business transfer, second chance (re-start), as well as spin offs **and spin-outs**.
2. Particular attention shall be paid to young, **new, potential** and **women**~~female~~ entrepreneurs, as well as to specific target groups.
3. The Commission may support Member States' measures to build and facilitate entrepreneurial education, training, skills and attitudes, in particular among potential and new entrepreneurs.

Article 8

Actions to improve access to finance for SMEs

1. The Commission shall support actions which aim to improve access to finance for SMEs in their start-up, growth and transfer phases, being complementary to the Member States' use of financial instruments for SMEs at national and regional level **and without creating market distortions**. In order to ensure complementarity, such actions shall be closely coordinated with those undertaken in the framework of cohesion policy, Horizon 2020 and at national level. Such actions shall aim to stimulate the supply of both equity and debt finance, while avoiding **asset stripping** ~~buy-out or replacement capital intended for the dismantling of an acquired enterprise.~~

2. In addition to actions referred to in paragraph 1, Union support may also be given to actions to improve cross-border and multi-country financing subject to market demand and without creating market distortions, thereby assisting SMEs to internationalise their activities in compliance with Union law.
3. Details of the actions referred to in paragraph 1 are laid down in Article 14 and Annex II.

Article 9

Actions to improve access to markets

1. To continue improving the competitiveness and access to markets of EU enterprises, the Commission may support actions to improve SMEs access to the Single Market including information provision (including through digital services) and awareness-raising.
2. Specific measures may aim to facilitate SMEs access to markets outside the Union, in particular providing information on market-entry barriers and business opportunities and by improving support services as regards standards and intellectual property rights in priority third countries. These measures shall complement but not duplicate core trade promotion activities of Member States.
3. Actions under the Programme may aim to foster international industrial cooperation, including industrial and regulatory dialogues with third countries. Specific measures may aim to reduce differences between the Union and other countries in regulatory frameworks for industrial products, to contribute to the development of industrial policy and the improvement of the business environment.

Article 9a

Enterprise Europe Network

The Commission shall support the Enterprise Europe Network to provide integrated business support services to European SMEs that seek to explore opportunities in the Single Market and in third countries. Actions under the Network may include the following;

- (a) information and advisory services on EU initiatives and legislation, **support for improving the financial knowledge of SMEs, and measures to increase SME's access to energy efficiency, climate and environmental expertise** as well as promotion of EU funding programmes **and financial instruments** (including Horizon 2020 and the Structural Funds) ~~and access to finance~~. The Enterprise Europe Network may be used to deliver services on behalf, and with the resources, of other EU programmes such as Horizon 2020;
- (b) ~~support for improving the financial knowledge of SMEs, increase access to energy efficiency, climate and environmental expertise by SMEs;~~
- (c) facilitation of cross-border business, R&D, technology and innovation partnerships;
- (d) provision of a communication channel between SMEs and the Commission;

Implementation of the Network shall be closely coordinated with the Member States to avoid duplication of existing ~~and future~~ activities **in accordance with the subsidiarity principle**.

CHAPTER III

Implementation of the Programme

Article 10

Annual work programme

1. In order to implement the Programme, the Commission shall adopt an annual work programme in accordance with the examination procedure referred to in Article 16(2). The annual work programme shall set out in detail:
 - (a) the objectives pursued, the expected results the method of implementation and their total amount;
 - (b) a description of the actions to be financed, an indication of the amount allocated to each action, an indicative implementation timetable and a payment profile;
 - (c) appropriate qualitative and quantitative indicators for analysing and monitoring effectiveness in delivering outcomes and achievements of the objectives;
 - (d) the priorities, the essential evaluation criteria of the measures and the maximum rate of co-financing as regards grants.
2. The Commission shall implement the Programme in accordance with the Financial Regulation (Regulation (EU) No XXX/2012 [New Financial Regulation]).
3. The Programme shall be implemented so as to ensure that actions supported take account of future developments and needs, particularly after the interim evaluation, referred to in Article 12(3), and that they are relevant to evolving markets, economy and changes in society.

Article 11

Support measures

1. In addition to the measures covered by the work programme referred to in Article 10, the Commission shall regularly undertake support measures, including the following:
 - (a) improving the ~~tools for~~ analysis and monitoring of sectoral and cross-sectoral competitiveness issues;
 - (b) the identification of good practices and policy approaches, and their further development;
 - (c) **fitness checks of existing legislation and** impact assessments of **new** Union measures **that are** of particular relevance for the competitiveness of enterprises, with a view to identifying areas of existing legislation that need to be simplified, **and to ensure that burdens on SMEs are minimised in** ~~or~~ areas in which new legislative measures ~~need are to being~~ proposed;
 - (d) the evaluation of legislation affecting enterprises, specific industrial policy and competitiveness-related measures.

- ~~2.~~ These support measures referred to in paragraph 1 shall not necessarily form part of the annual work programme referred to in Article 10. The total cost of these support measures shall be no more than [1,5 pct.] of the Programme's financial envelope. ~~The Commission shall inform the Member States, through the Committee referred to in Article 16(1), of the actions and costs.~~

Article 12

Monitoring and evaluation

1. The Commission shall monitor the implementation and management of the Programme.
2. The Commission 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. The report shall include information on beneficiaries, when possible, for each call for proposals, information on the amount of climate-related expenditure and the impact of support to climate-change objectives **and information on support measure costs** to the extent that the collection of this information does not create an unjustified administrative burden for enterprises, especially SMEs.
3. By 2018 at the latest, the Commission shall establish an interim evaluation report on the achievement of the objectives of all the actions supported under the Programme at the level of results and impacts, the efficiency of the use of resources and its European added value, in view of a decision on the renewal, modification or suspension of the measures. The interim evaluation report shall also address the scope for simplification, its internal and external coherence, the continued relevance of all objectives, as well as the contribution of the measures to the Union priorities of smart, sustainable and inclusive growth. It shall take into account evaluation results on the long-term impact of the predecessor measures and shall feed into a decision on a possible renewal, modification or suspension of a subsequent measure.
4. The Commission shall establish a final evaluation report on the longer-term impacts and the sustainability of effects of the measures.

5. The Commission shall develop a set of key performance indicators as a basis for assessing the extent to which the objectives of the actions supported under the Programme have been achieved. Such objectives shall be measured against pre-defined baselines reflecting the situation before implementation of the actions.
6. All grant beneficiaries and other parties involved who have received Union funds under this Regulation, shall provide the Commission with the appropriate data and information necessary to permit the monitoring and evaluation of the measures concerned.

CHAPTER IV

Financial provisions and forms of financial assistance

Article 13

Forms of financial assistance

The Union's financial assistance under the Programme may be implemented indirectly by delegating budget implementation tasks to the entities listed in Article XX of Regulation (EU) No XXX/2012 [New Financial Regulation].

Article 14

Financial instruments

1. Financial instruments under the Programme¹⁶ shall be operated with the aim of facilitating access to finance for SMEs, ~~especially~~ in their start-up, growth and transfer phases. The financial instruments shall include an equity facility and a loan guarantee facility.

¹⁶ Set up in accordance with Title VIII of Regulation (EC) No XXXX/2012 [New Financial Regulation of 2012]

2. The financial instruments for SMEs may, where appropriate, be combined with and complement other financial instruments established by Member States and their managing authorities in the context of the operations of the Structural Funds¹⁷ and with grants funded by the Union, including under this Regulation.
3. The equity facility of the Competitiveness and SME Programme, the Equity Facility for Growth (EFG), shall be implemented as a window of a single EU equity financial instrument supporting EU enterprises' growth and RDI from the early stage (including seed) up to the growth stage and financially supported by the Horizon 2020 and this Programme. The instruments under Horizon 2020 and this Programme shall be developed in interdependence.
- 4. The EFG shall focus on funds that provide: venture capital and mezzanine finance, such as subordinated and participating loans, to expansion and growth-stage enterprises, in particular those operating across borders, while having the possibility to make investments in early stage enterprises in conjunction with the equity facility for RDI under Horizon 2020 and provide coinvestment facilities for business angels. In the latter case, the investment from EFG shall not exceed 20 % of the total EU investment except in cases of multi-stage funds, where funding from EFG and the equity facility for RDI will be provided on a pro rata basis, based on the funds' investment policy. The Commission may decide to amend the 20 % threshold in light of changing market conditions.**
5. Support from the ~~Equity Facility for Growth~~ (EFG) shall be in the form of one of the following investments:
 - (a) directly by the European Investment Fund (EIF) or other entities entrusted with the implementation on behalf of the Commission; or
 - (b) by funds-of-funds or investment vehicles investing across borders established by the EIF or other entities **including private sector managers and national operators** entrusted with the implementation on behalf of the Commission together with ~~private~~ investors ~~and/or national~~ **from the private and/or** public financial institutions.

¹⁷ In accordance with [Article 33(1)(a) of Regulation (EU) No XXX/201X [New Regulation on Structural Funds]]

6. The Loan Guarantee Facility (LGF) shall be implemented as part of a single EU debt financial instrument for EU enterprises' growth and RDI, using the same delivery mechanism as the SME demand-driven window of the debt facility under Horizon 2020 (RSI II). The LGF shall consist of debt financing via loans **guarantees**, including subordinated and participating loans, and of securitisation of SME debt finance portfolios **to help viable SMEs unable to access a normal commercial loan either due to their perceived high risk or their lack of available sufficient collateral**. The allocation of funds to different schemes should be driven by demand of financial intermediaries. The LGF shall be operated by the EIF or other entities entrusted with the implementation on behalf of the Commission.

The Loan Guarantee Facility (LGF) shall provide:

- (a) counter-guarantees and other risk sharing arrangements for guarantee schemes;
- (b) direct guarantees and other risk sharing arrangements for any other financial intermediaries meeting the eligibility criteria.

7. The LGF shall consist of the following two actions:

(a) the first action, debt financing via loans, including subordinated and participating loans, or leasing, shall reduce the particular difficulties that SMEs face in accessing finance either due to their perceived high risk or their lack of sufficient available collateral;

(b) the second action, securitisation of SME debt finance portfolios, shall mobilise additional debt financing for SMEs under appropriate risk-sharing arrangements with the targeted institutions. Support for those transactions shall be conditional upon an undertaking by the originating institutions to use a significant part of the resulting liquidity or the mobilised capital for new SME lending in a reasonable period of time. The amount of this new debt financing shall be calculated in relation to the amount of the guaranteed portfolio risk and shall be negotiated, together with the period of time, individually with each originating institution.

8. The LGF shall, except for loans in the securitised portfolio, cover loans up to EUR xxxx and with a minimum maturity of 12 months.
9. The financial instruments **may generate acceptable returns to meet the objectives of other partners or investors. The equity facility** shall **aim to** preserve the value of assets provided by the Union budget. ~~They may generate acceptable returns to meet the objectives of other partners or investors.~~
10. [Revenues and repayments generated by one financial instrument shall be assigned to that financial instrument¹⁸. For financial instruments already set up in the multiannual financial framework for the 2007-2013 period, revenues and repayments generated by operations started in that period shall be assigned to the relevant financial instrument in the period 2014-2020. The Commission shall inform the Member States, through the Committee referred to in Article 16(1), of such assignments.]
- 11. The equity and loan guarantee facilities shall comply with the provisions regarding financial instruments in the Financial Regulation and in the Delegated Act replacing the Implementing Rules and with more detailed specific operational requirements to be set out in Commission guidance.**
- 12. The financial instruments ~~{for growth-oriented SMEs}~~ shall be implemented in compliance with the relevant EU State aid rules.**

¹⁸ In accordance with Article 18(4) of Regulation (EU) No XXXX/2012 [New Financial Regulation],

Article 15

Protection of the financial interests of the Union

1. [The Commission shall take appropriate measures ensuring that, when actions financed under this Regulation are implemented, the financial interests of the Union are protected by the application of preventive measures against fraud, corruption and any other illegal activities, by effective checks and, if irregularities are detected, by the recovery of amounts wrongly paid and, where appropriate, by effective, proportionate penalties that act as a deterrent.
2. The Commission or its representatives and the Court of Auditors shall have the power of audit, on the basis of documents and on-the-spot checks, over all grant beneficiaries, contractors and subcontractors and other third parties who have received Union funds under this Regulation.
3. The European Anti-fraud Office (OLAF) may carry out on-the-spot checks and inspections on economic operators concerned directly or indirectly by such funding in accordance with the procedures laid down in Council Regulation (Euratom, EC) No 2185/96¹⁹ with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union in connection with a grant agreement- or grant decision or a contract concerning Union funding.
4. Without prejudice to the first and second paragraphs, cooperation agreements with third countries and international organisations and grant agreements and grant decisions and contracts resulting from the implementation of this Regulation shall expressly empower the Commission, the Court of Auditors and OLAF to conduct audits, on-the-spot checks and inspections.]

¹⁹ OJ L 292, 15.11.1996, p.2, Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning the on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities.

CHAPTER V

Committee and final provisions

Article 16

Committee procedure

1. The Commission shall be assisted by a committee. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.
2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

Article 17

Delegated acts

1. The Commission shall be empowered to adopt delegated acts in accordance with Article 18 concerning additions to the indicators provided in the list in Annex I to this Regulation if these indicators could help measure the progress in achieving the Programmes general and specific objectives.
2. The Commission shall be empowered to adopt delegated acts in accordance with Article 18 concerning changes to ~~the~~**some specific** details regarding the financial instruments. **The details can be; the exact amount of the threshold for the LGF [...]** ~~of the specific actions set out in article 14 and Annex II to this Regulation if economic market developments so require or according to the results achieved by the Competitiveness and Innovation Framework Programme SME Guarantee Facility (SMEG), the High Growth and Innovative SME Facility (GIF) and the Risk Sharing Instrument (RSI) of the 7th Framework Programme for Risk Sharing Financial Facility.~~

Article 18

Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The power to adopt delegated acts referred to in Article 17 shall be conferred on the Commission for a period of seven years from [*the date of entry into force of the basic legislative act*].
3. The delegation of power referred to in Article 17 may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated act already in force.
4. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
5. A delegated act adopted pursuant to Article 17 shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of two months of notification of that act to the European Parliament and the Council or if before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

Article 19

Repeal and transitional provisions

1. Decision No 1639/2006/EC is repealed with effect from 1 January 2014.
2. However, actions initiated under Decision No 1639/2006/EC and financial obligations related to those actions shall continue to be governed by that Decision until their completion.
3. The financial allocation referred to in Article 4 may also cover the technical and administrative assistance expenses necessary to ensure the transition between this programme and the measures adopted under Decision No 1639/2006/EC. The Commission shall inform the **budget authorities** ~~Member States, through the Committee referred to in Article 16(1) of~~ these expenses.

Article 20

Entry into force

This Regulation shall enter into force on the third day following its publication in the Official Journal of the European Union.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at,

For the European Parliament

The President

For the Council

The President

ANNEX I to ANNEX
Indicators for general and specific objectives

General objective: **1. To strengthen the competitiveness and sustainability of the Union's enterprises, particularly SMEs**

<u>A. Impact indicator</u> ¹	Current situation	Long term target and milestone (2020)
Growth of the industrial competitiveness ²	2009: -3.1%, 2008: -0.3%, 2007: +0.7%	Annual growth of 1% and a 5% growth in 2015
Reduction of administrative burden on SMEs (N° of days <u>and costs</u> to start-up a new enterprise)	Number of days to start-up new SME: 7 working days <u>Cost of start-up: € 399 **</u>	Reduction of # Number of days to start-up a new SME: 3 working days in 2020 . <u>Cost of start-up: €100 **</u>
EU output growth in eco-industries: (€% change from previous year and compared to Union output growth)	Annual growth of 6-7% during the last years	Annual growth of 8% in average during the next decade; By 2015, a 50% increase in output is targeted

¹ These indicators refer to developments in Enterprise and Industry policy area. The Commission itself is not solely responsible for the achievement of the targets. A range of other factors outside of the control of the Commission also affects outcomes in this area.

² NEER/REER based on ULC, excluding the impact of currency fluctuations (NEER = nominal effective exchange rate; REER = real effective exchange rate; ULC = unit labour costs)

Number of SMEs having <u>(financially) benefitted from</u> participated in the programme per MS in relation to the total number of SMEs per MS.	Number of SMEs having <u>(financially) benefitted</u> participated to date per Member State in the current EIP programme under CIP in relation to the total number of SMEs per MS	Number of SMEs having <u>(financially) benefitted</u> participated in the COSME programme per Member State in relation to the total number of SMEs per MS should be reasonably equivalent.
---	---	--

General objective:

2. To encourage an entrepreneurial culture and promote the creation and growth of SMEs

<u>B. Impact indicator</u>	Current situation	Long term target and milestone (2020)
SME growth in terms of number , value added and employees by size and sector .	In 2010 SMEs were 20.7 million , provided more than 58% of total EU turnover (GVA); total number of employees in SMEs: 87,5 million (67% of private sector jobs in the EU)	Target increase in SMEs Gross Value-Added of 4% per year; annual growth of the number of SMEs and of employees in SMEs of 1%
Additional employment generated in target beneficiaries through the EFG and the LGF.		Increase of 1xx % in employment in target beneficiaries.

Specific objective:

3. To improve framework conditions for the competitiveness and sustainability of EU enterprises, particular SMEs, in all sectors including in the tourism sector

<p><u>C. Activities to improve Competitiveness</u></p> <p>Number of "fitness" checks on quality and value-added of activities</p>	<p>Latest known result</p> <p>Four "fitness" checks including stakeholders were launched in 2010 for environment, transport, employment and industrial policies. Feedback included comments on legislation and value-added of activities.</p>	<p>Medium term target (result) 2017</p> <p>The feedback approach with "fitness" checks will be extended to other policies and lead to simplifications impacting positively on industry. Up to twelve "fitness" checks are foreseen, with the objective of better regulation.</p>
<p><u>Number of simplification measures adopted for SMEs</u></p> <p>Level of adoption by companies of European sustainable production and product tools, including EMAS, eco-label, and eco-design</p>	<p><u>5 simplification measures per year (2010).</u></p> <p>Approximately 35,000 ISO 14001-EMS-certifications and 4,500 EMAS-registration, 18,000 licenses for the EU Ecolabel</p>	<p><u>At least About 7 simplification measures per year</u></p> <p>xxx % of Union SMEs that monitor their performance, apply by, e.g. applying environmental management systems and achieve improvement in resource productivity and environmental performance</p> <p>xxx % of Union SME production is resource-energy efficient.</p> <p><u>xxx % of Union SME producing green, i.e. environmentally friendly products and eco- friendly products.</u></p>

<u>D. Developing SME policy</u>	Latest known result	Medium term target (result) 2017
Number of Member States using SME test and competitiveness proofing test	Number of Member States using SME test: 15 MS <u>Number of Member States using competitiveness proofing test: ** 0 MS</u>	Number of Member States using SME test: 21 MS <u>Number of Member States using competitiveness proofing test: 21 ** MS</u>
Increased EU-wide publicity of the European Enterprise Promotion Awards with media publications/clippings in all Member States	Number of media publications/clippings in all Member States: 60 in 2010	Number of media publications/clippings in all Member States: 80
Reduction of start-up time and complexity for new enterprises	Reduction of start-up time: 7 working days	Reduction of start-up time: 5 working days
Effective implementation of SBA at national level; Set-up and running of a governance structure to ensure the effective implementation of the SBA at national level	Network of National SME Envoys set up and first meetings organised	Regular meeting of the Network of National SME Envoys (3/4 per year) with participation of at least 25 MS and regular reports on SBA implementation from at least 20 MS.

<u>E. New business Concepts</u>			
Number of new sustainable products/services in the market			Target for the cumulative number of new products/services to be 5 in 2017 (increasing to 15 in 2018 and 25 in 2019).
Feedback from stakeholders on quality and value-added of activities			At least 70% of SMEs participating in 2014 shall express a positive impact on their turn over in a survey done end 2017

<u>F. Tourism</u>		
Number of applications to funding	Number of applications to funding (to all calls for proposals) in total: around 75 per year (average for 2011)	Number of applications to funding (to all calls for proposals) in total: more than 100 per year
Percentage of SMEs (and trend) in applications for tourism-related funding opportunities	Up to date, no calls for proposals were directly addressed to SMEs	At least 30% participation of SMEs in applications for tourism-related funding
Number of countries participating in transnational cooperation projects	3 countries covered per project in 2011	At least 5-6 countries participating in transnational cooperation projects
Number of destinations voluntarily adopting the sustainable tourism development models promoted by the European Destinations of Excellence	Number of European Destinations of Excellence awarded in total 98 (on average 20 per year – in 2007-10, in 2008-20, in 2009-22, in 2010-25, in 2011-21)	200 and more destinations adopting the sustainable tourism development models promoted by the European Destinations of Excellence (up to 30 per year).

Specific objective:

4. To promote entrepreneurship and entrepreneurship culture

<u>G. Support for entrepreneurship</u>	Latest known result	Medium term target (result) 2017
Feedback on the public perception of entrepreneurship (% of EU citizens that would like to be self employed as measured by Eurobarometer)	Figures from 2007 and 2009 are stable at 45%	Increase of EU citizens that would like to be self employed to 50%
Number of states implementing entrepreneurship solutions developed at the EU level	Number of states implementing entrepreneurship solutions developed at EU level: 22 (2010)	Number of states implementing entrepreneurship solutions developed at EU level: 25
Number of simplification measures adopted for SMEs	5 simplification measures per year (2010):	About 7 simplification measures per year
<u>Number of states implementing entrepreneurship solutions developed at the EU level towards young, new, potential and women entrepreneurs, as well as to specific target groups</u>	xx	xx

Specific objective:

5. To improve access to finance for SMEs in the form of equity and debt

<u>H. Financial Instruments for growth</u>	Latest known result	Medium term target (result) 2017
Number of firms receiving loans <u>benefiting from an EU guarantee (credit guarantees)</u> and value of lending.	<u>Data from current instruments:</u> <u>As of 31 December 2011 € 10.2 billion in lending mobilised, reaching 171 000 SMEs.</u> <u>As of 31 December 2011 € 1.9 billion in VC funding mobilised to 194 SMEs</u> Proposed instruments are not yet launched and not the same as current instruments, so data from current instruments may not be comparable	Number of firms receiving loans <u>benefiting from an EU guarantee</u> (credit guarantees) and value of lending (+/- € 10.7 billion)
Number of VC-backed firms and value of investments (of which cross border deals)		Number of VC-backed firms: (+/- 180) and value of investments (+/- € 220m)
Leverage ratio		Debt instrument 1:30*; Equity instrument 1:6* * € 1 from the EU budget shall result in € 30 in loans and € 6 in equity investments over the lifetime of the programme.
Additionality of the EFG and LGF		[xx] of all beneficiaries consider the EFG or the LGF to provide funding that could not have been obtained by other means.

Specific objective:

6. To improve access to markets, particularly inside the Union and at global level

<u>I. Enterprise Europe Network</u>	Latest known result	Medium term target (result) 2017
Number of partnership agreements signed	Partnership agreements signed: 2.000 (2011)	Partnership agreements signed: 2.500/year
Increased recognized Network brand and brand Culture (e.g. brand awareness among SME population)	Increased recognized Network brand and brand Culture: not measured yet	Increased recognized Network brand and brand Culture: More than 50% of targeted SMEs
Clients satisfaction rate (% SMEs stating satisfaction, added-value of specific service provided by the Network)	Clients satisfaction rate (% SMEs stating satisfaction, added-value of all specific Network services): 78%	Clients satisfaction rate (% SMEs stating satisfaction, added-value of all specific Network services): >85%
Number of SMEs receiving support services	Number of SMEs receiving support services: 435.000 (2011)	Number of SMEs receiving support services 500.000/year
Number of SMEs participating in brokerage events and company missions	Number of SMEs participating in brokerage events and company missions: 45.000 (2011)	Number of SMEs participating in brokerage events and company missions: 50.000/year
Number of SMEs using digital services (including electronic information services) provided by the Network	2 million SMEs per year using digital services	2.3 million SMEs per year using digital services

<u>J. SME business support in Single Market and markets outside the EU</u>	Latest known result	Medium term target (result) 2017
Share (%) of SMEs that are internationally active within the Union and outside the EU (exports, imports, FDI and other activities)	25.3% % within the Union (year); 13 % outside the EU (2009)	30.3% % within the Union (year); 17 % outside the EU (2017)

<u>K. International Industrial Cooperation</u>	Latest known result	Medium term target (result) 2017
Number of cases of improved alignment between EU and third countries' regulations for industrial products	It is estimated that in regulatory co-operation with main trading partners (US, Japan, China, Brazil, Russia, Canada, India) there is an average of 2 relevant areas of significant alignment of technical regulations	3 relevant areas in total of significant alignment of technical regulations with main trading partners (US, Japan, China, Brazil, Russia, Canada, India) (2017)
Number of areas and good practices of the EU Small Business Act which have been introduced in neighbourhood and candidate countries	It is estimated that on average in the three policy region (candidate countries region, neighbourhood East and neighbourhood MED) of the 10 policy areas of the SBA at least 3 of those have been regulated in these countries.	5 policy areas of the SBA implemented in three policy regions: candidate countries region, neighbourhood East and neighbourhood MED (2017)