COSME
PROGRAMME FOR THE COMPETITIVENESS OF ENTERPRISES AND SMALL AND MEDIUM-SIZED ENTERPRISES

What is COSME?
COSME is the EU programme for the competitiveness of enterprises and small and medium-sized enterprises (SMEs).

COSME contributes to strengthening the competitiveness and growth of companies in the EU and beyond. Tailored principally to SMEs, the programme eases access to finance, delivers business advisory services to support access to markets and internationalisation and promotes a better business environment and entrepreneurship.

Thanks to an extensive network of intermediaries, it ensures proximity with SMEs, the target beneficiaries of the programme.

COSME is an essential tool for implementing both the SME strategy for a sustainable and digital Europe and the new industrial strategy for Europe. It will also contribute to the European Green Deal and the digitalisation agenda.

Specific objectives
- To improve framework conditions for the competitiveness and sustainability of EU enterprises, particularly SMEs, including in the tourism sector.
- To promote entrepreneurship and an entrepreneurial culture.
- To improve access to finance for SMEs in the form of equity and debt.
- To improve access to markets, particularly within the EU but also at the global level.

Why is it necessary?
The additional value of action at the EU level relies on the following four main sources.

- Strengthening the single market by overcoming market fragmentation in areas such as venture capital investment, cross-border financing and credit enhancement, along with informational and organisational constraints that prevent SMEs from taking advantage of the opportunities that the single market offers.
- Demonstration and catalytic effects through the dissemination of industrial and policy best practices.
- Economies of scale in areas where it would be difficult for individual Member States to achieve the required critical mass.
- Coherence and consistency in national measures through benchmarking and the exchange of best practices at the EU level.

Outlook for the 2021-2027 period
In the next multiannual financial framework, this programme will be included within the new single market programme.

Evaluation studies conducted
An interim evaluation of the programme for the competitiveness of enterprises and small and medium-sized enterprises (2014-2020) was carried out in 2017. For further information please consult: http://europa.eu/RDB3Xc

How is it implemented?
The Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs is the lead DG for the implementation of the programme. The programme is implemented by means of direct (grants and procurement) and indirect management through the European Investment Fund.

Budget implementation (in million EUR)

<table>
<thead>
<tr>
<th>EXECUTED COMMITMENTS</th>
<th>EXECUTED PAYMENTS</th>
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<tbody>
<tr>
<td>354.2</td>
<td>205.3</td>
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<tr>
<td>367.2</td>
<td>244.6</td>
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<td>418.1</td>
<td>474.7</td>
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Key performance indicators

<table>
<thead>
<tr>
<th></th>
<th>Baseline</th>
<th>PROGRESS TO TARGET</th>
<th>Target</th>
<th>Results</th>
<th>Assessment</th>
</tr>
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<tbody>
<tr>
<td>Loan Guarantee Facility – volume of debt financing mobilised (1)</td>
<td>143 bn</td>
<td>&gt; 100%</td>
<td>EUR 31.7 billion compared to a target of EUR 14.3 billion</td>
<td>On track</td>
<td></td>
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<td>Loan Guarantee Facility – number of firms benefiting from debt financing</td>
<td>220 000</td>
<td>&gt; 100%</td>
<td>645 988 compared to a target of 220 000</td>
<td>On track</td>
<td></td>
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<td>Enterprise Europe Network – number of partnership agreements signed (2)</td>
<td>17 500</td>
<td>&gt; 100%</td>
<td>19 450 compared to 17 500</td>
<td>On track</td>
<td></td>
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<tr>
<td>Tourism – number of destinations adopting sustainable tourism development models promoted by the European destination of excellence (3)</td>
<td>200</td>
<td>75%</td>
<td>175 out of 200</td>
<td>On track</td>
<td></td>
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% of target achieved by the end of 2020

(1) Latest results from 2019.
(2) The cumulative results for 2015-2020 are 17 881 under COSME. The result is 20 517 taking in consideration 2014 results that stems from the previous period.
(3) Cumulative number of destinations.

Where are we in the implementation?

- At the end of 2020 all commitment appropriations for the 2014-2020 period had been used in line with the planned operational implementation.
- The implementation rate of payment appropriations vis-à-vis commitment appropriations varies between the two COSME financial instruments. The Loan Guarantee Facility has a rather accelerated budgetary implementation ratio (74% budgetary execution rate of payments vis-à-vis commitments as of 31 December 2020). The respective ratio for the Equity Facility for Growth is lower (52% budgetary execution rate of payments vis-à-vis commitments as of 31 December 2020) due to the following: (i) since it is standard in the industry that venture capital fund managers have up to 5 years to make the first initial investments in SMEs following the creation of the venture fund, there is a significant delay between the time of signature of a fund agreement by the European Investment Fund and the respective cash calls by the fund managers; (ii) following the initial investment by the fund manager, funds can hold on to their portfolio companies for up to 10 years, during which they can undertake follow-on investments to enable companies to grow. Both COSME financial instruments are planned to last until 31 December 2024, when the last guarantee and equity operations will be wound down by the European Investment Fund.
- In the case of the Loan Guarantee Facility, and the Equity Facility for Growth payment appropriations are needed to allow the European Investment Fund, as the implementing partner, to honour guarantee calls from financial intermediaries for defaulting loans, to hedge currency exposures (as a large number of financing is made available to SMEs in countries that are not part of the euro area), pay implementation fees and to cash calls from fund managers, who will use the cash to invest in portfolio companies.

Performance assessment

- COSME actions remain relevant, and the programme is delivering in terms of addressing the challenges related to fostering economic growth and jobs, but it does not directly address global and societal challenges. The programme has good proximity to SMEs thanks to an extended network of intermediaries, has a high multiplier effect and shows EU added value. It supports all types of SMEs (e.g. Loan Guarantee Facility and Enterprise Europe Network). While the programme is small it has shown flexibility in adapting quickly to new priorities. However, 20% of the budget is split between a number of small actions with a low potential for effectiveness and cost-efficiency. This fragmentation was addressed in the last 2 years of the work programme, ensuring that the larger actions have been reinforced.
- The general objective of ‘strengthening the competitiveness and sustainability of the Union’s enterprises, particularly SMEs’ has seen some improvement – the time required to establish a business decreased from 15 days in 2014 to 12 days in 2020, while the cost (expressed in the percentage of income per capita) fell from 4.8% in 2014 to 3.2% in 2020 (in the EU Member States). While this is a positive trend, it shows that there is still work to be done on improving the business environment.
- The second general objective is to encourage entrepreneurial culture and promote the creation and growth of SMEs. In 2019, SMEs accounted for over 60% of the increase in EU-27 added value, and 70% of the increase in EU-27 employment. However, in 2020, the COVID-19 crisis brought these gains to a halt – preliminary estimates suggest that across the EU the number of SMEs fell by 1.3% in 2020. Employment in SMEs is estimated to have fallen by 1.7% in 2020 (representing 1.4 million jobs lost in SMEs), and SME added value by 7.6%. SME added value is unlikely to reach 2019 levels even by the end of 2021.
- By September 2020, the Loan Guarantee Facility had allowed more than 600 000 SMEs to receive more than EUR 35 billion in financial support in 2014-2020. In reaction to the COVID-19 crisis, EUR 714 million from the European Fund for Strategic Investments was redirected to the COSME Loan Guarantee Facility to allow the European Investment Fund to incentivise banks to provide liquidity to SMEs affected by the pandemic. More flexibility was given to users of the facility, and the guarantee rate was increased from 50% to 80%. By September 2020 this had helped more than 38 000 EU SMEs to access around EUR 1.9 billion of liquidity finance under the COSME COVID-19 measure.
- By September 2020, the funds supported by the Equity Facility for Growth had invested more than EUR 1.2 billion in more than 140 companies. Of this amount, more than EUR 0.4 billion was invested in more than 50 SMEs in their growth and expansion stage. Both numbers were below the targets initially envisaged for 2020. The main driver behind this performance was that signing agreements for the Equity Facility for Growth continued to take a long time. This is explained by the fact: (i) equity entails more complex due diligence and fundraising processes; (ii) the Equity Facility for Growth prioritised funds focusing on investments in COSME non-EU countries participating in the programme; and (iii) the COVID-19 crisis impacted the equity markets.

Concrete examples of achievements

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<th>250 000</th>
<th>600 000</th>
<th>8.2 million</th>
<th>16 500</th>
<th>118</th>
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<tr>
<td>SMEs availed themselves of European Enterprise Network advisory services on access to finance, intellectual property rights and the single market (2014-2020).</td>
<td>SMEs in 32 countries received financing from the Loan Guarantee Facility (2014-2020).</td>
<td>visits were made to the business section of the Your Europe portal in 2020.</td>
<td>entrepreneurs were involved in the Erasmus for young entrepreneurs mobility scheme (2014-2020).</td>
<td>transnational public–private tourism partnerships covering 31 countries had been set up by 2019.</td>
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