



**European Committee
of the Regions**

ECON-VI/027

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OPINION

The future of the COSME programme beyond 2020: regional and local perspective

THE EUROPEAN COMMITTEE OF THE REGIONS

- calls upon the European Commission to ensure a predictable and stable SME support framework beyond 2020 by creating a renewed and strengthened successor programme to COSME taking the needs of diverse types of SMEs in different EU territories into account;
- considers that there should be more focus on the measures undertaken by local and regional authorities to encourage entrepreneurship and SME start-ups and that measures should be taken to increase the role of local and regional authorities in supporting the business environment and developing public-private partnerships;
- suggests that financial instruments providing partial credit risk protection issued under the COSME LGF shall provide up to 80% credit risk protection. Without the guarantee, the projects would often not be pursued by SMEs, resulting in a sub-optimal investment situation. The guarantees are designed to respond adequately to SME's business models, allowing them to grow on a long-term sustainable basis;
- points out the need to devote sufficient resources to easing access to finance for the broadest possible range of SMEs present in different territories; takes the view that promoting public-private partnerships between financial intermediaries and regional and local actors in jointly implementing targeted financial instruments could contribute to delivering on the long-term objective of creating sustainable growth and employment;
- considers that transparency and synergies between different EU instruments supporting SMEs need to be improved in the next programming period; therefore calls upon the Commission to clearly delimit the function and scope of each instrument supporting SMEs and entrepreneurs, to avoid creating parallel structures, and to ensure that beneficiaries and financial intermediaries can easily access information about the entire range of available instruments.

Rapporteur

Robert Sorin Negoită (RO/PES), Mayor of Bucharest's District 3

Reference document

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**Opinion of the European Committee of the Regions –
The future of COSME beyond 2020: regional and local perspective**

I. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

1. calls upon the European Commission to ensure a predictable and stable SME support framework beyond 2020 by creating a renewed and strengthened successor programme to COSME taking the needs of diverse types of SMEs in different EU territories into account;
2. points out that there is a lack of awareness, both among businesses and among financial intermediaries in many EU territories, about financial instruments available under the COSME programme; therefore suggests strengthening information and dissemination actions about available instruments targeting all EU territories;
3. points out the need to devote sufficient resources to easing access to finance for the broadest possible range of small businesses present in different territories; takes the view that promoting public-private partnerships between financial intermediaries and regional and local actors in jointly implementing targeted financial instruments, which would complement existing guarantee and equity finance instruments, could contribute to delivering on the long-term objective of creating sustainable growth and employment;
4. commends the Enterprise Europe Network (EEN) initiative and strongly supports its continuation, extension and upgrading under a COSME successor; points out that the EEN lacks coverage and visibility in particular in certain countries, rural and remote regions, and areas with lower population density; suggests therefore that the network of EEN contact points should be extended to ensure the broadest possible territorial coverage;
5. suggests that objectives such as promoting entrepreneurship across sectors and in different types of territories, including less developed and peripheral regions and suburban areas, as well as strengthening regional entrepreneurial ecosystems by supporting the mapping of ecosystems and linking more advanced regions with those that are still catching up, should be prioritised under a COSME successor programme;
6. considers that transparency and synergies between different EU instruments supporting SMEs need to be improved in the next programming period; therefore calls upon the European Commission to clearly delimit the function and scope of each instrument supporting SMEs and entrepreneurs, to avoid creating parallel structures, and to ensure that beneficiaries and financial intermediaries can easily access information about the entire range of available instruments;

7. believes that given that the expected demand for COSME's Loan Guarantee Facility (LGF) is so great that even the increased funding for the LGF provided for under EFSI 2.0 might not be sufficient, consideration should be given to providing additional resources for COSME¹;
8. considers that the *Commission Notice on the application of Articles 87 and 88 of the EC Treaty to State aid in the form of guarantees* should be revised. The current level of the minimum premium imposed by the Notice is indeed quite high compared to the current interest rates for loans;
9. suggests that financial instruments providing partial credit risk protection issued under the COSME LGF shall provide up to 80% credit risk protection. Without the guarantee, the projects would often not be pursued by SMEs, resulting in a sub-optimal investment situation. The guarantees are designed to respond adequately to SME's business models, allowing them to grow on a long-term sustainable basis;
10. considers that it needs to be clarified that COSME financing can be combined with other EU funds;
11. considers that the EUR 150 000 loan threshold above which it has to be verified that the SME is not eligible for financing under Horizon 2020 should be increased to EUR 500 000. At the same time, the minimum loan maturity of one year should be reduced, and the maximum maturity should be increased beyond ten years;
12. recognises that with regard to entrepreneurs in growth sectors who are seeking venture capital but wish to keep control over their own companies, it has been pointed out that business angels cannot be a solution; therefore, consideration should be given to bolstering other forms of risk financing such as mezzanine financing;
13. considers that COSME support through the EIF to private financial intermediaries could be supplemented by support provided by regional investment funds managed by regional authorities or regional development agencies. Several regions could join forces to set up joint investment funds;
14. considers that effective coordination between local, regional, national and European programmes regarding the business environment and uniform rules relating to the business environment across the Member States are necessary in order to support the business environment;
15. considers that there should be more focus on the measures undertaken by local and regional authorities to encourage entrepreneurship and SME start-ups and that measures should be taken to increase the role of local and regional authorities in supporting the business environment and developing public-private partnerships;

¹

See, for example, Ewa Chomowicz: *EU budget post-Brexit. Confronting reality, exploring viable solutions*. Brussels, European Policy Centre [online version], p. 5-6 and 25-26, March 2017; Jörg Haas & Eulalia Rubio: *Brexit and the EU budget. Threat or opportunity?* Berlin, Delors Institute, p. 8-18, January 2017.

Support for SMEs and entrepreneurs beyond 2020

16. points out that SMEs, start-ups and scale-ups are Europe's main engines for creating growth and jobs and generate stable, local employment, thus reinforcing the social and economic tissue of their territories;
17. stresses the need to strengthen European business ecosystems by providing targeted support to SMEs, start-ups and scale-ups as part of a consistent, efficient and results-oriented European SME policy;
18. points out the need to complement this support framework with a mechanism ensuring that the principles of multi-level and multi-actor governance are mainstreamed across EU SME policy; therefore reiterates its call, expressed in its Opinion on Smart Regulation for SMEs², to formally and systematically include regional and local SME envoys in the SME Envoys network, which acts as main governance instrument of EU SME policy;

Access to finance

19. stresses that the most significant part of the COSME budget is dedicated to facilitating SME access to finance; considers that a future SME support programme should continue pursuing the priority objective of closing the SME funding gap;
20. requests, however, that particular care should be taken to ensure that a COSME successor programme addresses the funding needs of the entire spectrum of SMEs in different EU territories, including traditional SMEs, auto-entrepreneurs, micro-enterprises, and high-growth start-ups and scale-ups;
21. considers that a COSME successor programme should take account of the current post-crisis context, in which job creation is still lagging behind GDP recovery, and give particular focus to supporting the creation of employment in SMEs and micro-enterprises;
22. points out the need to devote sufficient resources to easing access to finance for the broadest possible range of businesses present in different territories, including traditional SMEs, micro-enterprises, cooperatives, and social economy enterprises, and during different stages of business development;
23. points out that many potential entrepreneurs lack the necessary information and basic business skills required to set up their company; suggests supporting these potential entrepreneurs through early-onset support offers providing targeted "à la carte" training before they launch their business;

² CoR opinion on *Smart Regulation for SMEs* (rapporteur: Christian Buchmann (AT/EPP), ECON-VI/020), pt. 8.

24. reiterates its suggestion, made in its Opinion on Smart Regulation for SMEs³, to create a European "Take One" scheme encouraging the hiring of a first employee by a solo entrepreneur or micro-enterprise through financial incentives and flexible rules, that could be funded through the COSME programme;
25. notes that the Loan Guarantee Facility (LGF) continues to be an essential instrument in helping SMEs access finance; requests that the guarantee instrument under a COSME successor programme should be equipped with adequate resources to address SME funding needs; considers that such an instrument should not include restrictions but remain open to different types of companies; believes that strengthening guarantee institutions and including them in lending chains can help facilitate SMEs' access to finance; therefore suggests integrating guarantee institutions in the design and delivery of guarantee instruments under a COSME successor programme;
26. points out that venture capital and other forms of risk financing tend to be invested mainly in large urban and metropolitan areas and that the limited number of financial intermediaries currently operating under the COSME Equity Facility for Growth (EFG) and their restricted sectoral focus may constitute a barrier preventing businesses in the start-up and growth phases from accessing EFG financing;
27. therefore suggests exploring how the current, purely demand-driven approach could be complemented by a risk capital instrument based on shared management of resources, potentially associating regional and local authorities, development agencies and banks under a COSME successor programme, in order to ensure a more balanced availability of risk capital across EU territories;
28. considers that alternative forms of finance such as crowdfunding, crowd-investing and peer-lending can be useful tools to improve access to finance and support innovative businesses; suggests that a COSME successor programme should create a clear framework to implement financial instruments through alternative finance;
29. suggests creating an expert group on alternative finance, including practitioners from the regional and local level, to offer inspiration and guidance in setting up such a framework and ensuring that it addresses the diverse needs of entrepreneurs, start-ups and scale-ups in different local and regional business ecosystems;

Access to markets

30. is of the opinion that EU-level actions in support of internationalisation of European SMEs can and must provide a real added value to European SMEs who desire to expand across borders; points out that these actions should be complementary to the initiatives existing at local, regional and national level in order to avoid overlaps and create a comprehensive and consistent set of measures;

³ CoR opinion on *Smart Regulation for SMEs* (rapporteur: Christian Buchmann (AT/EPP), ECON-VI/020), pt. 48.

31. in this regard, commends the Enterprise Europe Network (EEN) initiative co-financed under the COSME programme, which provides European SMEs with advisory services in the area of expansion across both the national and EU borders, as well as in innovation facilitation and development, including access to funding, and strongly supports its continuation, extension and upgrading under the successor of the current COSME programme, in the Brexit context;
32. emphasises the strong regional and local dimension of the EEN contact points, composed to a large extent by regional development, enterprise and innovation agencies, regional chambers of commerce and industry, clusters and universities, that are deeply embedded in the local reality and in close contact with local SMEs;
33. points out that regional and local authorities (LRAs) have a major role to play in helping their SMEs face competition, access foreign markets, and find new business partners within the EU and beyond;
34. highlights that the COSME successor programme should ensure that the EEN continues to be strongly tied to local and regional entrepreneurial ecosystems and that close collaboration is established with local and regional stakeholders, including local and regional authorities;

Encouraging entrepreneurship

35. commends the conception and results of the *Erasmus for Young Entrepreneurs* programme financed under the current COSME programme and recommends its continuation under the successor programme;
36. suggests to complement the scale-up advisors foreseen in the Start-up and Scale-up Initiative as part of the EEN services with a network of regional and local scale-up promoters, who could also form the basis for inter-regional scale-up partnerships offering matchmaking services and fostering inter-regional cooperation and cross-border investments;
37. suggests that the provision by the EEN of advisory services and information should be strengthened in the area of access to cross-border public procurement and cross-border business transfer opportunities;
38. underlines the need to ensure sufficient support for SMEs in the next MFF beyond 2020 by strengthening complementarity and by avoiding overlaps between the various SME financing instruments provided by the European Commission and the EIB/EIF;

COSME in the context of other EU programmes

39. points out that the financial means currently allocated to COSME, which correspond to less than 0.3% of the EU budget, do not reflect the vital role played by SMEs and entrepreneurs in delivering growth and jobs; acknowledges, however, that funding lines supporting SME access to finance also exist in other EU programmes;

40. given the substantial budget allocated to SME support under the current ESIF Thematic Objective 3: SME Competitiveness maintains that coordination between a COSME successor programme and ESIF is essential; in view of ensuring better coordination between these instruments therefore recommends creating an SME steering group involving relevant Commission services as well as the CoR as the institutional representation of the local and regional authorities at European level;
41. suggests introducing single contact points providing information and access to all relevant instruments that are available under different EU funds and programmes to SMEs and entrepreneurs; considers that an extended and upgraded Enterprise Europe Network could fulfil this function on the ground;
42. calls upon the Commission to simplify both accessing financial instruments from individual programmes and combining support from COSME or a successor programme with resources from other funds and programmes; reasserts its concern, expressed in its Opinion on Smart Regulation for SMEs⁴, about bottlenecks resulting from inconsistent requirements and conflicting definitions across EU sectoral policies.

Brussels, 31 January 2018

The President
of the European Committee of the Regions

Karl-Heinz Lambertz

The Secretary-General
of the European Committee of the Regions

Jiří Buriánek

⁴

CoR opinion on *Smart Regulation for SMEs* (rapporteur: Christian Buchmann (AT/EPP), ECON-VI/020), pt. 14.

II. PROCEDURE

Title	The future of COSME beyond 2020
References	/
Legal basis	Article 307 TFEU
Procedural basis	Rule 41b)ii) of the Rules of Procedure
Date of Council/EP referral/ Date of Commission letter	/
Date of Bureau decision	11 July 2017
Commission responsible	Commission for Economic Policy
Rapporteur	Robert Sorin Negoia (RO/PES), Mayor of Bucharest's District 3
Analysis	19 July 2017
Discussed in commission	9 November 2017
Date adopted by commission	9 November 2017
Result of the vote in commission (majority, unanimity)	Unanimity
Adopted at plenary	31 January 2018
Previous Committee opinions	<ul style="list-style-type: none"> – <i>Boosting start-ups and scale-ups in Europe: regional and local perspective</i>, ref. CdR 32/2017, rapporteur: Tadeusz Truskolaski (PL/EA); – <i>Smart Regulation for SMEs</i>, ref. CdR 5387/2016, rapporteur: Christian Buchmann (AT/EPP); – <i>Upgrading the Single Market</i>, ref. CdR 6628/2015, rapporteur: Alessandro Pastacci (IT/PES); – <i>Measures to support the creation of high-tech start-up ecosystems</i>, ref. CdR 672/2014, rapporteur Markku Markkula (FI/EPP); – <i>Entrepreneurship 2020 Action Plan</i>, ref. CdR 2447/2013, rapporteur: Paweł Adamowicz (PL/EPP); – <i>Programme for the Competitiveness of Enterprises and Small and Medium-Sized Enterprises (2014-2020)</i>, ref. CdR 98/2012, rapporteur: Witold Krochmal (PL/EA); – <i>Review of the "Small Business Act" for Europe</i>, ref. CdR 151/2011, rapporteur: Constance Hanniffy (IE/EPP).
Date of subsidiarity monitoring consultation	/