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2011/0394 (COD)

**Research, Innovation and Competitiveness Package**

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)

{SEC(2011) 1452 final}

{SEC(2011) 1453 final}

## EXPLANATORY MEMORANDUM

### 1. CONTEXT OF THE PROPOSAL

#### Grounds for the proposal

Enterprises, particularly Small and Medium-sized Enterprises (SMEs), are an important contributor to growth and employment in the Union. If the Union is to deliver its Europe 2020 priorities of smart, sustainable and inclusive growth, competitiveness needs to be centre stage.

While regulatory means are at the Union's disposal, including smart legislation and cutting red tape for Union enterprises, some market failures can be addressed effectively via public funding at EU level.

This is already happening. The Competitiveness and Innovation Framework Programme (CIP) provides funding for relevant action. The need to continue and develop such financial support was recognised in the Commission Communication "A budget for Europe 2020"<sup>1</sup>. Now the Commission has proposed a "Programme for the Competitiveness of Enterprises and SMEs" (COSME) with a total allocation of € 2.5 billion for the period 2014-2020.

#### General context

Union enterprises face the challenge of being competitive on a global scale. However, they are hindered by market failures that undermine their capacity to compete with counterparts in other parts of the world. As a result, EU SMEs show lower labour and resource productivity and grow more slowly than their counterparts in the United States, for example, and they are less able to adapt successfully to changing framework conditions than larger enterprises in Europe. The difficulties SMEs face have been aggravated by the recent economic and financial crisis and commodity and resource price increases.

While actions to tackle these market failures are primarily the responsibility of the Member States and regions, in some areas there is the clear potential for EU added value. For instance, the Union can assist by strengthening the Single Market, supporting coherence and consistency in national measures, achieving catalytic effects of best practice dissemination, or achieving economies of scale. Beyond guaranteeing the smooth functioning of the Single Market, the EU has a role in improving the business environment to ensure strong, diversified EU enterprises, and SMEs capable of competing on a global scale, while adapting to a low-carbon, resource-efficient economy.

This Programme is being proposed as a means of addressing key market failures that limit the growth of enterprises, particularly SMEs, in the Union. As regards competitiveness and entrepreneurship, the main challenges that Union enterprises continue to face are:

- *difficulties in accessing finance for SMEs* which struggle to demonstrate their credit-worthiness and find it hard to gain access to risk capital;
- *weak entrepreneurial spirit* -- only 45% of European citizens would like to be self-employed compared to 55% e.g. in the United States;

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<sup>1</sup> COM(2011) 500 final.

- *a business environment not conducive to start-ups and growth*, characterised by persistent regulatory fragmentation and too much red tape;
- *limited capacity of SMEs to adapt* to a low-carbon, climate-resilient, energy and resource-efficient economy due to limited financial means and limited expertise;
- *limited capacity of SMEs to expand to markets* beyond their home country, both within the Single Market and beyond.

These difficulties mean that not enough enterprises are created, and those that are launched are often not viable, or perform poorly in terms of productivity and viability of newly created enterprises. On a macro level, we are witnessing an erosion of the EU economy's competitive edge.

In line with the Europe 2020 strategy, the Programme is designed to create the conditions for European enterprises to flourish and to ensure that SMEs are able to take full advantage of the Single Market's enormous potential, as well as encouraging them to look beyond it. There needs to be a special effort to promote the development of SMEs, a major source of economic growth and job creation in the Union, accounting for more than 67 % of private sector jobs and providing more than 58 % of total turnover in the EU.

Particular attention will be given to improve the competitiveness of enterprises in the tourism sector to implement the new competencies of the Union provided for in the Lisbon Treaty, the reason being the significant contribution of this sector to the Union's GDP and the high proportion of SMEs active in this sector.

### **Objectives of the proposal**

The Programme aims to achieve the following general objectives:

- strengthen the competitiveness and sustainability of the Union's enterprises, including in the tourism sector;
- encourage an entrepreneurial culture and promote the creation and growth of SMEs.

Activities funded through the Programme will aim to:

- **Improve the framework conditions to make for the competitiveness and sustainability of Union enterprises including in the tourism sector** by supporting coherence and consistency in implementation as well as informed policy-making at Union level. The economic and regulatory environment can be improved through benchmarking, the exchange of best practices and sectoral initiatives. SME policy will be developed and SME competitiveness promoted in line with the goals of the Small Business Act (SBA) and the Europe 2020 strategy. Union actions will include reinforcing the use of the "Think Small First" principle in Union and Member State policy-making, identifying and exchanging best practices to contribute to implementing the SBA, and supporting SMEs in making the most of the Single Market's potential. Business sectors, including manufacturing and services, and selected sectors in which there are a high proportion of SMEs will be strengthened.
- **Promoting entrepreneurship, including among specific target groups:** Activities will include simplifying administrative procedures, developing entrepreneurial skills and

attitudes, especially among new entrepreneurs, young people and women, and promoting second chances for entrepreneurs.

- **Improving access to finance for SMEs in the form of equity and debt:** Financial instruments for growth, including new equity and debt platforms to provide equity facility and loan guarantees, will enable SMEs to access funding more easily. First, an equity facility for growth-phase investment will provide SMEs with commercially-oriented reimbursable equity financing primarily in the form of venture capital through financial intermediaries. Second, a loan facility will provide SMEs with direct or other risk-sharing arrangements with financial intermediaries to cover loans.
- **Improving access to markets inside the Union and globally:** Growth-oriented business support services will be provided via the Enterprise Europe Network to facilitate expansion in the Single Market and beyond. This Programme will also provide SME business support in markets outside the Union. There will also be support for international industrial cooperation, particularly to reduce differences in regulatory and business environments between the EU and its main trading partners.

## EU added value

The additional value for action at the Union level relies on the following five main sources:

- strengthening the Single Market, by overcoming market fragmentation in areas such as venture capital investment, cross-border lending and credit enhancement as well as informational and organizational constraints which prevent SMEs from taking advantage of the opportunities that the Single Market offers. For instance, the main purpose of the financial instruments will be to improve access to finance to SMEs in a market segment which is not covered by Member States' measures, which are restricted to investments and support within each country. The focus will be on financing expansion of growth-oriented enterprises that are aiming at international expansion, cross-border activities and to develop a cross-border SME finance market. Only a programme at Union level can fulfil this role.
- demonstration and catalytic effects through the dissemination of industrial and policy best practices. Under the current programme, the best examples in promoting entrepreneurship and SMEs at national, regional and local level can be selected for the European Enterprise Awards competition. The Awards are aimed at rewarding the best measures taken by public authorities for example in the fields of simplification and reduction of administrative burden. Every year around 400 projects have competed in the national competitions and around 56 are selected by their countries to participate in the European Competition where the European jury selects six winners. From the 250 national nominees, more than 30 have won an award and been showcased across Europe as a best practice. Transferring skills and knowledge across frontiers contributes to align Member States' policies, create new partnerships and reduce the gap between European economies. European national and local administrations have the possibility to present their successful initiatives at the SBA Conference, organised every year by the Commission and the Union Presidency. The Conference has become the key event for promoting the exchange of good practices in the Union and beyond. For example, the latest SBA Conference in Budapest attracted 340 participants from EU Member States and from 30 non-Member States. 28 good practices were presented in the work-shops. As regards financial instruments, the role of the EIF facilitates constant exchange of best practices in the areas of both guarantees

and venture capital, while the catalytic effect is acknowledged to be particularly high for venture capital.

- economies of scale in areas where it would be difficult for individual Member States to achieve the required critical mass. For instance, in the field of support to SMEs abroad, European added value is created by the bundling of national efforts and, by establishing services that would lack critical mass if provided at national level (for example, through support to IPR enforcement). The China IPR SMEs Helpdesk, funded by the current programme, offers advice which would be otherwise unavailable to SMEs from smaller Member States.<sup>2</sup> Otherwise, Union intervention can contribute to avoid duplication of effort, promote cooperation between Member States and coordination with relevant non-Member States. In the case of tourism, there is clear added value in taking initiative at the Union-level especially in the following areas: the consolidation of the knowledge base by the means of pan-European surveys and studies to better understand the demand and the supply side, without which data comparability and consistency across the Union would not be achieved<sup>3</sup>; the development of joint transnational promotion strategies of Europe as home to high quality and sustainable tourist destinations<sup>4</sup>; the identification of best practices that can benefit specific sectors, such as maritime and coastal tourism; as well as the extension of the tourism season, which could be done better with exchanges between different Member States than by each country individually.
- coherence and consistency in national measures through the exchange of best practices at European level and benchmarking. One of the best examples for the success of benchmarking exercises financed under the current programme is the action for simplification of start-up procedures. Since 2008, the situation and progress country-by-country and year-by-year has been monitored taking into account three aspects of simplification (in respect of which a benchmarking exercise was mandated by the Competitiveness Council): average time, administrative costs and procedures to start-up a limited company. The action consisted of semi-annual expert meetings ("the network of National Start-up Co-ordinators") nominated by Member States. Its purpose was to develop a measurement methodology, track progress and support this progress with the exchange of good practices and information. Since 2002 registration times have dropped by 70% and costs have more than halved. Following the success of this measure, targets have been reviewed by the February 2011 Review of the Small Business Act (SBA).
- the unique expertise acquired by EU institutions:
  - This is the case of the EU financial institutions, the European Investment Bank (EIB) and the European Investment Fund (EIF), whose experience in designing and implementing SME-friendly financing schemes is unparalleled. The experience gained by the EIF over more than 10 years constitutes a uniquely valuable asset. It has acted since 2007 as an investor in 19 CIP-supported venture capital funds, often

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<sup>2</sup> Over 50,000 different users of the IPR web portal and e-learning services over the first 3 years, with over 2 million hits; more than 30 training seminars and interactive workshops run every year, of which 2/3 performed in Europe, to gather SMEs' concerns.

<sup>3</sup> Studies/surveys carried out by individual smaller Member States would have less European added-value and fail to cover the EU wide scope and might generate a duplication of research already carried out in other countries.

<sup>4</sup> This type of measures implies a higher added-value and impact if done with a coordinated/complementation approach between the Member States; moreover smaller Member States tend to have fewer resources for promotion of their destinations and especially for the promotion of transnational tourism products.

in a cornerstone role, leveraging over €1.4 billion of total investment in growth-oriented SMEs. As regards historical performance, under the first generation of EU venture capital (the ETF Start-up Facility under the Growth & Employment Initiative from 1998-2000) over 98% of the money invested has already been, or should ultimately be, paid back from beneficiaries, including Skype (voice-over IP telephony), Vertaris (paper recycling) and Solaire Direct (Photovoltaic structures).

- The Enterprise Europe Network has achieved tangible results by putting emphasis on promoting the internationalisation of SMEs (in the Internal Market and beyond) through providing information on Union matters as well as the possibility to feed into the decision making process. Its role is especially important in overcoming information asymmetries faced by SMEs and alleviating transaction costs associated with cross-border activities. The value of the Enterprise Europe Network is constituted by the shared methodologies, instruments and tools used, qualified service providers mandated and (co-) financed by their regional / national authorities.

### **Coherence with other policies and programmes**

It is essential that the specific interests and circumstances of SMEs are taken into account in the design of all Union policies and funding programmes. The future financial framework will be designed to facilitate the participation of small enterprises in funding programmes, by simplifying rules, reducing the costs of participation, accelerating award procedures and providing a “one-stop shop” to make life easier for beneficiaries of Union funding.

Due to its importance for the achievement of the Europe 2020 goals, the improvement of the business environment for SMEs is mentioned in six out of seven Europe 2020 flagship initiatives: An Industrial policy for the Globalisation Era, Innovation Union, Youth on the Move, A Digital Agenda for Europe, Resource Efficient Europe, An Agenda for new Skills and Jobs. Of particular relevance for the new Programme is the flagship initiative “An industrial policy for the globalization era” which outlined a new strategic approach, addressing European competitiveness as well as the creation and growth of small and medium-sized enterprises and the promotion of an entrepreneurial culture.

The proposed new Programme will also provide a tool which can serve other policy objectives. The Enterprise Europe Network will provide a vehicle for links with other programmes and initiatives, in terms of “top-down” diffusion of information, promoting them, as well as “bottom-up” collection of feedback from stakeholders. It will continue to provide information, advice and support to SMEs on environmental programmes and compliance. Synergies with other programmes will be maximised. For example, the guarantee activities proposed in the new Programme will operate alongside guarantee activities funded under the Union Structural Funds and the Progress Microfinance Facility. The Venture Capital instruments will complement the ones provided under Horizon 2020 - the new Framework Programme for Research and Innovation. The Programme will also avoid overlaps with other programmes, in particular in the areas of entrepreneurship promotion and skills. Careful consideration will also be given to the complementarity of the new Programme with the proposed Partnership Instrument. It will be essential that the external action of the Union be complementary to the external dimension of the internal agenda of securing sustainable growth and jobs in Europe.

## Management of the Programme

As announced in the Commission Communication "A budget for Europe 2020"<sup>5</sup>, management will be largely outsourced.

- The financial instruments will be operated by the European Investment Bank Group on behalf of the Commission;
- Other actions may be managed by an executive agency, building on the positive experience<sup>6</sup> with the Executive Agency for Competitiveness and Innovation (EACI) in the current multi-annual financial framework. A cost-benefit analysis will be carried out.

Outsourcing for the CIP has proved especially successful with regard to simplification, as the EACI, as a result of its specialisation, has streamlined and developed procedures adapted to SMEs.

SME-related parts of other future spending programmes might also be externalised to the EACI. They may include parts of Horizon 2020, making that agency a "one-stop-shop" for SMEs willing to access Union funding programmes. The use of one executive agency would also lead to a streamlined use of IT tools and electronic portals, thus further contributing to easier access for SMEs.

## Simplification

A priority for the Commission in this Programme, as in other programmes within the context of the Multiannual Financial Framework (MFF), is to simplify the regulatory environment and facilitate access to funds for EU enterprises, particularly SMEs, as far as possible. This approach is applied in the Competitiveness and SME Programme (COSME) by basing it solely on the rules of the Financial Regulation, without any derogation. This provides for simple, coherent and standardised administrative procedures for enterprises to access funds.

The revision of the Financial Regulation will help to make it easier for small enterprises to take part in funding programmes, for example by simplifying rules, reducing the costs of participation, accelerating award procedures and providing a "one-stop shop" to make access to Union funding easier. A new system of lump sums is proposed.

These features meet the needs stakeholders expressed in the public consultation on the future of the Competitiveness and Innovation Framework Programme (CIP):

- simplify administrative procedures and the procedures of the Enterprise Europe Network, through simplifying the preparation of proposals
- make more use of lump sums, flat rates
- drop the requirement to name staff employed on a project
- simplify administrative documents to be submitted for contracts

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<sup>5</sup> COM(2011) 500 final, SEC(2011) 867 - 868 final. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: A Budget for Europe 2020 - Part II: Policy fiches.

<sup>6</sup> Final Report: Evaluation of the Executive Agency for Competitiveness and Innovation; 12 May 2011. [http://ec.europa.eu/cip/files/docs/evaluation-of-eaci-may-2011\\_en.pdf](http://ec.europa.eu/cip/files/docs/evaluation-of-eaci-may-2011_en.pdf)

- drop the need for private beneficiaries to provide bank guarantees.

The Programme will respond to these suggestions by making maximum use of the new Financial Regulation, and will make a point of further simplifying reporting requirements, that will include more extensive use of online reporting. Furthermore, to allow for an improved access to funding for SMEs, the rules for participation and eligibility of all future Union funding programmes will be aligned to the greatest extent possible.

Financial instruments as such are simple to use for enterprises as they address their bank or venture capital fund with an ordinary financing request and not with a project proposal as for grant finance. As regards the financial instruments to be implemented by the European Investment Fund (EIF) or other appropriate financial institutions, the Commission proposal for the equity and debt platforms and the revised Financial Regulation will govern the financial instruments' administrative requirements. The rules will be simplified to the greatest extent possible, to strike a balance between reporting obligations on intermediaries and beneficiaries on the one hand, and sound financial management, including audit requirements, on the other.

In addition, the simplified procedures developed by the EACI will be taken over by the Commission for similar types of projects. Best practices will be shared as regards, for example, simplifications the Agency introduced in grant agreements, contracts and procedures. Further simplification might include more flexible implementation modalities for grant agreements to avoid the need for amendments at a later stage.

## **RESULTS OF CONSULTATIONS WITH THE INTERESTED PARTIES AND IMPACT ASSESSMENTS**

### **Consultation with interested parties**

The CIP will come to an end on 31 December 2013. In the context of the impact assessment process for a successor programme, the Commission organised a public consultation, addressing a wide audience, including public and private organisations and individuals, consisting of four steps:

- an online survey (including a specific survey on financial instruments<sup>7</sup>), that ran from 8 November 2010 to 11 February 2011;
- a public conference on 25 January 2011;
- meetings with representatives of Member States in the Entrepreneurship and Innovation Programme (EIP) Committee and in the Joint Meeting of the CIP Committees;
- a meeting of the CIP Strategic Advisory Board on 2 February 2011.

The consultation confirmed that many parts of the current programme are working well, and that there is wide support for maintaining a Union programme to support SMEs and create a favourable business environment. Issues concerning access to finance for SMEs were also discussed at meetings of the SME Finance Forum held in September 2010 and March 2011.

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<sup>7</sup> [http://ec.europa.eu/cip/files/docs/public-consultation-annex2-to-final-report\\_en.pdf](http://ec.europa.eu/cip/files/docs/public-consultation-annex2-to-final-report_en.pdf)



## **Evaluation of the current programme**

Under the current CIP, evaluations are carried out both at the level of specific programmes and at the level of the framework programme. Most actions of the proposed Programme are a continuation of actions under the Entrepreneurship and Innovation Programme under the CIP.

The main findings of the EIP evaluations are summarised below.

### **Interim evaluation**

The EIP interim evaluation<sup>8</sup> assessed the initial outcomes of the EIP, with a focus on the setting up of the Enterprise Europe Network and the impacts of the financial instruments funded under the EIP and its predecessor programme. The evaluation confirmed that the objectives of EIP had efficiently addressed the most important barriers and constraints facing European SMEs, such as regulatory and administrative burdens and limited access to finance. The financial instruments supported by EIP are needed because of market failure, addressing the financing constraints that start-up and growing SMEs face across the Union. EIP financial instruments were seen as an innovative approach to addressing market failures in SME financing.

Recommendations for further improvements included:

- developing a standard set of monitoring indicators to record and report programme progress;
- improving the Enterprise Europe Network's feedback function;
- simplifying the structure of the EIP to improve links between individual actions and global EIP objectives.

### **Final evaluation**

The EIP final evaluation<sup>9</sup> assessed the relevance, efficiency, effectiveness, information and awareness, utility and sustainability of the programme, with a specific focus on its main components: financial instruments, Enterprise Europe Network, and innovation. The evaluation entailed extensive consultation of stakeholders and beneficiaries through surveys and interviews.

The findings of the evaluation have been encouraging. The EIP was seen as being on track to achieve the anticipated impacts, addressing the needs, problems and issues it was designed for and doing so in a particularly efficient way at European level.

Its objectives were seen as highly relevant to enterprise needs and in line with the Europe 2020 goals. The programme was evaluated as benefiting end-users, in particular SMEs, in an effective way. The EIP measures, particularly the financial instruments, were found to have effectively created conditions for real replication in the market.

The following recommendations were made on how to further improve the implementation of the EIP:

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<sup>8</sup> [http://ec.europa.eu/enterprise/dg/files/evaluation/final\\_report\\_eip\\_interim\\_evaluation\\_04\\_2009\\_en.pdf](http://ec.europa.eu/enterprise/dg/files/evaluation/final_report_eip_interim_evaluation_04_2009_en.pdf)

<sup>9</sup> [http://ec.europa.eu/cip/files/docs/eip-final-evaluation-report\\_en.pdf](http://ec.europa.eu/cip/files/docs/eip-final-evaluation-report_en.pdf)

- develop a systematic management process for pursuing cross-cutting objectives within the programme and linking the high-level objectives to single financed actions and measures,
- make links with other elements of Enterprise policy more explicit, eg with references to the priorities of the Small Business Act or relevant Europe 2020 Flagship Initiatives.
- develop the monitoring system and indicators, which, while a valuable contribution in assessing the performance of the programme, still need fine-tuning.

There is already more focus on performance measurement and on performance indicators in the current programme and this will have a prominent place in the new Programme. The latter will take into account the above recommendations, in particular by strengthening the intervention logic of the Programme, linking it more closely to the strategic priorities of the Union.

### **Impact assessment**

An impact assessment covering the instruments of the Programme was carried out and it accompanies this Commission proposal. The impact assessment considered four options:

- Option 1, Business-as-Usual, would cover the same competitiveness- and SME-related elements as the EIP is expected to cover in 2013.
- Option 2 would discontinue all current financial interventions.
- Option 3b would maintain the current scope of intervention with a balanced budgetary expansion.
- Option 3c would mean a focused budgetary expansion, with financial support restricted to the financial instruments and the Enterprise Europe Network.

The impact assessment has concluded that **modest budgetary expansion** is the preferred option, as it would provide a balanced approach in terms of supporting efficiency gains, critical mass, coherence and effectiveness, and tackling market and regulatory failures.

Following the opinion of the Impact Assessment Board, the report was improved as follows:

- evaluation findings and stakeholders' views were better detailed in the text;
- social impacts were assessed to a greater extent;
- policy coherence and coherence with other EU programmes was further assessed and explained in the report.

## **LEGAL ELEMENTS OF THE PROPOSAL**

### **Legal basis**

The proposal is based on Article 173 and Article 195 of the Treaty on the Functioning of the European Union.

It contains the following provisions:

- Article 1 establishes the Programme;
- Article 2 defines the overall objectives and Article 3 the specific objectives;
- Article 4 describes the Programme's budget;
- Article 5 concerns the participation of third countries;
- Articles 6, 7, 8 and 9 describe the Programme's fields of actions;
- Article 10 defines the annual work Programme for implementation;
- Article 11 defines the scope for support measures to be undertaken by the Commission;
- Article 12 describes provisions for monitoring and evaluation;
- Article 13 describes the forms of financial assistance;
- Article 14 provides information about the implementation of the financial instruments;
- Article 15 describes provisions for the protection of the Union's financial interests;
- Article 16 sets out provisions on the committee;
- Articles 17, 18 and 19 describe delegating acts, the exercise of the delegation and provisions for the urgency procedure;
- Article 20 sets the date for the entry into force of this Regulation.

### **Subsidiarity and proportionality principles**

The proposed EU intervention is in line with the Lisbon Treaty, as it will specifically target policy failures such as the lack of coordination and effective networking and market failures such as information asymmetries which can only be tackled at EU level. Setting out a coordinated and consolidated policy is seen as being very valuable in bringing key stakeholders together, sharing knowledge, ideas and concerns, and in helping to raise awareness within and across governments and in the wider community.

None of the measures considered under the future Programme calls for EU-level measures to replace national initiatives, or binding decisions at EU level. EU intervention is designed to make national measures work better, by giving an EU dimension to them, by better coordination and the removal of cross-border obstacles to cooperation either by private actors or public authorities. Cooperation of national and regional actors and structures is encouraged by means of “horizontal” networking rather than “vertical” centralisation.

EU action has to be proportional, in other words, efforts and means deployed have to be fully justified by the goals. In this respect, given the challenges the EU economy faces, the size and scale of EU action is expected to generate positive impacts across Europe through crowding-in and multiplier effects. Because of budgetary constraints, the proposed EU-level measures have been carefully selected to demonstrate EU added value.

Based on the above analysis, it can be concluded that the proposed EU-level intervention to promote entrepreneurship and competitiveness is fully justified, especially taking into account SMEs' needs.

## **BUDGETARY IMPLICATIONS**

The financial appropriations for implementing the Programme for the period from 1 January 2014 to 31 December 2020 shall amount to EUR 2.522 billion.<sup>10</sup>

2011/0394 (COD)

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 “Europe 2020 - A strategy for smart, sustainable and inclusive growth”<sup>11</sup> 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 Europe for the next

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<sup>10</sup> The budget of the Programme has been decreased compared to the amount published in the Commission Communication “A budget for Europe 2020” (COM(2011)500) due to the fact that actions to support standardisation will be financed up to an amount of EUR 182 million outside the Programme in order to maintain their successful structure and efficient implementation.

<sup>11</sup> COM (2010) 2020 final.

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, which aim at making Europe more dynamic and competitive. It also emphasises the importance of reinforcing the growth of the European economy while delivering high levels of employment, a low carbon, resource and energy-efficient economy and social cohesion.

- (2) In order to ensure that enterprises play a central role in delivering economic growth in Europe, the Commission adopted a Communication, entitled "An Integrated industrial policy for the globalization era, putting competitiveness and sustainability at centre stage"<sup>12</sup> in October 2010, which was endorsed by the European Council on its Conclusions of December 2010. This is a flagship initiative of the Europe 2020 Strategy. The Communication sets out a strategy that aims to boost growth and jobs by maintaining and supporting a strong, diversified and competitive industrial base in Europe, notably through improving framework conditions for enterprises, as well as through strengthening several aspects of the Single Market, including business-related services.
- (3) In June 2008 the Commission adopted the Communication "Think Small First - A "Small Business Act for Europe"<sup>13</sup>, which was endorsed by the European 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"<sup>14</sup> of February 2011, which was endorsed by the Competitiveness Council of May 2011, 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 financing and access 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 2014-2020<sup>15</sup>, 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 Europe will be achieved.
- (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

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<sup>12</sup> COM (2010) 614 final.

<sup>13</sup> COM(2008) 394 final.

<sup>14</sup> COM(2011) 78 final.

<sup>15</sup> COM(2011) 398 final.

development based on balanced economic growth, a Programme for the Competitiveness of Enterprises and SMEs (hereinafter "the Programme") should be established.

- (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 under which enterprises can grow in a sustainable way. Improved productivity is the dominant source of sustainable income growth, which in turn contributes to improvements in living standards. 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 value-added created by enterprises in the Union. SMEs are a key driver for economic growth, employment and social integration.
- (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 due principally to issues which undermine the capacity of enterprises 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 enterprises.<sup>16</sup> 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 young entrepreneurs, new and potential entrepreneurs and female entrepreneurs, as well as specific target groups, such as migrants and entrepreneurs belonging to socially disadvantaged or vulnerable groups such as persons with disabilities. The Programme should also encourage senior citizens to become and remain entrepreneurs and promote 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 complementary to the Member States' use of financial instruments for SMEs. The entities entrusted with the implementation of the actions should ensure additionality and avoid double financing through EU resources.

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<sup>16</sup> OJ L 124 20.5.2003, p. 36

- (13) The Enterprise Europe Network has proven its added value for European SMEs as a one-stop-shop for business support by helping enterprises 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 financing, and on intellectual property and on 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.
- (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 EU supports a network of European Business Organisations in more than 20 markets abroad. It provides financial assistance to the EU-Japan Centre for Industrial Cooperation, business bodies in Hong Kong, Malaysia and Singapore as well as the European Business and Technology Centre in India, EU SME Centres in China and in Thailand and the China Intellectual Property Rights SME helpdesk. European added value is created by bundling national efforts in this domain, avoiding duplication, promoting cooperation and by offering services that would lack critical mass if provided at national level.
- (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 necessary in order to develop a level playing field for SMEs and to exchange information and knowledge on a European scale.
- (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.<sup>17</sup> Demonstration and catalytic effects, for example European Awards and conferences, 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 some sectors. For example, design-based sectors facing global challenges and characterised by a high proportion of SMEs need to adapt to reap the benefits and harness the untapped potential of high demand for personalised, inclusive products. As these challenges apply to all SMEs in the Union in these sectors, a concerted effort at Union level is necessary.
- (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"<sup>18</sup>, which was endorsed by the European Council Conclusions of October 2010, tourism is an

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<sup>17</sup> 2009 Eurobarometer survey on entrepreneurship.

<sup>18</sup> COM(2010) 352 final.

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, since it is run mainly by SMEs. The Lisbon Treaty acknowledges the importance of tourism outlining the Union specific competences in this field which complement the actions of Member States. There is clear added value for the tourism initiative at Union level, especially in providing data and analysis, in developing transnational promotion strategies and in exchanging best practices.

- (19) The Programme should indicate actions for the objectives, the total financial envelope for pursuing those objectives, different types of implementing measures, and the arrangements for monitoring and evaluation and for protection of the Union's financial interests.
- (20) The Programme should complement 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, other Union programmes and the Structural Funds.
- (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 activities.
- (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 XX/YY/201Z between the European Parliament, the Council and the Commission on cooperation in budgetary matters and on budgetary discipline and sound financial management<sup>19</sup>, 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.
- (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) 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

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<sup>19</sup> OJ C 139, 14.6.2006, p.1



February 2011 laying down the rules and general principles concerning mechanisms for control by the Member States of the Commission's exercise of implementing powers<sup>20</sup>.

- (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:

## **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 2* **General Objectives**

1. The Programme shall contribute to the following general objectives, paying particular attention to the specific needs of SMEs at European and global level:
  - (a) strengthening the competitiveness and sustainability of the Union's enterprises including in the tourism sector;
  - (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 industrial sector in relation to total Gross Domestic Product (GDP) growth,
  - (b) Union manufacturing output growth in eco-industries,
  - (c) changes in administrative burden on SMEs,

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<sup>20</sup> OJ L 55, 28.2.2011, p. 13

- (d) SME growth in terms of added-value and number of employees,
  - (e) and SME turnover rate.
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.

## **CHAPTER II**

### **Specific objectives and fields of action**

#### *Article 3* **Specific objectives**

1. The specific objectives of the Programme shall be:
- (a) To improve framework conditions for the competitiveness and sustainability of Union enterprises including in the tourism sector;
  - (b) To promote entrepreneurship, including among specific target groups;
  - (c) To improve access to finance for SMEs in the form of equity and debt;
  - (d) To improve access to markets inside the Union and globally.
2. The need of enterprises to adapt to a low-carbon, 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.

#### *Article 4* **Budget**

1. The financial envelope for implementing the Programme shall be EUR 2.522 billion, of which approximately EUR 1.4 billion 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, 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<sup>21</sup>. 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.

*Article 5*  
***Participation of third countries***

1. The Programme shall be open to the participation of:
  - (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. Entities established in countries referred to in paragraph 1, in case the conditions established in that paragraph are not fulfilled or when those countries decide not to join the Programme, or entities established in other third countries may participate in actions under the Programme.
3. Such entities 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 and consistency of national policies promoting competitiveness, sustainability and the growth of enterprises in Europe.
2. The Commission may support actions intended to develop new competitiveness strategies. Such actions may include the following:

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<sup>21</sup> OJ L 310, 9.11.2006, p. 15.

- (a) measures to improve the design, implementation and evaluation of policies affecting the competitiveness and sustainability of enterprises, including disaster resilience, and to secure the development of appropriate infrastructures, world class clusters and business networks, framework conditions and development of sustainable products, services and processes;
  - (b) measures to encourage cooperation in policy making and exchange of good practices among the Member States, other countries participating in the Programme and the Union's main competitors, and to address international aspects of competitiveness policies.
  - (c) support for SME policy development and cooperation between policy makers, particularly with a view to improving the ease-of-access to programmes and measures for SMEs.
3. The Commission may support initiatives accelerating the emergence of competitive industries based on cross-sectoral activities in areas characterised by a high proportion of SMEs and with a high contribution to the Union's GDP. Such initiatives shall stimulate development of new markets and the supply of goods and services based on the most competitive business models or on modified value-chains. They shall include initiatives to enhance productivity, resource efficiency, sustainability and corporate social responsibility.

#### *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 favourable to enterprise development and growth.
2. Particular attention shall be paid to young entrepreneurs, new and potential entrepreneurs and female entrepreneurs, as well as specific target groups.
3. The Commission may support Member States' measures to build-up entrepreneurial education, 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 and growth phases, being complementary to the Member States' use of financial instruments for SMEs at national and regional level. In order to ensure complementarity, these actions will be closely coordinated with those undertaken in the framework of cohesion policy and at national level. Such actions shall aim to stimulate the supply of both equity and debt finance.
2. As part of the actions referred to in paragraph 1, the Commission shall develop measures, subject to market demand, to improve cross-border and multi-country financing, thereby assisting SMEs to internationalise their activities in compliance with Union law.
3. Details of the actions referred to in paragraph 1 of this Article are laid down in Annex II.

*Article 9*  
***Actions to improve access to markets***

1. In order to continue improving the competitiveness and access to markets of Union enterprises, the Commission shall maintain its support for the Enterprise Europe Network.
2. The Commission may support actions to improve SMEs access to the Single Market including information provision and awareness-raising.
3. Specific measures shall aim to facilitate SMEs access to markets outside the Union, and to strengthening existing support services in those markets. SMEs may receive support through the Programme as regards standards and intellectual property rights in priority third countries.
4. 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, on industrial policy and the improvement of the business environment.

**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 programmes shall set out the objectives pursued, the expected results, the method of implementation and their total amount. They shall also contain a description of the actions to be financed, an indication of the amount allocated to each action and an indicative implementation timetable, as well as appropriate indicators for monitoring effectiveness in delivering outcomes and achievements of the objectives. They shall include for grants the priorities, the essential evaluation criteria and the maximum rate of co-financing.
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) the analysis and monitoring of sectoral and cross-sectoral competitiveness issues;
  - (b) the identification of good practices and policy approaches, and their further development;
  - (c) impact assessments of Union measures of particular relevance for the competitiveness of enterprises, with a view to identifying areas of existing legislation that need to be simplified, or areas in which new legislative measures need to be 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 programmes referred to in Article 10.

#### *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 the amount of climate-related expenditure and the impact of support to climate-change objectives to the extent that the collection of this information does not create unjustified administrative burden for SMEs.
3. By 2018 at the latest, the Commission shall establish an 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 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;
4. An evaluation report shall be established on the longer-term impacts and the sustainability of effects of the measures to feed into a decision on a possible renewal, modification or suspension of a subsequent measure.
5. A set of key performance indicators shall be developed as a basis for assessing the extent to which the objectives of the actions supported under the Programme have been achieved. They shall be measured against pre-defined baselines reflecting the situation before implementation of the actions.
6. All involved parties shall provide the Commission with all the data and information necessary to permit the monitoring and evaluation of the concerned measures.

## **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 Programme shall be operated with the aim of facilitating access to finance for growth-oriented SMEs. The financial instruments shall include an equity facility and a loan guarantee facility.
2. The financial instruments for growth-oriented SMEs may, where appropriate, be combined with other financial instruments established by Member States and their managing authorities in accordance with [Article 33(1)(a) of Regulation (EU) No XXX/201X [New Regulation on Structural Funds]], and grants funded from the Union, including under this Regulation.
3. The financial instruments 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.
4. In accordance with Article 18(4) of Regulation (EU) No XXXX/2012 [New Financial Regulation], revenues and repayments generated by one financial instrument shall be assigned to that financial instrument. 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 financial instrument in the period 2014-2020.

#### *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 Regulation (Euratom, EC) No 2185/96 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 sub-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.

## **CHAPTER V**

### **Committee and final provisions**

#### *Article 16* **Committee**

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 changes to the indicators provided in the list in Annex I to this Regulation if these do not prove suitable to 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 details of the specific actions set out in Annex II to this Regulation if economic market developments so require or according to the results achieved by the Competitiveness and Innovation Framework Programme Loan Guarantee Facility (LGF) and the Risk Sharing Instrument (RSI) of the 7<sup>th</sup> Framework Programme for Risk Sharing Financial Facility.
3. Where imperative grounds of urgency so require such as rapidly changing economic conditions, the procedure provided for in Article 19 shall apply to delegated acts adopted pursuant to this Article.



*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 delegation of power 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 of revocation 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 by either the European Parliament or the Council within a period of two months following the 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 the Council.

*Article 19*  
***Urgency procedure***

1. Delegated acts adopted under this Article shall enter into force without delay and shall apply as long as no objection is expressed in accordance with paragraph 2. The notification of a delegated act to the European Parliament and to the Council shall state the reasons for the use of the urgency procedure.
2. Either the European Parliament or the Council may object to a delegated act in accordance with the procedure referred to in Article 18(5). In such a case, the Commission shall repeal the act without delay following the notification of the decision to object by the European Parliament or the Council.

*Article 20*  
***Repeal and transitional provisions***

3. Decision 1639/2006/EC is repealed with effect from 1 January 2014.
4. However, actions initiated under Decision 1639/2006/EC and financial obligations related to those actions shall continue to be governed by that Decision until their completion.
5. 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 1639/2006/EC.

*Article 21*  
***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 be directly applicable in all Member States.

Done at Strasbourg,

*For the European Parliament*  
*The President*

*For the Council*  
*The President*

**ANNEX I**  
**Indicators for general and specific objectives**

**General objective:**

**1. To strengthen the competitiveness and sustainability of the Union's enterprises including in the tourism sector**

Impact indicator <sup>22</sup>	Current situation	Long term target and milestone (2020)
Growth of the industrial competitiveness <sup>23</sup>	2009: -3.1%, 2008: -0.3%, 2007: +0.7%	Annual growth of 1% and a 5% growth in 2015
Change of administrative burden on SMEs (N° of days to set-up a new enterprise)	2009: -3.1% Number of days to set up new SME: 7 working days	Reduction of number of days to set-up a new SME: 3 working days in 2020.
EU manufacturing output growth in eco-industries (% change from previous year)	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

**General objective:**

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

Impact indicator	Current situation	Long term target and milestone (2020)
SME growth in terms of added-value and employees	In 2010 SMEs 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 employees in SMEs of 1%
Feedback from SMEs and other final beneficiaries on added-value, utility and relevance of the Programme (to be measured in the Programme evaluations) through the Europe Enterprise Network (EEN) and on-line surveys	78 % of satisfaction and positive feedback on the added-value of the EEN	Increase to more than 80 % of satisfaction on the value added of the EEN

<sup>22</sup> 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.

<sup>23</sup> 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)

SME turnover rate (start-ups and mortality)

## **Specific objective:**

**To improve framework conditions for the competitiveness and sustainability of EU enterprises including in the tourism sector**

Result indicator

Latest known result

Medium term target (result) 2017

### **Activities to improve Competitiveness**

Number of simplification measures adopted

The Commission's simplification programme was updated in 2010 and is on track to cut red tape by 25% in 2012. There were 5 simplification measures per year done until 2010.

About 7 simplification measures per year.

Number of "fitness" checks on quality and value-added of activities

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.

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.

Level of adoption by companies of European sustainable production and product tools, including EMAS, eco-label, and eco-design

Approximately 35,000 ISO 14001 EMS certifications and 4,500 EMAS registration, 18,000 licences for the EU Ecolabel

Significant number of companies monitor their performance, apply environmental management systems and achieve improvement in resource productivity and environmental performance. Significant part of production are resource efficient and environmentally friendly products

### **Developing SME policy**

Number of Member States using SME test: 15 MS

Number of Member States using SME test: 21 MS

Number of Member States using SME test

Number of media publications/clippings in all Member States: 60 in 2010

Number of media publications/clippings in all Member States: 80

Increased EU-wide publicity of the European Enterprise Awards with media publications/clippings in all Member States

Reduction of start-up time: 7 working days

Reduction of start-up time: 5 working days

Reduction of start-up time and complexity for new enterprises

### **New business Concepts**

So far this activity was restricted to analytical work of limited scale.

Target for the cumulative number of new products/services to be 5 in 2017 (increasing to 15 in

Number of new products/services in the market	2018 and 25 in 2019).
Level of additional exports and corresponding monetary amounts	As for exports, no expected impact in 2017 yet. The share of exports of the first generation of participating SMEs will appear in 2018 with a target increase of 20%.
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

**Tourism**

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	30% of calls for proposals directly addressed to SMEs
Number of entities adopting European Tourism Quality Label	Up to date no entity adopting European Tourism Quality Label (action in elaboration)	Coverage of 50% of the evaluation schemes eligible to participate in the European Tourism Quality Label
Number of destinations 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:**

**To promote entrepreneurship, including among specific target groups**

Result indicator	Latest known result	Medium term target (result) 2017
<b><u>Support for entrepreneurship</u></b>	Figures from 2007 and 2009 are stable at 45%	Increase of EU citizens that would like to be self employed to 50%
Feedback on the public perception of entrepreneurship (% of EU citizens that would like to be self employed as measured by Eurobarometer)	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 states implementing entrepreneurship	Number of nationally run programmes available to	Number of nationally run programmes available to

solutions developed at the EU level	SMEs from other MS: 5	SMEs from other MS: 10
Number of nationally run programmes available to SMEs from other MS	5 simplification measures per year (2010).	About 7 simplification measures per year
Number of simplification measures adopted for SMEs		

**Specific objective:**

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

Result indicator

Latest known result

Medium term target (result) 2017

**Financial Instruments for growth**

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 loan (credit) guarantees (+/- 95 000) and value of lending (+/- €10.7 billion)

Number of firms receiving loan (credit) guarantees and value of lending

Number of VC-backed firms: (+/- 180) and value of investments (+/- €220m)

Number of VC-backed firms and value of investments (of which cross border deals)

**Specific objective:**

**To improve access to markets inside the Union and globally**

Result indicator

Latest known result

Medium term target (result) 2017

**Enterprise Europe Network**

**Enterprise Europe Network**

**Enterprise Europe Network**

Number of partnership agreements signed

Partnership agreements signed: 1.950 (2010)

Partnership agreements signed: 3.000/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: 30% of SMES reached

Clients satisfaction rate (% SMEs stating satisfaction, added-value of specific service)

Clients satisfaction rate (% SMEs stating satisfaction, added-value of specific service): 78%

Clients satisfaction rate (% SMEs stating satisfaction, added-value of specific service): >80%

Number of SMEs receiving support services	Number of SMEs receiving support services: 435.000 (2010)	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 (2010)	Number of SMEs participating in brokerage events and company missions: 60.000/year

**SME business support in markets outside the EU**

Share (%) of SMEs involved in international activities (exports, imports, FDI and other activities) outside the EU	13 % (2009)	17 % (2017)
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**International Industrial Cooperation**

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 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 in the three policy region (candidate countries region, neighbourhood East and neighbourhood MED) (2017)

## **ANNEX II**

### **ACTIONS TO IMPROVE SME ACCESS TO FINANCE**

1. Actions to improve SME access to finance shall include an equity facility and a loan guarantee facility.
2. 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) to the growth stage and financially supported by the Horizon 2020 and this Programme.

EFG shall use the same delivery mechanism as the equity facility for RDI to be established under Horizon 2020, according to the terms set out below.

3. 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), according to the terms set out below.
4. The equity and loan guarantees 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.
5. The equity and loan guarantee facilities will be complementary to the Member States' use of financial instruments for SMEs in the framework of cohesion policy.
6. The equity and loan guarantee facilities may, where appropriate, allow pooling of financial resources with Member States willing to contribute part of the Structural Funds allocated to them in accordance with [Article 33(1)(a) of the Structural Funds Regulation].
7. Revenues and repayments related to GIF 2 under the Competitiveness and Innovation Framework Programme (Decision No 1639/2006/EC of the European Parliament and of the Council) shall be assigned to the Competitiveness and SME Programme.
8. The financial instruments for growth-oriented SMEs shall be implemented in compliance with the relevant EU State aid rules.

### **The Equity Facility for Growth (EFG)**

1. 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. 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 EFG shall avoid buy-out or replacement capital intended for the dismantling of an acquired enterprise. The Commission may decide to amend the 20% threshold in light of changing market conditions.

2. Support 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 entrusted with the implementation on behalf of the Commission together with private investors and/or national public financial institutions;

### **The Loan Guarantee Facility (LGF)**

1. The LGF shall be operated by the EIF or other entities entrusted with the implementation on behalf of the Commission. The facility shall provide:
  - counter-guarantees and other risk sharing arrangements for guarantee schemes;
  - direct guarantees and other risk sharing arrangements for any other financial intermediaries meeting the eligibility criteria.
2. The LGF shall consist of the following two actions:
  - 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;
  - 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.
3. The LGF shall, except for loans in the securitised portfolio, cover loans up to EUR 150.000 and with a minimum maturity of 12 months. The LGF shall be designed in such way that it will be possible to report on the innovative SMEs supported, both in terms of number and volume of loans.

## **LEGISLATIVE FINANCIAL STATEMENT FOR PROPOSALS**

### **1. FRAMEWORK OF THE PROPOSAL/INITIATIVE**

- 1.1. Title of the proposal/initiative
- 1.2. Policy area(s) concerned in the ABM/ABB structure
- 1.3. Nature of the proposal/initiative
- 1.4. Objective(s)
- 1.5. Grounds for the proposal/initiative
- 1.6. Duration and financial impact
- 1.7. Management method(s) envisaged

### **2. MANAGEMENT MEASURES**

- 2.1. Monitoring and reporting rules
- 2.2. Management and control system
- 2.3. Measures to prevent fraud and irregularities

### **3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE**

- 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected
- 3.2. Estimated impact on expenditure
  - 3.2.1. Summary of estimated impact on expenditure
  - 3.2.2. Estimated impact on operational appropriations
  - 3.2.3. Estimated impact on appropriations of an administrative nature
  - 3.2.4. Compatibility with the current multiannual financial framework
  - 3.2.5. Third-party participation in financing
- 3.3. Estimated impact on revenue

## LEGISLATIVE FINANCIAL STATEMENT FOR PROPOSALS

### 1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

#### 1.1. Title of the proposal/initiative

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

#### 1.2. Policy area(s) concerned in the ABM/ABB structure<sup>24</sup>

Policy area: Enterprise and Industry

Activities: Competitiveness, Industrial Policy, Innovation and Entrepreneurship

The present policy area corresponds to the current ABB structure. For the budget year 2014 a new budget structure may be defined after approval of the interinstitutional agreement for the Financial Perspective 2014-2020.

#### 1.3. Nature of the proposal/initiative

The proposal/initiative relates to **a new action**

The proposal/initiative relates to **a new action following a pilot project/preparatory action**<sup>25</sup>

The proposal/initiative relates to **the extension of an existing action**

The proposal/initiative relates to **an action redirected towards a new action**

#### 1.4. Objectives

##### 1.4.1. The Commission's multiannual strategic objective(s) targeted by the proposal/initiative

The multiannual strategic objective targeted by the proposed Programme is the implementation of the Europe 2020 strategy, which, with its flagship initiatives of smart, sustainable and inclusive growth, outlines measures to strengthen the long-term sustainability and competitiveness of EU enterprises for the future. The Programme will also encourage an entrepreneurial culture and promote the creation and growth of SMEs. In particular, the proposed Programme would contribute to the headline target concerning employment (75% of the 20-64 year-olds to be employed).

##### 1.4.2. Specific objective(s) and ABM/ABB activity(ies) concerned

1. To improve framework conditions for the competitiveness and sustainability of Union enterprises including in the tourism sector;
2. To promote entrepreneurship, including among specific target groups;
3. To improve access to finance for SMEs;

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<sup>24</sup> ABM: Activity-Based Management – ABB: Activity-Based Budgeting.

<sup>25</sup> As referred to in Article 49(6)(a) or (b) of the Financial Regulation.

4. To improve access to markets inside the Union and globally.

The medium-term targets for these specific objectives are outlined in Annex I to the Regulation.

#### ABM/ABB activity(ies) concerned

A new budget structure may be defined after approval of the interinstitutional agreement for the Financial Perspective 2014-2020.

#### *1.4.3. Expected result(s) and impact*

*Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.*

The ultimate aim of the proposed Programme is to achieve a positive change in the economic situation of the European Union and of its enterprises, such as higher growth, higher employment and a higher number of start-ups. Efforts will focus on contributing to the objectives of the Europe 2020 strategy and its headline targets through support to activities of the flagship initiative “An integrated industrial policy for the globalisation era” and of the Small Business Act Review.

The key purpose and role of the Programme is to support the development, coordination and implementation of a modern and effective European competitiveness policy, with particular focus on SMEs.

More specifically, the specific objectives mentioned under 1.4.2 will be met by:

- improved access to finance for growth-oriented SMEs and those with a potential to internationalise;
- better business support and information services to SMEs, on the Internal Market and beyond;
- improved exchange of best practices and information, benchmarking and policy coordination at regional, national and European level;
- Improved competitiveness of targeted sectors.

European firms are the main stakeholders affected by the underlying drivers of the problem to which the new Programme should respond. SMEs are more affected than larger firms because of their characteristics in terms of capital ownership, management and methods of financing, which call for tailor-made policy intervention. As SMEs are the main source of new jobs in the EU, their development directly affects the labour force. Addressing the problems SMEs face would also significantly improve EU employment prospects.

#### *1.4.4. Indicators of results and impact*

*Specify the indicators for monitoring implementation of the proposal/initiative.*

The results-based management approach applied to the current programme and its annual performance monitoring have proved to be successful in demonstrating the programme’s achievements as well as in enhancing the EU’s accountability. Building on this experience and taking into account evaluation recommendations received, the new Programme has a clear intervention logic (where SMART operational objectives contribute to the achievement of general

objectives) and a set of corresponding impact and result indicators. Considering the time lag between the delivery of outputs and their impact on the general objectives, progress towards meeting them will be measured as a rule at three-yearly intervals while progress towards achieving operational objectives will be measured on an annual basis. The whole list of indicators is provided as annex I to the Commission proposal for the Regulation.

## **1.5. Grounds for the proposal/initiative**

### *1.5.1. Requirement(s) to be met in the short or long term*

The proposed Programme will support the Commission, Member States and key stakeholders in designing, coordinating and implementing effective competitiveness and entrepreneurship-related policies and support activities which aim at tackling the following long-term challenges:

- Problematic access to finance
- Low levels of SME creation
- Issues in industry specialisation
- Limited capacity to adapt to sustainability challenges
- Limited internationalisation of SMEs
- Weak entrepreneurial spirit and
- Unfriendly business environment.

In the short- to medium term the new Programme will address the following policy, market and institutional failures:

- Lack of policy coordination
- Information asymmetries
- High transaction costs and
- Fragmentation of the regulatory environment.

### *1.5.2. Added value of EU involvement*

The EU is uniquely placed to provide a European platform for policy exchanges and mutual learning in competitiveness and SME-related policies that involves national, regional and European stakeholders. EU activities add value to activities at national and / or regional level by providing the European dimension to the collection and analysis of data, the development of statistical tools and methods and of common indicators. Such Europe-wide evidence is a prerequisite for a sound analysis of the key factors impacting on competitiveness and SMEs.

### *1.5.3. Lessons learned from similar experiences in the past*

## **EIP evaluation**

The Commission has conducted the Entrepreneurship and Innovation Programme (EIP) interim and final evaluations (completed April 2009 and April 2011) and an interim evaluation of the CIP

(March 2010). These evaluations of the EIP and the CIP have shown that the objectives of the programmes are relevant to and aligned with the strategic aims of EU policies. Despite a limited budget, progress has been visible, in particular concerning the most important actions that address SMEs. Interviews and other evidence point to a clear European value-added.

### **EACI evaluation**

Part of the EIP budget has been delegated to the Executive Agency for Competitiveness and Innovation (EACI). An evaluation, finalised in May 2011, concluded that EACI was performing well and was an efficient and effective delivery mechanism for the initiatives for which it has operational responsibility. It confirmed that almost 100% of the budget had been executed.

### **Public consultation**

Public consultation on a possible successor to the CIP was launched as part of the impact assessment process. It was addressed to public and private organisations or individuals who wished to give their views, such as enterprises, business organisations, research and innovation support providers and national, regional and public administration.

The public consultation process consisted of an online survey, a public conference, meetings with the representatives of Member States in the different CIP management committees and a meeting the CIP Strategic Advisory Board. The consultation confirmed that many parts of the current programme work well, and that there is wide support for maintaining an EU programme targeted at supporting SMEs and creating a favourable business environment. Issues concerning access to finance for SMEs have also been discussed in the meetings of the SME Finance Forum in September 2010 and March 2011.

#### *1.5.4. Coherence and possible synergy with other relevant instruments*

The Commission will ensure effective coordination between the Union's and Member States' initiatives, on the one hand, and between different Union initiatives in related fields, on the other hand, thereby focussing on European added value and minimising overlaps.

Synergies with other programmes will be maximised in particular by providing a tool which can also serve other policy objectives. The Enterprise Europe Network will provide a vehicle for links with other programmes and initiatives, in terms of "top-down" diffusion of information, promoting them, as well as "bottom-up" collection of feedback from stakeholders.

The new Programme would avoid overlaps with other programmes: it will not cover actions addressing market failures related to innovation, which will be covered by the Horizon 2020 Programme. In particular, the financial instruments foreseen under Horizon 2020 would focus on financing research and innovation-based enterprises whereas the new Programme would target SMEs in their growth and internationalisation phases. With this target group, the new Programme would also avoid overlaps with the European Progress Microfinance Facility (Progress Microfinance). The latter was set up as part of the Union response to the crisis with rising unemployment and social exclusion. The goal of the Progress Microfinance is increasing access to and availability of microfinance for vulnerable groups, especially in the social economy. The same would apply to its successor after 2013, which will be extended to investments in social enterprises. Furthermore, the guarantee activities in the proposed Programme will operate alongside guarantee activities funded under the Structural Funds. The SMEG successor will focus more on guarantees supporting cross-border and multi-country lending, as well as securitisation, in line with the recommendations of the European Court of Auditors. This would ensure a high degree of

complementarity with programmes such as JEREMIE which are focused on the national and regional levels.

Careful consideration will also be given to the complementarity of the new Programme with the proposed Partnership Instrument. It will be essential that the external action of the European Union be complementary to the external dimension of the internal agenda of securing sustainable growth and jobs in Europe.

In order to achieve the objectives of the new Programme and as underlined in the Commission Communication on the next MFF, it is essential that the specific interests and circumstances of SMEs are taken into account in the design of all Union policies and funding programmes. The future financial framework will be designed to facilitate the participation of small enterprises in funding programmes, by simplifying rules, reducing the costs of participation, accelerating award procedures and providing a “one-stop shop” to make life easier for beneficiaries of Union funding.

#### **1.6. Duration and financial impact**

Proposal/initiative of **limited duration**

- Proposal/initiative in effect from 01/01/2014 to 31/12/2020
- Financial impact (payment appropriations) from 2014 to 2024 (as regards the Financial Instruments to 2035)

Proposal/initiative of **unlimited duration**

- Implementation with a start-up period from YYYY to YYYY,
- followed by full-scale operation.

#### **1.7. Management mode(s) envisaged<sup>26</sup>**

**Centralised direct management** by the Commission

**Centralised indirect management** with the delegation of implementation tasks to:

- executive agencies
- bodies set up by the Communities<sup>27</sup>
- national public-sector bodies/bodies with public-service mission
- persons entrusted with the implementation of specific actions pursuant to Title V of the Treaty on European Union and identified in the relevant basic act within the meaning of Article 49 of the Financial Regulation

**Shared management** with the Member States

**Decentralised management** with third countries

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<sup>26</sup> Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: [http://www.cc.cec/budg/man/budgmanag/budgmanag\\_en.html](http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html)

<sup>27</sup> As referred to in Article 185 of the Financial Regulation.

**X Joint management** with international organisations

**Comments:**

It is envisaged that the action will be partly directly managed by the Commission and partly indirectly by delegation to executive agencies.

Concerning other possibilities for indirect management and given the nature of the actions and projects envisaged within the proposed Programme, the Commission considers making use of an existing executive agency. This will concern only tasks that do not involve political choices.

Joint management with international organisations such as the Council of Europe, OECD, the UNWTO (United Nations World Tourism Organisation) and the ETC - European Travel Commission is also envisaged for certain analytical and benchmarking activities.

The financial instruments will be implemented by the European Investment Fund.



## **2. MANAGEMENT MEASURES**

### **2.1. Monitoring and reporting rules**

#### **Specify frequency and conditions**

Monitoring of the future Programme's implementation will be ensured by the European Commission on a continual basis, directly by Commission services and indirectly by intermediaries such as EIF and the executive agencies which might be entrusted with the implementation of parts of the Programme. The Commission will draw up an annual monitoring report examining the efficiency and effectiveness of supported activities in terms of financial implementation, results and, where possible, impacts and to allow for any necessary adjustments of the policy and funding priorities. Performance measurement will be subject to a consistent set of indicators.

The monitoring and evaluation system will largely rely on that of the current programme, but the following improvements will be made to the data collection and analysis system, as well as to the evaluation and monitoring approach (following the recommendations from the evaluations of the current programme):

- formulation of a new set of specific indicators and monitoring arrangements;
- cross-reference to Europe 2020 flagship indicators to steer the programme management process and to provide additional input to the Europe2020 monitoring process;
- utilisation of counter-factual methodologies, comparing samples of beneficiaries with a similar set of non-beneficiaries, if relevant, and in order to distinguish the impact of the programme on the proposed indicators from the effect of changing economic circumstances.
- recourse to thematic evaluations across the various components of the future programme, if relevant.

The new Programme will be subject to an interim and to an ex-post evaluation to assess progress towards the objectives and the results. The interim evaluation will be completed by end 2017 to feed into the preparation of a successor instrument to the Programme. The ex-post evaluation will be undertaken within two years of completion of the Programme.

### **2.2. Management and control system**

#### *2.2.1. Risk(s) identified*

The budget of the Programme will be implemented through financial instruments, grants and public procurement. The risks are different for each of these different types of expenditure. Audits carried out by the European Court of Auditors and by the Commission's own ex-post audits have identified the following main risks which remain potentially valid for this Programme:

For financial instruments: The main risks identified refer to eligibility (of international financial intermediaries (IFI's) and final beneficiaries), contractual compliance (transposal of the Commission's requirements into the contractual documentation), process compliance (non-observance of processes prescribed by the Commission) and performance (non-achievement of pre-defined targets/objectives).

These risk types will be addressed taking account of the following factors:

- Significant aspects of the management and control process are carried out by the IFI.
- The Commission has to rely to a significant extent on the IFIs' management control systems.
- It is important to ensure the appropriate level of controls along the implementation chain with clear responsibilities for all the involved partners.
- The central ex-ante verification of the DG's financial unit applies only to budgetary transactions with the IFI and not to project-specific.

For grants: The complex cost eligibility rules and the relatively limited financial management expertise of certain beneficiaries (SMEs) could result in a high risk of incorrectly declared costs (e.g. claiming by beneficiaries of non incurred SME owner manager costs).

The lack of a complete database with information about beneficiaries, projects and declared costs could make the detection of risky beneficiaries and of possible duplicate charging of costs or other irregularities difficult and thus result in ineffective antifraud activity.

For public procurement: Undetected errors or uncorrected imprecisions in tenders or tender specifications could lead to bad contract execution.

#### 2.2.2. *Control method(s) envisaged*

Different control methods are envisaged to address the different risks identified above

### **1. FINANCIAL INSTRUMENTS**

#### *Information on the internal control system set-up*

A management and control system based on the following measures is envisaged for the financial instruments:

- ex-ante assessment of the IFI
- risk based monitoring, included on the basis of standardised reporting,
- preventive action through the design of appropriate eligibility, contractual compliance, process compliance and performance requirements;
- contractual remedies allowing for corrective action in case of implementation error regarding eligibility, contractual compliance, process compliance and performance requirements;
- ex-ante controls on payments from the DG to the trust account of the IFI;
- alignment of interest measures;
- participation in governance
- audit access rights concerning IFIs, sub-intermediaries and final beneficiaries;

- a full audit trail covering the implementation chain;
- compliance and performance audits by Commission's agents
- integrated assurance building taking account of the system of internal controls and internal auditing maintained by IFIs and sub-intermediaries addressing eligibility, contractual compliance, process compliance and performance requirements;
- financial statements audited by external auditors;
- statements of assurance provided by IFIs on an annual basis.

The verification that processes are working as designed will be ensured through several information channels:

- management's knowledge about the state of the DG's internal control systems, gathered through the day-to-day work and experiences;
- the DG's formal supervision, follow-up and monitoring arrangements;
- the results from the annual ICS review ('full compliance with baseline requirements');
- the results of the Risk Assessment exercise;
- the ex-ante and ex-post controls, including reports of exceptions and/or internal control weaknesses;
- the results from the DG's external financial audits;
- the audit and consultancy work performed by the DG's Internal Audit Capability;
- evaluations of the Programmes carried out by external evaluators.

Auditing by the IAC, the IAS or the ECA will provide further feedback on the adequacy of the control system.

### **Estimation of the costs and benefits of the controls implied by the control system**

Controls envisaged have been considered in a broad sense in line with the COSO model definition of internal control defined as "a process designed to provide reasonable assurance regarding the achievement of objectives in effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations". The costs of controls are estimated on a comprehensive basis covering any activities which are directly or indirectly related with the verification of the rights of IFI, FI and FB and the regularity of the expenditure. Where possible they are detailed along the various management stages, and in line with the description of the control system envisaged.

Adjustments to take account of the expected changes of the new proposal include data for the following key changes:

- a) Clarification of the applicable rules under the Equity/Debt Platforms and increased preventive action through the design of appropriate requirements

b) Alignment of interest measures and further contractual remedies allowing for corrective action in case of implementation error regarding requirements.

### **Assessment of the expected level of risk of non-compliance with the applicable rules**

Under the envisaged control system, the expected level of risk of non-compliance (defined as the expected risk of error of legality and regularity occurring at the level of transactions) will be kept below 2% on a multi-annual basis, however with a lower cost due to risk frequency and risk impact mitigation, stemming from the additional measures introduced.

The error rate is expected to drop due to the clarification of the applicable rules including SMART requirements, due to further reinforcement of contractual remedies and due to the increased alignment of interest.

## **2. GRANTS**

It is envisaged that a significant part of this Programme's budget will be implemented under centralised indirect management i.e. executed by the executive agencies.

### **Information on the internal control system set-up**

The current internal control framework is built on the implementation of the Commission's Internal Control Standards, procedures for selecting the best projects and translating them into legal instruments, project and contract management throughout the project lifecycle, ex-ante checks on claims, including receipt of audit certificates, ex-ante certification of cost methodologies, ex post audits and corrections, and evaluation.

The documentation of calls for proposal contains detailed guidance about eligibility rules and notably about the most frequent errors in relation to staff costs. Beneficiaries are invited to provide already when making a proposal sufficient details about the envisaged costs allowing ex-ante verification and detection of possible errors or misunderstandings and where necessary changes of the implementation or adaptation of the grant agreement. This will significantly increase the legal certainty of beneficiaries and decrease the risk of error.

Ex-post controls will be carried out in order to determine the representative average error rate that will remain despite of training, ex-ante checks and corrections. The ex-post audit strategy for expenditure under the Programme will be based on the financial audit of transactions defined by Monetary Unit Sampling, complemented by a risk-based sample. The ex-post audit strategy regarding legality and regularity will be complemented by reinforced operational evaluation and the anti-fraud strategy (see point 2.3 below).

### **Estimation of the costs and benefits of the controls implied by the control system**

A balance will have to be found between, on the one hand, increasing the attractiveness of the Programme by reducing the control burden for the beneficiaries (increased trust and risk taking using more flat rates, lump sums and scales of unit) and, on the other hand, ensuring that the rate of un-corrected errors stays as low as reasonably feasible.

DG ENTR will establish a cost-effective internal control system that will give reasonable assurance that the risk of error, over the course of the multiannual expenditure period is, on a annual basis,, is within the range of 2-5%; with the ultimate aim to achieve a residual level of error as close as possible to 2% at the closure of the multiannual programmes, once the financial impact of all audits, correction and recovery measures have been taken into account.

The audit strategy shall aim at providing a fair and reliable representation of the risk of error and at effectively and efficiently examining indications of fraud. The ex-ante checks of proposals before signature of the grant agreement and clarification of eligibility rules should not significantly increase the time to contract. The authorising officers by delegation shall report annually about the costs and benefits of control and the Commission shall report to the legislative authority in the framework of the Mid-Term Review about the level of non compliance that could be achieved.

## **Assessment of the expected level of risk of non-compliance with the applicable rules**

### **A. Current sources of error**

Based on results so far, recurring errors have been identified in relation to the following:

- **personnel costs:** charging average or budgeted costs (rather than actual costs), failure to keep adequate records of time spent on the programme, charging of ineligible items (SME owner-manager costs).
- **other direct costs:** regular errors identified are subcontracting without prior authorization, or without respecting the rules of value for money, etc.
- **indirect costs:** in a number of cases the indirect costs are a flat rate percentage of direct costs, and so the error in indirect costs is proportional to the error in direct costs.

### **B. Proposed simplification opportunities**

The program will benefit from the simplification measures included in the triennial review of the Financial Regulation. In this framework the Commission will use the possibility to adopt simplification measures as for example scales of unit cost for SME owner managers or the use of standard rates for staff costs in line with the beneficiaries usual account principles.

### **C. Contribution of control changes to the reduction of the expected level of noncompliance**

The starting point is the status quo, based on CIP grant audits carried out so far. The rate of errors detected during ongoing CIP audits so far is around 5%. Based on the assumptions that:

- the beneficiaries of grants under the future Competitiveness and SME Programme are similar to those who participated in the CIP, and that
- one third of the sources of errors are estimated to be those listed under point B above,

the simplification measures included in the Financial Regulation are expected to lead to a reduction of the error rate. Another reduction of errors is expected from the ex-ante clarification of the eligibility rules.

Conclusion: taken all measures referred to above together, the ultimate aim is to achieve a residual level of error as close as possible to 2% by the end of the lifecycle.

This scenario is based on the assumption that the measures of simplification are not subject to substantial modifications in the decision making process.

## **3. PUBLIC PROCUREMENT**

The internal control framework built on the implementation of the Commission's Internal Control Standards, public procurement procedures for selecting the best proposals and for contract

management throughout the project / contract, and ex-ante checks on invoices and payments shall avoid residual errors being above 2%.

### **2.3. Measures to prevent fraud and irregularities**

#### **Specify existing or envisaged prevention and protection measures.**

In the framework of the Commission's Anti-Fraud Strategy (CAFS)<sup>28</sup> and with the assistance of OLAF through consultation and participation in the OLAF Fraud Prevention and Detection Network (FPDNet) DG ENTR has developed its own draft Anti Fraud Strategy (AFS) covering measures for the prevention and detection of fraud and irregularities both internally and towards beneficiaries and contractors. The AFS will be updated annually.

In particular for grants, the DG ENTR AFS Action Plan foresees the creation of a central register of all its beneficiaries (coordinators, partners, subcontractors and other actors) and projects (reports and cost declarations). This database, in combination with the planned acquisition of powerful data analysis tools for the detection of fraud indicators or 'red flags' will significantly improve its control functions and audit capabilities.

In order to increase the knowledge and capacity for performing preventive and effective controls, the DG ENTR AFS Action Plan foresees the offer of specific training courses and guidance material. Furthermore, a control strategy for the evaluation of the financial and technical capacity of beneficiaries will be developed and implemented as well as a risk-categorisation of beneficiaries based on fraud-indicators, registration in IT tools and flagging for ex ante / ex post audits.

In addition, audit procedures and guidance for risk-based ex post audits will be developed focussed on possible fraud cases and irregularities. This AFS will also be better aligned to the internal control standards, in particular with the risk assessment exercise, and to the AFS of other DGs and sub-delegated entities.

As regards the financial instruments, the Commission shall ensure that the contractual documentation with the IFI contains measures to prevent fraud, corruption and any other illegal activities and an obligation for the IFI to transpose these measures into their contracts with selected intermediaries and also into their management and control systems, including e.g. monitoring activities based on pre-defined Commission requirements.

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<sup>28</sup> COM(2011)376, 24.06.2011

### 3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

#### 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- New budget lines requested (indicative)

*In order of multiannual financial framework headings and budget lines*

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Heading 1	Diff.	from EFTA countries	from candidate countries	from third countries	within the meaning of Article 18(1)(aa) of the Financial Regulation
[1]	Operational expenditure line: 02 02 01 Business Competitiveness and SME Programme	Diff.	YES	YES	YES	no
[1]	Administrative expenditure line(s)	Non-Diff.	YES	YES	YES	no

### 3.2. Estimated impact on expenditure

#### 3.2.1. Summary of estimated impact on expenditure

EUR million (to 3 decimal places)

<b>Heading of multiannual financial framework: 1</b>	Number	[Heading .....]
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DG: ENTR			Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	After 2020	TOTAL
• Operational appropriations											
Number of budget line	Commitments	(1)	213.600	256.000	300.500	346.000	393.500	441.000	492.400		<b>2443.000</b>
	Payments	(2)	110.240	235.240	287.240	311.240	327.240	368.240	439.240	364.320	<b>2443.000</b>
Appropriations of an administrative nature financed from the envelope for specific programmes <sup>29</sup>	02.0104	(3)	11.000	11.000	11.000	11.000	11.000	12.000	12.000		<b>79.000</b>
<b>TOTAL appropriations for DG ENTR</b>	Commitments	=1+3	224.600	267.000	311.500	357.000	404.500	453.000	504.400		<b>2522.000</b>
	Payments	=2 +3	121.240	246.240	298.240	322.240	338.240	380.240	451.240	364.320	<b>2522.000</b>

<sup>29</sup> Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), executive agencies (without taking into account envisaged additional externalisation), indirect research, direct research.



• TOTAL operational appropriations	Commitments	(4)	213.600	256.000	300.500	346.000	393.500	441.000	492.400		<b>2443.000</b>
	Payments	(5)	110.240	235.240	287.240	311.240	327.240	368.240	439.240	364.320	<b>2443.000</b>
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)	11.000	11.000	11.000	11.000	11.000	12.000	12.000		<b>79.000</b>
<b>TOTAL appropriations under HEADING &lt;1&gt; of the multiannual financial framework</b>		Commitments	=4+ 6	224.600	267.000	311.500	357.000	404.500	453.000	504.400	<b>2522.000</b>
		Payments	=5+ 6	121.240	246.240	298.240	322.240	338.240	380.240	451.240	364.320

<b>Heading of multiannual financial framework:</b>	<b>5</b>	" Administrative expenditure "
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EUR million (to 3 decimal places)

	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	TOTAL
DG: ENTR								
• Human resources	18.764	19.140	19.522	19.913	20.311	20.717	21.131	<b>139.498</b>
• Other administrative expenditure	0.086	0.088	0.089	0.091	0.093	0.095	0.097	<b>0.639</b>

<b>TOTAL appropriations under HEADING 5 DG ENTR<sup>30</sup> of the multiannual financial framework</b>	(Total commitments = Total payments)	18.850	19.228	19.611	20.004	20.404	20.812	21.228	<b>140.137</b>
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EUR million (to 3 decimal places)

		Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	After 2020	TOTAL
<b>TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework</b>	Commitments	243.450	286.228	331.111	377.004	424.904	473.812	525.628		<b>2662.137</b>
	Payments	140.090	265.468	317.851	342.244	358.644	401.052	472.468	364.320	<b>2662.137</b>

<sup>30</sup> DG ENTR envisages partial externalisation process to an existing executive agency. Amounts and imputations will be adjusted if necessary according to the results of the externalisation process. "Other administrative expenditure" covers the financing of the mandatory committee meetings.

3.2.2. *Estimated impact on operational appropriations*

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of operational appropriations, as explained below:

Commitment appropriations in EUR million (to 3 decimal places)

Indicate objectives and outputs <sup>31</sup>	Type of output <sup>32</sup>	Average cost of the output	Number	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	TOTAL					
				OUTPUTS												
↓		Cost	Number	Cost	Number of outputs	Cost	Number of outputs	Cost	Number	Cost	Number	Cost	Number	Cost	Total number of outputs	Total cost

SPECIFIC OBJECTIVE No 1:  
Improving framework conditions for the competitiveness and sustainability of EU enterprises

<sup>31</sup> This indicative split of operational appropriations and the budget distribution between the proposed actions which follows from it, is based on the nature of actions foreseen: for example the activities to develop SME policy and promote SMEs competitiveness are policy development based on studies and events which will be implemented via public procurement and will be comparably less costly than the activities envisaged in the areas of tourism and consumer goods which will involve calls for proposals.

<sup>32</sup> Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).

Activities to improve European Competitiveness	Studies, impact assessments, evaluations, conferences	0.250	54	13.500	55	13.750	57	14.250	58	14.500	60	15.000	61	15.250	62	15.500	407	101.680
Activities to develop SME policy and promote SMEs competitiveness	Meetings, reports, databases	0.075	98	7.350	98	7.350	122	9.150	124	9.300	128	9.600	138	10.350	152	11.400	860	64.480
Tourism	Projects, prizes, surveys, events	1.000	9	9.000	12	12.000	16	16.000	19	19.000	22	22.000	25	25.000	28	28.000	131	131.440
New business concepts for consumer goods	Market replication-type projects	1.000	8	8.000	9	9.000	11	11.000	13	13.000	14	14.000	15	15.000	17	17.000	87	86.800
Sub-total for specific objective N°1																		384.400

SPECIFIC OBJECTIVE No 2: Promoting Entrepreneurship																		
Activities promoting Entrepreneurship	Studies, campaigns, events	0.5	5	2.500	6	3.000	5	2.500	6	3.000	6	3.000	6	3.000	7	3.500	41	20.720
	number of exchanges	0.007	600	4.200	720	5.040	1300	9.100	1400	9.800	1650	11.550	1770	12.390	2000	14.000	9440	66.080
Sub-total for specific objective N°2																		86.800
SPECIFIC OBJECTIVE No 3: Improving SMEs access to finance																		
Financial Instruments	No. of SME beneficiaries (loan guarantees)	0.004	7500	30.000	17000	68.000	27000	108.000	31000	124.000	31000	124.000	31000	124.000	42000	168.000	186500	746.320
	Loan volume (€ million)		1071		2201		3384		3995		4065		4119		5420		24255	

	No. of SME beneficiaries (VC)	1.220	10	12.200	30	36.600	46	56.120	85	103.700	115	140.300	140	170.800	140	170.800	566	690.000
	€ million leveraged (VC)		103		343		686		1 064		1 445		1 817		1 869		7 327	
Sub-total for specific objective N°3																		1436.320
SPECIFIC OBJECTIVE No 4: Improving access to markets																		
Enterprise Europe Network	Partnership proposals	0.005	5732	28.660	5821	29.105	5923	29.615	6040	30.200	6106	30.530	6336	31.680	6540	32.700	42 498	212.500
	SMEs receiving support services (per 1000 SMEs)	0.065	403	26.195	418	27.170	438	28.47	458	29.77	488	31.720	508	33.020	539	35.035	3252	211.380
Support to SMEs abroad	Studies	0.250	10	2.500	12	3.000	15	3.750	14	3.500	15	3.750	18	4.500	20	5.000	104	25.951

	SME centres; SME helpdesks	1.000	5	5.000	6	6.000	7	7.000	9	9.000	10	10.000	11	11.000	12	12.000	60	60.000
	Platforms, events, promotion activities	0.200	6	1.200	6	1.300	8	1.600	10	1.900	10	2.000	12	2.400	13	2.600		13.249
Support to international industrial cooperation	Workshops meetings	0.200	5	1.000	7	1.400	8	1.600	9	1.800	10	2.000	11	2.200	12	2.400	62	12.400
Sub-total for specific objective N°4																		535.480
<b>TOTAL COST</b>					213.600	256.000		300.500		346.000		393.500		441.000		492.400		2443.000

### 3.2.3. Estimated impact on appropriations of an administrative nature

#### 3.2.3.1. Summary

- The proposal/initiative does not require the use of administrative appropriations
- The proposal/initiative requires the use of administrative appropriations, as explained below:

EUR million (to 3 decimal places)

	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	TOTAL
<b>HEADING 5 of the multiannual financial framework</b>								
Human resources	18.764	19.140	19.522	19.913	20.311	20.717	21.131	<b>139.498</b>
Other administrative expenditure	0.086	0.088	0.089	0.091	0.093	0.095	0.097	<b>0.639</b>
<b>Subtotal HEADING 5 of the multiannual financial framework</b>	18.850	19.228	19.611	20.004	20.404	20.812	21.228	<b>140.137</b>
<b>Outside HEADING 5<sup>33</sup> of the multiannual financial framework</b>								
Human resources								
Other expenditure of an administrative nature								
<b>Subtotal outside HEADING 5 of the multiannual financial framework</b>								
<b>TOTAL</b>	18.85050	19.228	19.611	20.004	20.404	20.812	21.228	<b>140.137</b>

<sup>33</sup> Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), indirect research, direct research.



3.2.3.2. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources
- The proposal/initiative requires the use of human resources, as explained below:

*Estimate to be expressed in FTE*

		Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020
• Establishment plan posts (officials and temporary agents)								
XX 01 01 01 (Headquarters and Commission's Representation Offices)		110	110	110	110	110	110	110
XX 01 01 02 (Delegations)								
XX 01 05 01 (Indirect research)								
10 01 05 01 (Direct research)								
• External personnel (in Full Time Equivalent unit: FTE) <sup>34</sup>								
XX 01 02 01 (CA, INT, SNE from the "global envelope")		58	58	58	58	58	58	58
XX 01 02 02 (CA, INT, JED, LA and SNE in the delegations)								
XX 01 04	at Headquarters <sup>36</sup>							

<sup>34</sup> CA= Contract Agent; INT= agency staff ("*Intérimaire*"); JED= "*Jeune Expert en Délégation*" (Young Experts in Delegations); LA= Local Agent; SNE= Seconded National Expert;

yy 35								
	in delegations							
XX 01 05 02 (CA, INT, SNE - Indirect research)								
10 01 05 02 (CA, INT, SNE - Direct research)								
Other budget lines (specify)								
<b>TOTAL</b>		<b>168</b>	<b>168</b>	<b>168</b>	<b>168</b>	<b>168</b>	<b>168</b>	<b>168</b>

**XX** is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints. DG ENTR envisages partially externalisation process to an existing executive agency. Amounts and imputations will be adjusted if necessary according to the results of the externalisation process.

Description of tasks to be carried out:

Officials and temporary agents	
External personnel	

<sup>35</sup> Under the ceiling for external personnel from operational appropriations (former "BA" lines).

<sup>36</sup> Essentially for Structural Funds, European Agricultural Fund for Rural Development (EAFRD) and European Fisheries Fund (EFF).

### 3.2.4. Compatibility with the current multiannual financial framework

- Proposal/initiative is compatible the Commission proposal for a multiannual financial framework 2014-2020, COM(2011) 500 final.
- Proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

Explain what reprogramming is required, specifying the budget lines concerned and the corresponding amounts.

[...]

- Proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework<sup>37</sup>.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts.

[...]

### 3.2.5. Third-party contributions [to be completed]

- The proposal/initiative does not provide for co-financing by third parties

Appropriations in EUR million (to 3 decimal places)

	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	Total
non-EU Member States participating in the Programme <sup>38</sup>								
TOTAL appropriations cofinanced	Pm	Pm	Pm	Pm	Pm	Pm	Pm	Pm

<sup>37</sup> See points 19 and 24 of the Interinstitutional Agreement.

<sup>38</sup> The Programme shall, under specific conditions and subject to payment of a financial contribution into the Programme, be open to the participation of European Free Trade Association (EFTA) countries which are members of the European Economic Area (EEA), candidate countries and potential candidates, countries falling under the scope of the European neighbourhood policies (see Article 5).

### 3.3. Estimated impact on revenue

- Proposal/initiative has no financial impact on revenue.
- Proposal/initiative has the following financial impact:
  - on own resources
  - on miscellaneous revenue

EUR million (to 3 decimal places)

Budget revenue line:	Appropriations available for the ongoing budget year	Impact of the proposal/initiative <sup>39</sup>					... insert as many columns as necessary in order to reflect the duration of the impact (see point 1.6)		
		Year N	Year N+1	Year N+2	Year N+3				
Article .....									

For miscellaneous assigned revenue, specify the budget expenditure line(s) affected.

[...]

Specify the method for calculating the impact on revenue.

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<sup>39</sup> As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25% for collection costs.