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*Plenary sitting*

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# REPORT

on implementation of the thematic objective ‘enhancing the competitiveness of SMEs’ – Article 9(3) of the Common Provisions Regulation (2015/2282(INI))

Committee on Regional Development

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## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### on implementation of the thematic objective ‘enhancing the competitiveness of SMEs’ – Article 9(3) of the Common Provisions Regulation (2015/2282(INI))

*The European Parliament,*

- having regard to Common Provisions Regulation (EU) No 1303/2013, Article 9(3) on the thematic objective of enhancing the competitiveness of SMEs,
- having regard to Common Provisions Regulation (EU) No 1303/2013, Article 37 on financial instruments supported by ESI Funds,
- having regard to its legislative resolution of 15 April 2014 on the proposal for a decision of the European Parliament and of the Council on the participation of the Union in a Research and Development Programme jointly undertaken by several Member States aimed at supporting research performing small and medium-sized enterprises<sup>1</sup>,
- having regard to its resolution of 5 February 2013 on improving access to finance for SMEs<sup>2</sup>,
- having regard to Directive 2011/7/EU of the European Parliament and of the Council of 16 February 2011 on combating late payment in commercial transactions,
- having regard to its resolution of 19 May 2015 on green growth opportunities for SMEs<sup>3</sup>,
- having regard to the COSME programme for small and medium-sized enterprises,
- having regard to the Eurobarometer survey on SMEs, resource efficiency and green markets (Flash Eurobarometer 381), and the Eurobarometer survey on the role of public support in the commercialisation of innovations (Flash Barometer 394),
- having regard to its resolution of 4 December 2008 on steps towards improving the environment for SMEs in Europe – Small Business Act<sup>4</sup>,
- having regard to the Commission Communication of 25 June 2008 entitled ‘‘Think Small First’ – A ‘Small Business Act’ for Europe’ (COM(2008)0394),
- having regard to the European Charter for Small Enterprises, adopted by the European Council at its meeting in Feira on 19 and 20 June 2000,
- having regard to its resolution of 16 February 2011 on practical aspects regarding the

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<sup>1</sup> Texts adopted, P7\_TA(2014)0364.

<sup>2</sup> OJ C 24, 22.1.2016, p. 2.

<sup>3</sup> Texts adopted, P8\_TA(2015)0198.

<sup>4</sup> OJ C 21 E, 28.1.2010, p. 1.

revision of EU instruments to support SME finance in the next programming period<sup>1</sup>,

- having regard to its resolution of 23 October 2012 on Small and Medium Size Enterprises (SMEs): competitiveness and business opportunities<sup>2</sup>,
- having regard to its resolution of 14 January 2014 on smart specialisation: networking excellence for a sound Cohesion Policy<sup>3</sup>,
- having regard to its resolution of 9 September 2015 on ‘Investment for jobs and growth: promoting economic, social and territorial cohesion in the Union’<sup>4</sup>,
- having regard to Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small, and medium-sized enterprises (SMEs)<sup>5</sup>,
- having regard to the Commission Communication of 10 June 2014 entitled ‘Research and innovation as sources of renewed growth’ (COM(2014)0339),
- having regard to the Commission’s sixth report on economic, social and territorial cohesion of 23 July 2014, entitled ‘Investment for jobs and growth’,
- having regard to the Commission Communication of 26 November 2014 entitled ‘An Investment Plan for Europe’ (COM(2014)0903),
- having regard to the Commission Communication of 14 October 2011 entitled ‘Industrial Policy: Reinforcing Competitiveness’ (COM(2011)0642),
- having regard to the Commission Communication of 9 November 2011 entitled ‘Small Business, Big World – a new partnership to help SMEs seek global opportunities’ (COM(2011)0702),
- having regard to the Commission Report of 23 November 2011 entitled ‘Minimising regulatory burden for SMEs – Adapting EU regulation to the needs of micro-enterprises’ (COM(2011)0803),
- having regard to the Commission Communication of 23 February 2011 entitled ‘Review of the ‘Small Business Act’ for Europe’ (COM(2011)0078),
- having regard to the Commission Communication of 6 October 2010 entitled ‘Regional Policy contributing to smart growth in Europe 2020’ (COM(2010)0553),
- having regard to the Commission Communication of 3 March 2010 entitled ‘Europe 2020 – A strategy for smart, sustainable and inclusive growth’ (COM(2010)2020),
- having regard to the Commission Communication of 14 December 2015 entitled ‘Investing in jobs and growth – maximising the contribution of European Structural and

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<sup>1</sup> OJ C 188 E, 28.6.2012, p. 7.

<sup>2</sup> OJ C 68 E, 7.3.2014, p. 40.

<sup>3</sup> Texts adopted, P7\_TA(2014)0002.

<sup>4</sup> Texts adopted, P8\_TA(2015)0308.

<sup>5</sup> OJ L 124, 20.5.2003, p. 36.

Investment Funds' (COM(2015)0639),

- having regard to the Opinion of the Committee of the Regions of 30 July 2013 entitled 'Closing the Innovation Divide' (2013/C 218/03),
  - having regard to the Opinion of the Committee of the Regions of 20 November 2014 entitled 'Measures to support the creation of high-tech start-up ecosystems' (2014/C 415/02),
  - having regard to Rule 52 of its Rules of Procedure,
  - having regard to the report of the Committee on Regional Development (A8-0162/2016),
- A. whereas cohesion policy represents the main tool for investment in growth and jobs in the EU, with a budget of over EUR 350 billion until 2020; whereas the tangible results of cohesion policy investment can help shape the current and future growth of regions within Member States;
- B. whereas, as a consequence of the economic and financial crisis, levels of poverty and social exclusion have increased in many Member States, as have long-term unemployment, youth unemployment and social inequalities, and SMEs can therefore play a relevant and important role in Europe's recovery;
- C. whereas the 23 million small and medium-sized enterprises (SMEs) in the EU, which account for around 99 % of all businesses, make a fundamental contribution to economic growth, social cohesion, innovation and high-quality job creation, providing over 100 million jobs which generate 2 out of every 3 private sector jobs, and maintaining double the employment growth rate of larger enterprises; whereas only 13 % of European SMEs are engaged in commercial activities and investments in the global markets;
- D. whereas European SMEs are very diverse and include a vast number of microenterprises based at local level, which often operate in traditional sectors, and a growing number of new start-ups and fast-growing innovative enterprises, as well as social economy enterprises focused on specific targets and groups; whereas these business models have different problems and, therefore, different needs; whereas the simplification of European, national and regional legislation is pivotal in facilitating access to credit for SMEs;
- E. whereas SMEs are highly adaptable to change and well able to keep step with technological progress;
- F. whereas microcredit, which mostly targets microentrepreneurs and disadvantaged people who wish to enter into self-employment, is pivotal in overcoming obstacles in accessing traditional banking services and whereas JASMINE (Joint Action to Support Microfinance Institutions) and the Microfinance and Social Entrepreneurship axis of EaSI can provide valid support for improving access to finance, including for social enterprises;

- G. whereas Cohesion Policy in the 2007-2013 programming period provided EUR 70 billion of support to SMEs, creating more than 263 000 SME jobs, and helped SMEs modernise through increased use of ICT, access skills, innovation or the modernisation of working practices;
- H. whereas Cohesion Policy in the 2014-2020 programming period will further support SMEs by doubling the 2007-2013 support to EUR 140 billion;
- I. whereas the thematic objective entitled ‘enhancing the competitiveness of SMEs’ (TO 3) is one of the thematic objectives with the highest percentage of overall funding (13.9 %) and is of primary importance in order to achieve the objectives of cohesion policy and the Europe 2020 strategy;
- J. whereas the SMEs which would be eligible for ESI Funds, in that they operate in a competitive environment and have to deal with a wide range of constraints, including cash-flow constraints, are being hit particularly hard by the complexity and instability of the rules and by the red tape involved, in particular the fact that the administrative costs are out of all proportion to the funding allocated, the time taken to process funding applications and the need to advance funds;
- K. whereas the introduction of thematic concentration into cohesion policy programming for 2014-2020 provided an effective tool for the design of operational programmes with a better focus on investment priorities in order to have sufficient resources to make real impacts;
- L. whereas the partnership agreements and operational programmes provided for in Articles 14, 16 and 29 of the Common Provisions Regulation are strategic tools to guide investments in Member States and regions;
- M. whereas SMEs will ensure that industrial production represents a share of at least 20 % of Member States’ GDP by 2020;
- N. whereas only a small percentage of European SMEs are currently able to identify and exploit the opportunities offered by international trade, trade agreements and the global value chains, and only 13 % of European SMEs have been active at international level outside the EU over the past three years;
- O. whereas the process of internationalisation of SMEs should rely on corporate social responsibility, on respect for human and workers’ rights and on the highest possible protection of the environment, in order to ensure fair competition and an increase in quality jobs;
- 1. Notes that, through thematic concentration, operational programmes have been better targeted towards a limited number of strategic goals, in particular in terms of growth enhancement and high-quality job creation potential for SMEs, including microenterprises; considers that SMEs are the driving forces behind the European economy and are key to the success of Cohesion Policy, but that they often face multiple challenges owing to their size; recommends, therefore, further enhancing the support from ESI Funds directed towards SMEs;

2. Calls on the Commission and the Member States to take into account the added value of SME projects for the development and innovation of traditional sectors, as this will not only stimulate job creation, but also maintain local and regional business specificities, whilst respecting the principles of sustainability; highlights the need to also take into account the context of such sectors and to not disrupt the delicate balance between traditional knowledge-based production techniques and innovation; points out that SMEs play an important role in the services sector, which is undergoing a significant change as a result of digitalisation, and considers, therefore, that the skills gap with regard to ICT skills should be dealt with by placing more emphasis on relevant training and education;
3. Highlights that there is an overall need for mechanisms that help to simplify the business environment and speed up the process of setting up new businesses with REFIT to support SME competitiveness and absorption of ESI Funds; stresses also the need for fulfilment of ex ante conditionalities;
4. Asks the Commission to take into consideration the principles of the circular economy package in the implementation of TO 3, in order to foster more sustainable economic growth and generate new high-quality jobs for SMEs, with special attention being paid to promoting green jobs; believes, in this respect, that it is important to continue efforts to promote the green competitiveness of SMEs by improving access to finance, providing more information, simplifying legislation, cutting red tape, promoting e-cohesion and strengthening a green business culture; points out, moreover, that a greener value chain, which involves remanufacturing, repair, maintenance, recycling and eco-design, could provide considerable business opportunities for many SMEs, provided that economic behaviour changes and that legislative, institutional and technical barriers are removed or reduced;
5. Points out that the problems being experienced by SMEs are partly caused by the fact that the austerity policies implemented by Member States have stifled demand;
6. Encourages the Member States and regional authorities to consider the use of the financial instrument opportunities; emphasises the need to ensure the transparency, accountability and scrutiny of such financial instruments and of the SME Initiative Programme aimed at financially supporting SMEs; highlights that financial instruments should always be used consistently with the goals of cohesion policy, and that proper technical and administrative support should be provided;
7. Calls for simplified and less regulated access to credit, taking into account the particular characteristics of microenterprises and start-ups and the regions in which they operate; regrets that investors and banks are often reluctant to finance businesses in their start-up and early expansion phases and that many SMEs, especially small start-ups, have found it hard to gain access to external funding; asks the Commission, the Member States and regional authorities, therefore, to pay particular attention to improving access to finance for microenterprises and start-ups that want to scale-up; points out the need to equalise interest rates for financing of SMEs with interest rates for larger companies;
8. Considers that European small businesses tend to lean on financing sources such as banks, and are not fully aware of the existence of additional funding sources, or of their financial options; notes that the Commission, taking into account the fragmentation of

the markets, has proposed a series of initiatives, such as the Capital Markets Union, aimed at diversifying the financing sources, facilitating free movement of capital and improving access to finance, in particular with regard to SMEs;

9. Notes the lack of evidence on the outcomes and results achieved by financial instruments and the loose link between those financial instruments and the overarching objectives and priorities of the EU; calls on the Commission to further improve the provision of grants instead of primarily promoting the use of financial instruments;
10. Notes that in the 2007-2013 programming period several obstacles, such as the effects of the economic crisis, the complex management of structural funds and administrative burdens, as well as limited access to financing for SMEs and complexity of implementation of support schemes, led to an insufficient absorption of such funds by SMEs; warns that the underlying reasons for the low absorption rate need to be addressed in order to avoid any recurrence of the same problems in the 2014-2020 programming period, and that excessive bureaucracy prevented some SMEs from applying for the available funds; regrets the too general and incomplete nature of the existing studies on the efficiency and real impact of the ESI Funds on SMEs and asks the Commission to rapidly prepare an assessment of this issue, in cooperation with the Member States, and submit it to Parliament; stresses that poor administrative capacity may hinder the successful and timely implementation of TO3;
11. Takes note that the Commission is paying increased attention to good governance and high-quality public services; recalls the importance for SMEs to have a transparent, consistent and innovative public procurement set-up; urges, therefore, that obstacles faced by SMEs in bidding for contracts be removed as far as possible, eliminating unnecessary administrative burdens, avoiding the creation of additional requirements at national level and implementing the existing legislative framework provisions with a view to resolving public purchasing disputes as rapidly as possible; welcomes Directive 2014/24/EU and the European Single Procurement Document (ESPD), which should considerably reduce the administrative burden for companies, in particular SMEs; stresses the need to continue with the strict application of anti-error and anti-fraud measures without adding to the administrative burden, and to simplify administrative procedures in order to prevent errors; calls on contracting authorities wishing to group contracts together to take care not to exclude SMEs from the process by the sheer scale of the final lot, since larger contracts could involve more cumbersome criteria;
12. Reiterates its calls to enhance transparency and the participation of all relevant regional and local authorities, civil society stakeholders, entrepreneurs and other interested parties, especially in the process of defining the requirements in calls for project proposals in order to better target final beneficiaries' needs; underlines, therefore, the need for actual implementation and respect of the partnership principle also at the drafting, preparation and implementation stages of partnership agreements and operational programmes, as detailed in the Common Provisions Regulation and the Code of Conduct on Partnership; notes with concern that many SME organisations in the Member States are not really involved and are often only informed without being adequately consulted; encourages organisations representing future-oriented, sustainable and eco-innovative sectors of the economy to get involved in the partnership and calls on the Commission and the Member States to empower them by making use of



technical assistance and capacity building;

13. Calls on the Commission and the Member States to ensure enhanced coordination and consistency among all EU investment policies targeted at SMEs; notes that enhancing the synergy between ESI funding and other policies and financial instruments targeted at SMEs will maximise the impact of investments; welcomes the plan to ease access to ESI Funds through the introduction of a 'seal of excellence' for projects which have been evaluated as 'excellent' but are not financed by Horizon 2020; urges the Member States, in partnership with relevant social and economic stakeholders, to create either a one-stop shop at regional level, thus promoting the already existing ones, or a consolidated platform for the various EU financing instruments aimed at SMEs, as well for administrative support for preparation and implementation of projects;
14. Highlights the role that Integrated Territorial Investments (ITI), Community-Led Local Development (CLLD), macro-regional strategies and European territorial cooperation in general could play in the successful implementation of TO3 objectives, given that some projects may involve cross-border areas, including several regions and countries, and are able to develop place-based innovative practices;
15. Notes that according to the first evaluation released by the Commission the amounts allocated to support for SMEs have increased substantially as compared with the previous programming periods; highlights that the ESI Funds, and notably operational programmes aimed at supporting research and development, could help SMEs increase their capacity to submit patent applications to the European Patent Office by providing viable and user-friendly financing schemes;
16. Regrets the delays in implementing cohesion policy during the current programming period; points out the urgent nature of access to finance by SMEs and that, although all operational programmes have now been approved, implementation itself is still at a very early stage; notes that delays create gaps in the implementation of cohesion policy and urges the Commission to develop measures for accelerated elimination of such delays;
17. Urges the Commission to monitor and encourage the acceleration of implementation of cohesion policy, in particular the setting up of projects with sustainable growth and quality job creation potential, also focusing on projects launched in rural areas in order to create new services and avoid rural depopulation; calls on the Commission, in determining eligibility criteria, to consider the added value in economic and social terms and the environmental impact of projects;
18. Emphasises Parliament's role in the supervision of results-oriented implementation of cohesion policy; calls on the Commission to identify and reduce, at the earliest possible stage, obstacles preventing the efficient use of funds for SMEs and start-ups, to identify potential synergies among ESI Funds and between ESI Funds and other SME-relevant funds, and to provide specific recommendations for action and guidance aimed at further simplifying, monitoring and assessing the use of such financial instruments; notes that there are increased difficulties in this sector, especially in outermost regions and in those areas where the poor quality of key infrastructure leads to low amounts of private investment;
19. Stresses the need for structured dialogue between the European Investment Bank and

the European Investment Fund in order to improve and facilitate the access of SMEs to diversified funding sources;

20. Highlights that the main obstacles preventing SMEs from broadly accessing ESI Funds include administrative burden, a large number of aid schemes, complexity of rules and procedures, delays in introducing executive acts and the risk of gold-plating; asks the High Level Group on Simplification, therefore, to deliver concrete proposals, also bearing in mind the Better Regulation Strategy, to reduce the administrative burden and simplify procedures in the management of ESI Funds by SMEs, with special emphasis on the requirements relating to the audit, management flexibility, risk and interim assessment, control system and coherence with competition rules and other EU policies; requests that such simplification measures respect the Small Business Act (SBA) rules of 'Only once' and 'Think small first', and be conceived and implemented at different levels in cooperation with representatives of different categories of SMEs; calls on the High Level Group (HLG) to communicate the results of its activities to Parliament's Committee on Regional Development on an ongoing basis and calls on the Commission to consult the representatives of the Member States on the issues being dealt with by the HLG;
21. Calls on the Commission to establish conditions for State aid at national and regional level which will not discriminate against SMEs and which should be in line with Cohesion Policy support for enterprises, and to make full use of aid schemes based on the general block exemption regulation, so as to reduce the administrative burden for administrations and beneficiaries and increase the take-up of ESI Funds, while clarifying the link between the rules on ESI Funds for SMEs and the rules on State aid;
22. Asks the Commission to encourage the Member States to exchange data, knowledge and best practices in this respect, ensuring appropriate reporting and motivating them to support projects with high job creation potential;
23. Calls on the Commission and the Member States to urgently find a lasting solution to the backlog of payments related to regional policy and to properly apply the Late Payment Directive (2011/7/EU), so as to ensure that SMEs, as project partners, will not be deterred from taking part in support programmes and projects during the current programming period on account of payment delays; also points out that more thorough compliance with this directive, requiring, inter alia, that public authorities make payments within 30 days for the goods and services that they procure, would contribute to creating the conditions for stabilisation and growth of SMEs;
24. Stresses that smart specialisation strategies, although not formally required as ex ante conditionalities in TO 3, are a crucial tool in guaranteeing innovation and the adaptability of thematic objectives, and underlines, at the same time, that these strategies should target not only science and technology-led innovation but also non-science based innovation; asks the Commission to report to Parliament on the results of smart specialisation strategies devoted to SMEs at national and/or regional level; highlights the coherence of smart specialisation strategies adopted by every single region with the related territorial economy, and the challenge of implementing smart specialisation in non-urban areas which may not have sufficient supporting infrastructure; welcomes the ex ante conditionality relating to the SBA in TO3 and calls

on the Member States to undertake the necessary action and speed up achievement of the targets set in the SBA; supports the European Entrepreneurial Region (EER) Award, aimed at identifying and rewarding EU regions with outstanding, future-oriented entrepreneurial strategies applying ten principles of the SBA;

25. Asks the managing authorities to take into consideration the characteristics and specific competences of individual territories, with a focus on those suffering from underdevelopment, depopulation and high unemployment rates, in order to promote both traditional and innovative economic sectors; calls on the Commission to draw up specific programmes which embody all relevant sustainable, smart and inclusive growth elements for SMEs; recalls the existence of the gender gap, as also identified in the SBA, and expresses its concern about the ongoing low participation of women in starting up and running a business; calls on the Commission and the Member States to encourage the implementation of specific strategies to support youth and female entrepreneurship in the context of green growth, as a way to reconcile economic and employment growth, social inclusion and professionalism with environmental sustainability;
26. Asks the Commission to establish a participatory platform within existing budgets for the dissemination of SME project results, including examples of good practice also carried out under the ERDF during the 2000-2006 and 2007-2013 programming periods;
27. Notes that the 'smart guide to innovation services' drawn up by the Commission stresses the importance of public support strategies, developed in consultation with social and economic stakeholders at regional level, in providing SMEs with a favourable environment and helping them maintain a competitive position in global value chains;
28. Underlines the challenges and opportunities facing SMEs in adapting and complying with the recent decisions taken at the COP21 conference;
29. Considers that suitable support and incentives for the action of SMEs can deliver innovative opportunities for the integration of refugees and migrants;
30. Emphasises that as SMEs are the main source of employment in the EU, the setting up of enterprises should be facilitated by the promotion of entrepreneurial skills and the introduction of entrepreneurship in school curricula, as identified in the SBA, and that, especially in microcredit schemes, adequate training and business support is crucial and special training is needed to prepare young people for the green economy;
31. Calls on the Commission, in cooperation with the Member States and managing authorities, to stimulate the creation of an ecosystem composed of universities, research centres, social and economic stakeholders and public institutions to foster entrepreneurial skills, while encouraging managing authorities to engage the available funds intended for technical assistance, including the innovative uses of ICT by SMEs; notes also, in this regard, that the technical assistance provided for in thematic objective 11 must benefit all the partners referred to in Article 5 of the Common Provisions Regulation on partnership; calls, therefore, for access by the territorial SME organisations to the provisions of TO 11 and to capacity building measures to be

ensured;

32. Highlights that only about 25 % of EU-based SMEs carry out export activities in the EU and that internationalisation of SMEs is a process that needs support also at local level; calls, therefore, on the Commission to make greater use of ESI Funds to help SMEs to seize the opportunities offered, and address the challenges posed, by international trade, while supporting them in addressing adjustment costs and the negative impacts of increased international competition;
33. Calls on the Commission, when preparing cohesion policy for the post-2020 period, to increase funding for the strengthening of the competitiveness of SMEs;
34. Instructs its President to forward this resolution to the Council and the Commission.

## EXPLANATORY STATEMENT

The shared objective of investments under the ESI funds is to provide support for the delivery of the EU's Europe 2020 strategy for smart, sustainable and inclusive growth. Each ESI Fund supports 11 thematic objectives and thematic objective 3 (hereinafter TO3) is about 'enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF)' and the related investment priorities for the ERDF.

Small and Medium-sized enterprises (SMEs) are essential for the economy of EU regions, both in terms of employment and competitiveness. For the period 2007-2013, with the support of cohesion policy EUR 70 billion were devoted to support companies, mainly SMEs and for the 2014-2020 period the aim is to double this amount (also with the help of Financial Instruments). In the new programming period, among other possibilities, investments in SMEs will be made through TO3, allowing at the same time investments in SMEs under other thematic objectives.

Under the broad theme of 'competitiveness of SMEs' more than 63 billion of ESI funds have been allocated in the 2014-2020 programming (+ almost 31 billion by national co-financing for a total of 94 billion).

The following achievements are expected:

- Support will be given to around 801 500 companies for the direct creation of 354 300 new jobs. Together with the R&I support to companies, this means that 5 % of all EU SMEs and 8 % of new companies will receive EU financial support;
- 396 500 micro, small and medium-sized enterprises (including cooperative enterprises, and enterprises in the social economy) will receive funding to invest in human capital development and in people skills.

In terms of ERDF, the support to SMEs (TO3) is one of the four obligatory thematic objectives and should be focused on promoting entrepreneurship, developing and implementing new business models, supporting the creation and extension of advanced capacities for product and service development and support growth in national and international markets.

Taking into account the definition of SME by the European Commission as an enterprise having less than 250 persons employed and an annual turnover of up to EUR 50 million and/or an annual balance sheet total not exceeding EUR 43 million, the EC 2014/2015 annual report on European SMEs indicates that SMEs accounted for 71.4% of the increase in employment in 2014 in the non-financial business sector and in 2014 SMEs employed almost 90 million people - 67% of total employment, and generated 58% of the sector's value added. Furthermore almost all SMEs (93%) are micro SMEs employing less than 10 people. About three quarters of SMEs are active in the five key sectors: 'wholesale and retail trade', 'manufacturing', 'construction', 'business services' and 'accommodation and food services'.

As a general figure, for the 2007-2013 period, cohesion policy supported 73 500 start-ups and created more than 263 000 jobs in SMEs. For 2007-2013 there were 204 ERDF Operational

Programmes supporting research and innovation and SME growth and development (around EUR 70 billion).

Specifically, the OPs where the highest share of funding (more than 80%) has been expended for research, innovation and SME-related fields are:

- The national 'Economic Development Operational Programme' (Hungary);
- 'Factores de Competitividade 2007-2013' (Portugal);
- 'Innovation og Viden' (Denmark), 'Development of the Competitiveness of the Bulgarian Economy' (Bulgarian) and
- The regional Burgenland OP (Austria).

Around half of total ERDF financing under evaluation has been allocated to 'Investment in firms directly linked to research and innovation' and to the general label of 'Other investment in firm'. The form of finance mostly used across all categories of expenditures is non-repayable aid, followed by aid such as loans, interest subsidy and guarantees, which is concentrated on selected priorities. In general, venture capital and other forms of finance are much less common forms of delivery.

### **EP position during the negotiations for TO3 and involvement of stakeholders**

The EP has always highlighted that 'SMEs are the backbone of the EU economy and have a huge potential for job creation, being responsible for 85 % of newly created jobs; 20,7 million SMEs account for over 67 % of private-sector employment in the EU, with 30 % deriving from micro-enterprises'. The EP also considers that 'SMEs are the key drivers of European long-term economic growth and sustainable job creation opportunities within the 28 Member States'.

In 2014, the Regional Development Committee stated that '(...) cohesion policy for the 2014-2020 period is an important and effective instrument for creating smart, sustainable and inclusive growth and achieving the Europe 2020 targets while supporting, through a wide range of measures and innovative financial instruments, the start-up and development of small and medium-sized enterprises (SMEs), including micro-enterprises, as one of the main job creators in the EU' and asked 'Member States and regions to put effective information and support systems in place so as to enable microenterprises and SMEs to benefit from EU funding, and also to adopt ambitious measures as part of the joint risk-sharing mechanism by blending EU budgetary resources, i.e. from COSME, Horizon 2020 and the European Structural and Investment Funds (ESI Funds)'.

In resolution of 5 July 2011 on the 'Commission's fifth Cohesion Report and the strategy for post-2013 cohesion policy' the EP requested that 'the fundamental principles of the Small Business Act for Europe (SBAE) – i.e. "think small first" and "only once" – be considered one of the bases of cohesion policy', and considered that 'these principles should be applied by Member States and regions in the definition of their operational programmes' the EP also welcomed 'the effective cooperation between the EIB and the Commission in implementing three joint initiatives – JESSICA, JEREMIE and JASMINE'.

During the ERDF negotiations the European Parliament introduced the element of cooperation between large enterprises and SMEs for productive investment with a 'view to supporting larger enterprises in the ICT' and agreed with the introduction of the financial instrument 'SME Initiative', managed indirectly by the EC and implemented by the EIB; however, the EP requested to lower the initial ceiling of this initiative to EUR 1.5 billion.

TO3 was one of the themes where authorities had the most-effective management capacity and the thematic concentration was a challenge for the EU12, especially in terms of support to SMEs and this due to the fact that for 2007-2013 the focus was on improving infrastructures.

Most local governments are involved directly and/or through their national associations in Programme Monitoring Committees for the European Regional Development Fund (ERDF), often for the European Social Fund (ESF) and sometimes for other funds. However, there is a great variance over their influence in the implementation of the programmes (size of partnership structures, information availability, clarity and foresight of meetings workload). Most of the operational aspects of the European Code of Conduct on Partnership (ECCP) are not properly applied in most cases. As during the preparation phase of Operational Programmes (OPs), regions often remain the privileged interlocutors for the central governments and have more influence and power over decisions than local public authorities. In some cases, national associations of local authorities (contrary to Art.5 Common Provision Regulation on partnership) are not full partners but only informed about the major decisions, rather than taking part in the concrete decision-making. Other national associations of local authorities have a more strategic role to ensure an efficient delivery of ESIF: this has to be the way forward for a better absorption of ESIF in this programming period 2014-2020. The signature of an agreement between central governments and other levels of government would ensure a common statement to the Commission's services, greater ownership of investment priorities, better knowledge of ESIF opportunities by local and regional authorities, and therefore better efficiency in the use of EU funds on the ground.

Recognition of the importance of local authorities can also be analysed through the territorial dimension of OPs, local authorities' ability to access and use EU financial instruments, and their nomination as intermediate bodies or beneficiaries of an Integrated Territorial Investment (ITI). In most cases, the target of devolved responsibilities are, if anyone, larger urban areas or regions. This is a missed opportunity to involve local areas of all types in shaping funding decisions for the benefits of their local area development.

### **Administrative capacity of local authorities**

Regarding simplification, the willingness of cutting administrative costs for beneficiaries should not lead to additional costs for the Managing Authorities, or local authorities with devolved responsibilities.

Local authorities willing to be more engaged in ESIF management should be given the opportunity by central governments to receive more decision-making powers, starting with project selection. Technical Assistance and early involvement in the discussions on investment priorities in future funding rounds will help this process.

Given that most countries and regions have only now started to launch the programmes, there is scope for Managing Authorities and the Commission to enforce more consistently the Partnership Principle as set out in the Regulation and the Code of Practice.

The success of ESIF programmes – and of the strategies that underpin them via ex ante conditionalities - will depend on good governance and their immediate start, as well as their full implementation in the coming years.

### **Financial Instruments for TO3**

Support to TO3 can be provided through Financial Instruments (FIs), which should be designed based on an ex-ante assessment. These FIs can be set up at EU level, combining ESI Funds with other resources with a view to encourage bank lending to SMEs. FIs can also be set up at national/regional level and managed by the managing authority and consisting of loans or guarantees.

### **Second Work Package: political framework for the report**

Improving resource efficiency in SMEs offers enormous potential for the reduction of production costs and for productivity gains. A better use of resources is calculated to represent an overall savings potential of EUR 630 billion per year for European industry. Preventing environmental damage and moving towards a low carbon economy is a societal challenge which also offers new business opportunities for enterprises that bring green products and services to the market. SMEs need a favourable business environment in which green ideas can be easily developed, financed and brought to the market. Re-manufacturing, repair, maintenance, recycling and eco-design have a great potential to become drivers of economic growth and job creation while, at the same time, making a significant contribution to addressing environmental challenges. SMEs and entrepreneurs need a supportive environment to move towards a circular economy. The EU's international commitments in areas such as climate change cooperation or neighbourhood policies offer concrete scope for European SMEs with green expertise to gain access to new markets. A more supportive framework and more international cooperation are required in order to help SMEs successfully integrate into global value chains.



## RESULT OF FINAL VOTE IN COMMITTEE RESPONSIBLE

<b>Date adopted</b>	19.4.2016
<b>Result of final vote</b>	+: 33 -: 1 0: 2
<b>Members present for the final vote</b>	Pascal Arimont, Franc Bogovič, Victor Boștinăru, Mercedes Bresso, Andrea Cozzolino, Rosa D'Amato, Bill Etheridge, Michela Giuffrida, Krzysztof Hetman, Ivan Jakovčić, Constanze Krehl, Andrew Lewer, Louis-Joseph Manscour, Iskra Mihaylova, Jens Nilsson, Andrey Novakov, Konstantinos Papadakis, Mirosław Piotrowski, Stanislav Polčák, Julia Reid, Monika Smolková, Ruža Tomašić, Ramón Luis Valcárcel Siso, Monika Vana, Matthijs van Miltenburg, Lambert van Nistelrooij, Derek Vaughan, Kerstin Westphal
<b>Substitutes present for the final vote</b>	Petras Auštrevičius, Daniel Buda, Salvatore Cicu, Viorica Dăncilă, Andor Deli, Ivana Maletić, Maurice Ponga, Davor Škrlec