



Interim Evaluation of the COSME Programme

Final Report

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Interim Evaluation of the COSME Programme

Final report

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List of abbreviations

Abbreviation	Description
AGS	Annual Growth Survey
BCC	Business Cooperation Centre
BRIC	Brazil, Russia, India, China
CBA	Cost-Benefit Analysis
CCS	Cultural and Creative Sector
CEA	Cost-Effectiveness Analysis
CEDEFOP	European Centre for the Development of Vocational Training
CIP	Competitiveness and Innovation Framework Programme
CMU	Capital Markets Union
COSME	Programme for the Competitiveness of Enterprises and Small- and Medium-Size Enterprises
DG CNECT	Directorate-General for Communications Networks, Content and Technology
DG DEVCO	Directorate-General for International Cooperation and Development
DG EAC	Directorate-General for Education, Youth, Sport and Culture
DG EMPL	Directorate-General for Employment, Social Affairs & Inclusion
DG ENV	Directorate-General for Environment
DG GROW	Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs
DG NEAR	Directorate-General for Neighbourhood and Enlargement Negotiations
DG REGIO	Directorate-General for Regional and Urban policy
DG RTD	Directorate-General for Research & Innovation
DTF	Distance to Frontier
EACI	Executive Agency for Competitiveness and Innovation
EAF	European Angels Fund
EASI	Programme for Employment and Social Innovation programme
EASME	Executive Agency for Small- and Medium-Size Enterprises
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECAP	Environmental Compliance Assistance Programme for SMEs
ECB	European Central Bank
ECCP	European Cluster Collaboration Platform

Abbreviation	Description
EDEN	European Destination of Excellence Network ('N' stands for Excellence)
EEN	European Enterprise Network
EFG	Equity Facility for Growth
EFSI	European Fund for Strategic Investments
EFTA	European Free Trade Association
EIB	European Investment Bank
EIC	European Innovation Council
EIF	European Investment Fund
EIP	European Innovation Partnerships
EP	European Parliament
ERA	European Research Area
ERDF	European Regional Development Fund
ESCP	European Strategic Cluster Partnership
ESCSS	European Sustainable Chemicals Support Services
ESF	European Social Fund
ESIF	European Structural and Investment Funds
ESM	European Stability Mechanism
ETC	European Territorial Co-operation
EU	European Union
EYE	Erasmus for Young Entrepreneurs
FC	Framework Conditions
FIEEG	Financial Instrument Interservices Expert Group
FoF	Fund of Funds
FPA	Framework Partnership Agreements
FTE	Full-Time Equivalent
GDP	Gross Domestic Product
GVA	Gross Value Added
HE	Host Entrepreneur
HGIE	High-Growth Innovative Enterprises
HLG	High-Level Group
HR	Human Resources
ICT	Information and Communication Technology
IPR	Intellectual Property Rights
JRC	Joint Research Centre
KETs	Key Enabling Technologies
KPIs	Key Performance Indicators

Abbreviation	Description
LCBAs	Low Carbon Business Actions
LGF	Loan Guarantee Facility
MS	Member State
NACE	Statistical classification of economic activities in the European Community
NEFI	Network of European Financial Institutions for SMEs
OECD	Organisation for Economic Co-Operation and Development
PSC	Point of Single Contact
RCA	Revealed Competitive Advantage
REFIT	Regulatory Fitness and Performance programme.
RPAS	Remotely Piloted Aircraft Systems
SAFE	Survey on Access to Finance of Enterprises
SBA	Small Business Act
SME	Small- and Medium-Size Enterprise
SMEG	SME Guarantee Facility
SMEW	SME Window
SO	Specific Objective
SPR	SME Performance Review
TEEC	Treaty establishing the European Economic Community
UNWTO	World Tourism Organisation
VC	Venture Capital
VTO	Virtual Tourism Observatory
YEB	Your Europe Business Portal

ABSTRACT

This report presents the findings of the Interim Evaluation of the COSME programme, assessing the relevance, effectiveness, coherence, efficiency and EU added value of the programme activities funded in the 2014-2016 period.

The evaluation found a strong alignment of the COSME programme with the evolving needs of SMEs in Europe and a high relevance for the EU citizen in relation to jobs and growth creation. COSME has successfully set the building blocks for the attainment of the expected results. However, its contribution to the global competitiveness of enterprises and to sustainable and inclusive growth could be strengthened. The use of COSME resources could be optimised: an overarching strategic framework would allow for a more balanced budget distribution and further enhance the internal coherence of the programme. There are no major overlaps of the programme activities with other policy initiatives, both at the EU and national and regional levels. However, for some actions, synergies and complementarity with other EU/national/regional actions could be improved. The EU dimension is at the core of the programme and critical for most actions.

Ce rapport présente les résultats de l'évaluation intermédiaire du programme COSME, qui jugeait de la pertinence, l'efficacité, la cohérence, l'efficacité et la valeur ajoutée communautaire des activités du programme financées au cours de la période 2014-2016.

L'évaluation a permis de constater que le programme COSME est fortement aligné sur les besoins (toujours en évolution) des PME en Europe et qu'il est grandement pertinent pour les citoyens de l'UE en ce qui concerne la création d'emplois et de croissance. Le programme a posé, avec succès, les fondements nécessaires à la réalisation des résultats escomptés. Toutefois, sa contribution à la compétitivité des entreprises et à une croissance durable et inclusive pourrait être renforcée. L'utilisation des ressources pourrait être optimisée : un cadre stratégique global permettrait une répartition budgétaire plus équilibrée et renforcerait encore la cohérence interne du programme. Il n'y a pas de chevauchement majeur des activités du programme avec d'autres initiatives politiques, tant au niveau européen qu'aux niveaux national et régional. Toutefois, pour certaines actions, les synergies et la complémentarité avec d'autres actions communautaires/nationales/régionales pourraient être améliorées. La dimension européenne est au cœur du programme et est essentielle pour la plupart des actions.

Dieser Bericht stellt die Ergebnisse der Zwischenbewertung des COSME-Programms vor und bewertet die Relevanz, Wirksamkeit, Kohärenz, Effizienz und den Mehrwert der im Zeitraum 2014-2016 finanzierten Programmaktivitäten für die EU.

Die Evaluierung ergab eine starke Angleichung des COSME-Programms an die sich entwickelnden Bedürfnisse der KMU in Europa und erhebliche wirtschaftliche Bedeutung für die EU-Bürger. Das Programm hat erfolgreich die Bausteine zur erwünschten Zielerreichung gesetzt. Allerdings könnte der Beitrag zur globalen Wettbewerbsfähigkeit der Unternehmen und zu nachhaltigem und integrativem Wachstum gestärkt werden. Die Verwendung der COSME-Ressourcen könnte optimiert werden: Ein übergreifender strategischer Rahmen würde eine ausgewogenere Verteilung der Haushaltsmittel ermöglichen und die interne Kohärenz des Programms weiter verbessern. Es gibt keine größeren Überschneidungen der Programmaktivitäten mit anderen politischen Initiativen, sowohl auf EU-Ebene als auch auf nationaler und regionaler Ebene. Bei einigen Aktionen könnten jedoch Synergien und Komplementarität mit anderen EU/nationalen/regionalen Maßnahmen verbessert werden. Die EU-Dimension steht im Mittelpunkt des Programms und ist für die meisten Maßnahmen von entscheidender Bedeutung.

SUMMARY

This report presents the main findings of the Interim Evaluation of the COSME programme. The objective of the study was to evaluate the relevance, effectiveness, coherence, efficiency and EU added value of the programme activities funded in the 2014-2016 period.

Technopolis Group carried out the evaluation using the Commission's standard evaluation methodology, as recommended in the Regulation No 1291/2013. The evaluation addressed the six Leading Questions and fifteen sub-questions set out in the study specifications, and used a mix of quantitative and qualitative methods, allowing for triangulation. The evaluation tools included desk research, statistical analysis of secondary data, a workshop, 120 high-level interviews, targeted consultations reaching more than 4,000 SMEs, and a public consultation receiving 195 responses and 14 position papers.

Background

COSME is the EU Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (SMEs) which runs from 2014 until 2020 with the financial envelope of €2.3b. In the period 2014-2016, COSME committed a budget of €874.5m. EASME, the European Agency for Small and Medium-sized Enterprises, oversees the implementation of the COSME programme on behalf of the EC, with exception of the financial instruments for which the EC signed a delegation agreement with the European Investment Fund (EIF).

The objective of COSME is to contribute to the creation of jobs and economic growth by strengthening the competitiveness and sustainability of EU enterprises, particularly SMEs, encouraging entrepreneurial culture, and promoting the creation and growth of SMEs. COSME has four specific objectives: to improve access to finance for SMEs in the form of equity and debt; to improve access to markets, particularly inside the Union but also at the global level; to improve framework conditions for the competitiveness and sustainability of EU enterprises, particularly SMEs, including in the tourism sector and to promote entrepreneurship and entrepreneurial culture.

COSME is a diverse programme, encompassing numerous actions that are structured around the four specific objectives. For this evaluation, a more horizontal approach was chosen. The actions were categorised in nine Thematic Areas (TA): Access to finance; Business management capacity services (EEN); Digitisation & KETs; Entrepreneurship; Framework Conditions in the Single Market (FC); Internationalisation; Responsible innovation¹; Sectoral competitiveness; and SME policy. In these Thematic Areas, the major action lines are combined with many smaller actions. In most cases, these small actions were one-off interventions.

The data available show that so far, COSME has reached around 230.000 final beneficiaries, approximately 63% of which were reached through the financial instruments and specifically the LGF. Geographically, the beneficiary SMEs are concentrated in the EU15 Member States (87%). From a sectoral perspective, COSME supported especially SMEs active in the 'Wholesale and retail trade' sector (close to 20%), followed by the Manufacturing sector (15%), the Construction, Accommodation and food services, and Professional, scientific and technical activities sector (10% each).

¹ Includes sustainability, corporate social responsibility and the social economy

Relevance

The COSME programme is firmly embedded in the 2011 Small Business Act (SBA) Review and implements the Single Market Strategy (2015) and Start-up and Scale-up Initiative (2016). There is a strong alignment with the evolving needs of SMEs in Europe. The main relevance of COSME is in its focus on improving the access to finance, the enhancement of knowledge, creating network opportunities, setting the basis for changes in SME management practice and providing the needed information to facilitate access to new markets. The relevance for the EU citizen is high, thanks to the focus on fostering economic growth and the creation of employment opportunities. Its relevance is more limited when considering areas beyond the economic sphere, e.g. those related to societal challenges, and some of the objectives defined in the EU2020 strategy such as Inclusive and Sustainable Growth. COSME responds to these objectives mainly in an indirect manner.

COSME's great **strength** lies in its commitment to supporting *any or all of Europe's SMEs* in their pursuit of improved competitiveness and growth. Its universal 'non-targeted' offering addresses the basic needs of enterprises, facilitating access to finance and providing access to advice. This pragmatic approach is at the core of its relevance to aspiring small businesses. The strength of the programme lies in its focus on enhancing the SMEs' capacities for growth and in its attention to the SMEs' needs for concrete information and knowledge that are of immediate and practical use in their business practices. The programme also addresses in a direct and concrete manner the need of young entrepreneurs to strengthen their entrepreneurship skills.

COSME's **main weakness** is a corollary of this 'non-targeted' approach. Its two major actions, LGF and EEN, accounting for about 80% of the total budget committed, target all SMEs without making distinctions to reflect the programme's 'inclusive and sustainable growth' and 'global competitiveness' policy objectives. At best, these two major actions can therefore create only 'unintended' effects in those areas. As a result, the relevance of COSME for policy objectives such as gender mainstreaming or climate change is limited.

Effectiveness

The timing of the evaluation implies that robust conclusions on the effectiveness of the programme in terms of mid- and long-term impacts cannot yet be drawn. However, in its initial years of activity, COSME has overall been successful in reaching the outputs expected such as number of events organised, loans signed, venture capital funds created etc. The picture is more varied when considering the capacity of the programme in successfully setting the basis to reach the expected mid- and long-term effects in the future, especially in terms of its capacity to involve the most relevant stakeholders:

- The COSME *financial instruments* have increased the supply of SME-related equity and debt finance in most Member States. The European Investment Fund (EIF) has so far signed EFG agreements with nine financial intermediaries contributing a total of €101m to the selected funds, which in turn provided 12 SMEs with risk capital to support their expansion and growth. While the EFG is hereby falling behind on its targeted commitments, the LGF has managed to assign around €611.7m allowing for a volume of €5.5bn in debt financing provided to 140,000 SMEs. The growth projects of these SMEs mainly focus on expansion in the existing (local) markets and the development of new products and services. Geographically, the beneficiary SMEs are so far concentrated in the more mature financial markets.

The threshold of €150k above which the financial intermediaries must check if the SME does not meet any of the innovation criteria for funding under the H2020 InnovFin instrument creates the negative effect of inducing the intermediaries to limit their financial offer to this threshold. Most important, the threshold is deemed inadequate to the needs of many SMEs

- The *Europe Enterprise Network* (EEN) has shown a strong capacity to reach SMEs throughout Europe, including 150,000 SMEs that participated in the EEN co-operation and advisory services. Thanks to the EEN services, over 8,000 SMEs set up co-operation agreements with SMEs 'across the border' or implemented the recommendations of the new EEN advisory services. The EEN services mainly supported SMEs in improving the quality of their goods and services, leading to (expected) growth in turnover and especially, entry to new (geographical) markets, both in Europe and beyond
- The *Clusters Go International* (CGI) action shows a particularly strong alignment with the need of the clusters to internationalise their activities, both within Europe and beyond. Official European partnerships between the clusters have been created, as well as the first 'global' partnerships. The actions show good potential to lead to an improved strategic position in global value chains and an enhanced access to potential inward investors. Participants in the programme, however, face two significant hurdles for their internationalisation activities, i.e. the limited budget and the underestimated implementation timetable
- In the thematic area *Framework conditions in the Single Market*, the Your Europe Business Portal, which is a continuation of an action from the previous programming period, clearly contributes to this objective. An overall strategic approach to supporting SMEs in this thematic area is clearly missing.
- *Erasmus for Young Entrepreneurs* (EYE) was successful in reaching its expected outputs and outcomes. It involved in total around 2,000 New Entrepreneurs and we estimate that after approximately a year and a half, it led to the creation of 250 new companies, €5m of additional turnover, and about 1,000 new jobs. The most prominent weakness of this action line lies in the small scale of its activities.
- The area of initiatives supporting *sectoral competitiveness* consists of a very diverse mix of actions that were mostly one-off, with a limited budget, and targeted a broad range of sectors. An exception is the Tourism programme where participants indicated as direct results the creation of new strategic partnerships across borders and more visibility in international markets of touristic destinations in the EU. While few SMEs were directly involved (100), the involvement of professional associations and local, regional and national public tourism agencies created the basis for potentially strong multiplier effects.
- Finally, the *SBA Implementation actions* successfully provided quality information on the performance of SMEs in Europe to national policy-makers through the publication of the SME Performance Review and provided a highly appreciated platform for information and good practice sharing through the SME Envoys Network. There is a general sense that the activities organised at the EU-level contribute to a convergence of SME policies across COSME countries.

The limited evidence available suggests that COSME will have a positive impact on its beneficiaries' growth and employment; it is more doubtful that COSME will create a strong impact on the international competitiveness of the EU SMEs (beyond the EU).

The **strength** of COSME lies in particular in the use of intermediaries for the implementation of the programme. COSME exploits the proximity of these intermediaries to SMEs and facilitates the integration of services provided under the COSME framework with services provided by these intermediaries in their national and regional contexts. This approach allows COSME to maximise its potential for reaching the desired effects. EASME plays an important and much appreciated role in creating learning opportunities for the EEN members to enhance their capacities and better serve the SMEs in their local environments.

A major **weakness** of the programme is the lack of capacity to respond effectively to EU policy objectives related to sectoral competitiveness and SME internationalisation (beyond the EU). Due to their 'non-targeted' approach, the two key actions in the programme, the Access to Finance and Business Management Capacity (EEN) action, are

not specifically directed towards fostering these effects. In addition, the actions that focus on sectoral competitiveness, internationalisation and/or the framework conditions in the Single Market, or actions aimed at enhancing entrepreneurship skills in specific communities, are many and therefore smaller in nature and budget, thus with a lower potential for impact. In the field of entrepreneurship, effectiveness is hampered also by the seeming lack of formal structure or process for the design of the portfolio as a whole.

Efficiency

COSME is operating at a reasonable level of efficiency overall, with its principal components all being implemented in line with the specific objectives and timetables set out in the annual work programmes. The feedback from beneficiaries is generally positive with some exceptions. A substantial majority is reporting a good cost-benefit ratio for their individual participations. However, the financial intermediaries indicated that the reporting requirements are burdensome and risk reducing the attractiveness of the LGF. Financial intermediaries also argued that the EFG's administrative burden is substantially higher than is normal in the Venture Capital (VC) sector.

Regarding the contribution of EASME to an efficient management of the COSME programme, two issues can be noted. First, the time-to-grant for the open calls was shorter than the target set by EASME and would satisfy even the quite demanding expectations set for H2020. Second, COSME consists – at least in part - of a large number of small actions requiring the involvement of a proportionally higher number of staff than for other EC programmes managed by the Agency, such as the SME Instrument. In this sense, by its own nature, the cost-efficiency of managing a programme such as COSME can be considered relatively lower, compared to what is achieved in other cases.

The **main strength** of COSME is the clarity of its work programme descriptions, leading to a relatively small share of ineligible proposals responding to the calls for grants. No major administrative bottlenecks were identified and the simplification measures that were introduced were overall considered as positive, even though the new IT system clearly had some teething problems.

A **major weakness** of the programme design is the unbalanced distribution and strong fragmentation of the budget available. As stipulated by the COSME regulation, the large majority of the COSME budget (80%) is used for the two key actions. The remaining 20% of the budget is spread over a large number of small actions. This fragmentation influences negatively the potential for cost-efficiency in the programme implementation and accentuates the limits in strategic steering and coordination of the programme. Competition in some COSME calls can be quite high, especially for the smaller actions, which can be considered a direct consequence of the funding fragmentation. This places an additional burden on applicants, which can be particularly problematic for SMEs and may lead to a narrowing of the applicant base, both geographically and sectorally.

Another major weakness of the programme is the quality of data management. The lack in quality and especially completeness of the data on the beneficiaries of the programme constitutes a major hurdle for an efficient management of the programme implementation. The spread of the implementation responsibilities over the many actors involved (the EIF, EASME and in 2014-16, about 15 DG GROW units) creates a considerable challenge to efficient programme management and coordination, with a risk of weakened programme oversight. It also makes it very much harder to evaluate the programme. The various reporting systems' focus on activities and outputs is equally problematic. A stronger attention for the collection of data on the profile of the beneficiaries is needed to allow for a proper monitoring of the programme outcomes and progress towards reaching its objectives.

Coherence

Overall, the COSME programme shows a good level of internal coherence: efforts are increasingly being made to create synergies and no substantial overlaps could be identified. The EEN services are the most-often mentioned targets for these 'expansions', though. The risk is to overcharge the EEN with responsibilities to which the Network cannot respond. More synergies could be created by taking a more integrated, cross-thematic approach.

Our assessment of the coherence among the different communication activities in COSME is to an extent negative related to the financial instruments and the entrepreneurship actions. The communication activities related to the financial instruments created a certain abundance of information; those related to the entrepreneurship actions appeared to be run in isolation from each other, with no interaction between each other. The assessment is positive in relation to the synergies and complementarities created between the Your Europe Business portal and the EEN services, and between other COSME activities geared towards internationalisation such as the EEN and Clusters Go International programme.

The division of tasks between COSME and H2020 is clear and we noted no significant overlaps between COSME and H2020 or other EU activities. Nevertheless, there is room for the creation of more synergy and complementarities, especially for the SME internationalisation activities. Overlaps between the COSME LGF and financial instruments established under ESIF may occur when addressing similar SMEs in the regions.

The interplay between the EU, national and regional levels of support for SMEs is not always synergistic and complementary, even though no substantial overlaps were identified. Especially for actions where proximity to the SME communities is a strong enabling factor, better coordination with national and regional actions would further improve coherence. This is especially the case for the EEN services and the COSME actions supporting cluster organisations.

EU added value

COSME has a good level of European added value. The European dimension constitutes the very essence of the design of its actions and is crucial for their implementation and effectiveness. In most cases, the 'subsidiarity' of these actions, i.e. the benefit of their implementation at the European rather than national or regional levels, is therefore very high. While many national and regional initiatives seek to strengthen the competitiveness of SMEs, the scale of support through COSME and its availability to financial and business support intermediaries in every EU Member State are quite distinct and highly additional. In several cases, the EU level actions have not only been additional to, but have also helped in enhancing national, regional and local level measures.

Indeed, COSME provides important financial leverage that allows national and regional intermediaries to offer support to a substantially bigger number of businesses than they might otherwise be able to service. Furthermore, national support programmes, especially in smaller markets, have higher leverage when combined with an EU-level programme. However, the added value of the LGF suffers from the non-targeted approach, which so far has implied that the support did not sufficiently reach the less mature financial markets.

The European dimension is at the core of the Enterprise Europe Network. It allows for the attainment of a scale and quality of the services, and in some cases, even the implementation of the service as such, that would otherwise not be possible. The EEN's role as an intermediary, involving Chambers of Commerce and national/regional innovation agencies, provides the advantage of a gateway for reaching SMEs; its EU added value could be strengthened by focusing only on those services that build upon the

transnational characteristics of the Network itself, i.e. the internationalisation and single market penetration. Options to ensure an appropriate level of co-financing and/or funding from EU funds could be examined.

Outlook

The following is a list of suggestions related to areas where we believe the Commission might consider taking initiatives in the coming months and years to improve the performance of the programme overall, and to help prepare for the successor programme.

COSME is a programme that covers a broad range of actions to implement the objectives set out in the COSME regulation while having a limited budget to maximise the potential benefits for SMEs in Europe and for the European economy at large. We recommend that the Commission, within the limits of the legal base, steers the resources of the programme towards those areas for intervention where it is best placed to *make a difference*. A clearer definition of the COSME priority areas and the boundaries of its responsibilities should enable the programme to reduce or even avoid the funding of individual standalone actions and ensure the integration of smaller actions within the overall programme portfolio.

The Commission should increase the responsiveness of COSME (in its capacity of Europe's programme for small and medium enterprises) to EU objectives related to the *strengthening of EU global competitiveness and sustainable and inclusive growth*. As several policy studies and strategies highlight, SMEs are a critical factor in the attainment of these EU policy objectives.

The Commission could further *strengthen the coherence* of COSME with other EU initiatives and *synergies / added value* with national and regional programmes and measures. There has been a considerable increase in attention and expansion of activities towards strengthening the competitiveness of SMEs, both at EU and national/regional levels. DG GROW and COSME could provide much needed leadership on the strategic questions of coherence and additionality.

The Commission might want to consider the following possibilities to *strengthen the relative cost-effectiveness* of COSME: 1) deploying its existing resources in a more focused / strategic manner; 2) entering new strategic partnerships with other EU programmes or Directorate Generals which could increase or however sustain the range of activities despite the limited budget, for example by strategically sharing the responsibility for interventions in specific areas; and 3) increasing its overall budget in order to allow it to run both the non-targeted approach and strategic programmes in parallel.

The Commission needs to take a more centralised approach to *data management* to ensure higher efficiency in the programme management and a strengthened capacity for a quality implementation of the monitoring and evaluation function.

1 INTRODUCTION

1.1 This report

This is the final report of the Interim Evaluation of the COSME Programme (2014-2020).

Technopolis Group carried out this Interim Evaluation for DG GROW using the Commission's standard evaluation methodology, as recommended in the Regulation No 1291/2013. The evaluation was conducted in the period January – September 2017.

The final report presents the findings from our desk research, interviews and surveys, and provides the results and insights. It reflects the comments received from the evaluation Steering Group.

1.2 The evaluation

1.2.1 Objectives

The objective of the study was to evaluate the relevance, effectiveness, coherence, efficiency and EU added value of the programme activities funded in the 2014-2016 period. The study findings should contribute to the decision-making on the renewal, modification or suspension of the programme actions and measures, to set the basis for the next evaluation of the COSME programme until 2020 and contribute to the preparation of the future programme in the next Multiannual Financial Framework (MFF), and to feed into the mid-term evaluation of EASME.

The Terms of Reference to this study set out six leading **evaluation questions** and fifteen sub-questions for this evaluation. They are listed in Table 1, below.

Table 1: Evaluation questions

Key question	Evaluation question
1) Implementation - State of play	Q1.1) How has the programme been implemented and how has it evolved since the start in 2014?
2) RELEVANCE: Do the objectives correspond to the current needs?	Q2.1) To what extent are COSME's initial objectives still pertinent to the needs, problems and issues it was designed to address?
	Q2.2) How relevant is the programme to the stakeholders (public and private) and the EU citizen?
	Q2.3) How has the programme adapted to the political priorities, for instance to the new Single Market Strategy and its particular objective to support Start-ups and Scaling-ups?
3) EFFECTIVENESS: How effective is the programme in achieving its objectives?	Q3.1) To what extent is the COSME programme progressing towards achieving its specific objectives?
	Q3.2) What are the factors driving or hindering progress and how do they link with different actions of the programme?
	Q3.3) To what extent is the Programme progressing towards contributing to the 5 Union priorities for smart, sustainable and inclusive growth (incl. climate objectives and gender mainstreaming)?
4) EFFICIENCY: To what extent were the effects (benefits) achieved at a reasonable cost?	Q4.1) What are the regulatory/administrative costs and the benefits for the different stakeholders?
	Q4.2) Are the costs (direct and indirect) generated by the programme proportionate to the benefits generated?
	Q4.3) How efficient is the implementation structure and governance of the programme?
5) COHERENCE: To what extent are the individual actions financed by COSME internally coherent and to what extent is COSME externally coherent with other EU and MS programmes/policies with similar objectives?	Q5.1) Are the different actions of COSME implemented coherently between them?
	Q5.2) How are the different COSME actions overlapping/synergizing with the activities of ESI funds, H2020, EFSI, EASI and other EU programmes?
	Q5.3) To what extent has the coherence been maximised in view of National programmes?
6) EU ADDED VALUE: What is the EU value added?	Q6.1) What is the added value of the programme and actions being conducted at the EU level?
	Q6.2) To what extent and why do the issues addressed by the programme continue to require action at EU level?

1.2.2 Scope

The scope of this evaluation is the COSME activities conducted in the period 2014-2016. During the inception phase, the scope for analysis in this evaluation was defined as follows (Table 2):

- Assessment of the relevance, coherence, and efficiency in implementation criteria covering all actions
- Assessment against the effectiveness criterion focused on the Key Actions, complemented by four case studies
- The European added value and the efficiency / cost-effectiveness criteria remain covered through the analysis of the Key Actions only

Table 2: Refined scope of the evaluation

	At overall programme level	Key Actions level	Case studies on specific actions
Implementation State of Play	X		
Relevance	X		
Effectiveness		X	X
Efficiency			
Efficiency / Cost-effectiveness		X	
Efficiency / Implementation	X		
Coherence	X		
EU Added Value		X	

Source: Technopolis

The Key Actions include: the financial instruments (LGF and EFG), the Enterprise Europe Network services, the SME Policy actions, the Cluster Internationalisation programme, and the Erasmus for Young Entrepreneurs programme. Actions covered through case studies are: the Vulcanus scheme in the EU-Japan Centre action; the e-skills/digitisation actions, the Tourism actions (grants), and the Women Entrepreneurship action.

1.3 Structure of this report

The report is organised as required in the Terms of Reference for this study:

- Chapter 2 sets out the background to this evaluation and presents the COSME intervention logic and the state of play in its implementation
- Chapter 3 briefly describes the evaluation methodology
- Chapter 4 provides the answers to the evaluation questions, ie assessing the relevance (Section 4.1), effectiveness (Section 4.2), efficiency (Section 4.3), coherence (Section 4.4) and EU added value of the programme (Section 4.5)
- Chapter 0 presents the conclusions and recommendations

This report also contains four Annexes as separate reports:

- Annex A: The detailed evaluation of the Access to Finance thematic area
- Annex B: The detailed evaluation of the Enterprise Europe Network thematic area
- Annex C: The detailed evaluation of the Erasmus for Young Entrepreneurs thematic area
- Annex D: The Methodology Report with detailed information on the evaluation tools and methods, as well as details on the data used for the analyses in this report
- Annex E: The Synopsis report, providing an overview of the consultations conducted in this study and their results

2 BACKGROUND OF THE MEASURE

This chapter sets the basis for the evaluation of the COSME programme. We describe the policy context, objectives and intervention logic of the programme (Section 2.1) as well as its state of play at the end of 2016 (Section 2.2).

2.1 The COSME Programme – an overview

COSME is the EU Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (SMEs). The programming period is set to run from 2014 until 2020. The financial envelope for the period 2014-2020 is €2.3bn.

EASME, the European Agency for Small and Medium-sized Enterprises, oversees the implementation of the COSME programme on behalf of the EC, with exception of the financial instruments for which the EC signed a delegation agreement with the European Investment Fund (EIF).

2.1.1 The policy context

The COSME programme is to be set in the context of the two main EU policies to which it responds: the Europe 2020 Strategy and the Small Business Act for Europe.

The **Europe 2020 Strategy** (EU2020) is the EU's agenda for growth and jobs, as well as a reference framework for policy interventions at the EU, national and regional levels.² It identified five interrelated 'headline' targets that should be reached by 2020 in the areas of: employment; research and development; climate & energy; education; social inclusion and poverty reduction. The EU2020 flagship initiative *An Industrial Policy for the Globalisation Era* emphasised the need to combine innovation, diversification and sustainability, and to encourage the creation and development of SMEs. In 2010, the Commission identified 11 actions to support this flagship initiative. These included the establishment of an EU industrial policy; the reduction of the transaction costs of doing business in Europe, the promotion of clusters, and improvement of access to finance for higher-risk SMEs; the promotion of the SMEs' internationalisation; and the implementation of COSME.

The **Small Business Act for Europe** (SBA)³ was introduced in 2008 as an overarching framework for the EU policy on SMEs. Its main aim was "to improve the overall policy approach to entrepreneurship, to irreversibly anchor the *Think Small First* principle in policy-making from regulation to public service, and to promote SMEs' growth by helping them tackle the remaining problems which hamper their development". For this purpose, the Commission identified ten principles that can be grouped into four priorities. Three of these principles are of specific relevance for the COSME programme: to facilitate SME access to finance; to help SMEs benefitting more from the opportunities offered by the Single Market; to promote the upgrading of skills in SMEs and all forms of innovation.

In 2011, the SBA Review proposed a set of new actions focused on smarter regulations and on the SMEs' financing needs, in response to the economic crisis and to enhance alignment with the Europe 2020 strategy. A new set of financial instruments were launched and Member States were invited to open Structural Funds to SMEs' financial needs. The SBA Review proposed also a governance structure to strengthen its overall implementation, including a network of SME Envoys⁴, and the creation of an SME Assembly to mobilise stakeholders.

² COM(2010)2020

³ COM(2008) 394

⁴ SME Envoys are high-level representatives of Member States and other COSME countries that promote SME-friendly regulation and policy-making in their Member States and open channels of communication between the European Commission, SMEs, and their representative organisations. The network is chaired by the European

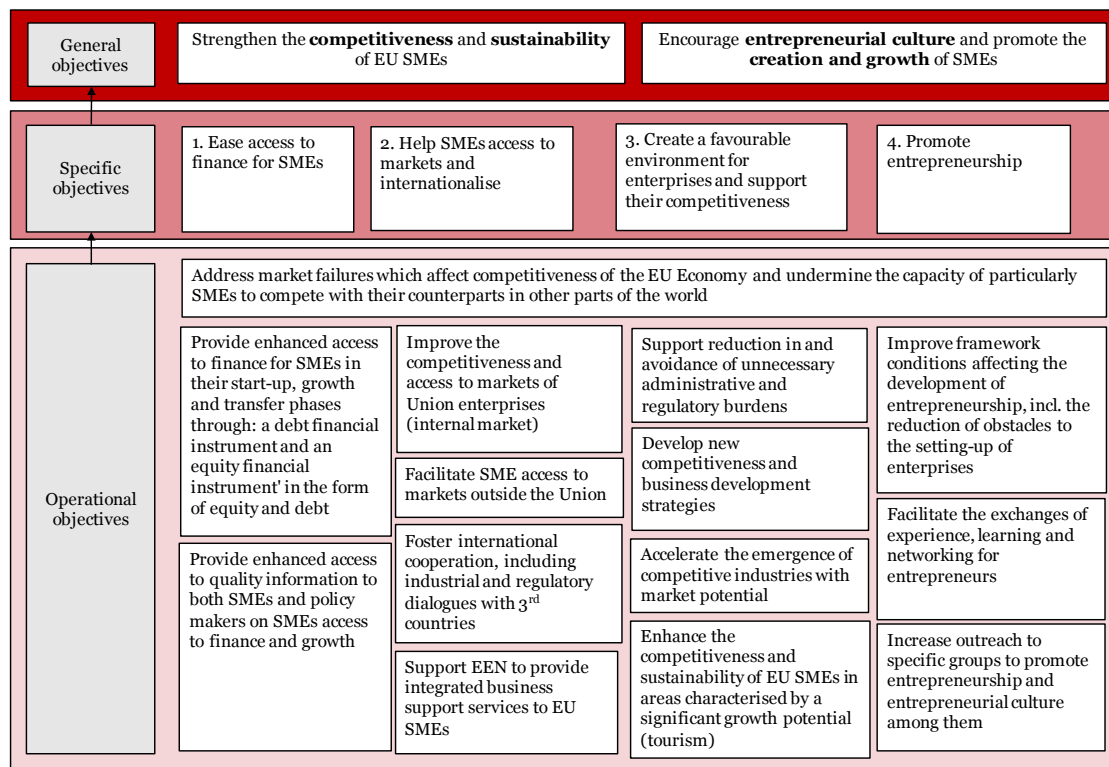
In 2014, the EC launched a public consultation to gather feedback and ideas on how the SBA for Europe should be revised. The needs expressed by the participants were in line with the five priority areas identified by the EC and the SME Envoys network: access to finance, access to market, smart regulation, entrepreneurship, and training and skills. Administrative and legislative burdens in the EU Single Market remained the stakeholders' major concern.

2.1.2 The COSME objectives hierarchy

The programme Regulation⁵ defined as overarching goal of COSME "to contribute to the creation of more jobs and economic growth by strengthening the competitiveness and sustainability of the EU enterprises, particularly SMEs, encouraging entrepreneurial culture, and promoting the creation and growth of SMEs."

The objectives hierarchy in Figure 1 below, reconstructs the concept or 'logic' underlying the programme design. It sets out the 'cascade' of objectives in the COSME programme – from the EU policies to which the programme intends to respond (the 'general' objectives) to the objectives of the programme as a whole (the 'specific' objectives') and those of its action lines and policy instruments (the 'operational' objectives).

Figure 1: COSME Programme objectives hierarchy



Source: Technopolis Group, based on the COSME Regulation and Work Programmes 2014-16

COSME is expected to contribute to the 'general' objectives by attaining four specific objectives:

Commissioner for Internal Market, Industry, Entrepreneurship and SMEs and supported by the so-called 'Sherpas' to the SME Envoys.

⁵ REGULATION (EU) No 1287/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 December 2013 establishing a Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME) (2014 - 2020) and repealing Decision No 1639/2006/EC

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

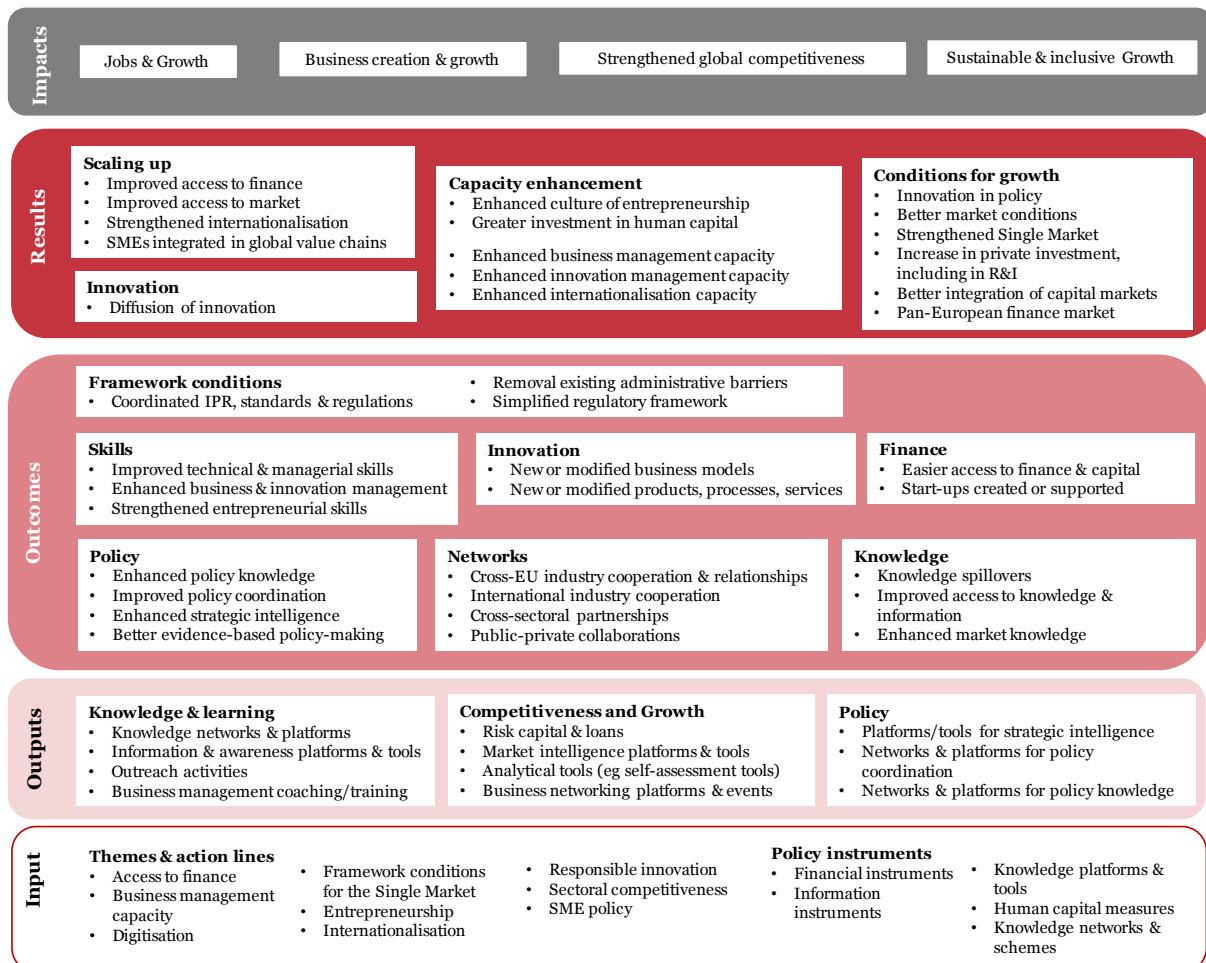
To attain these specific objectives, the COSME Regulation and Work Programmes defined a range of operational objectives, i.e. the objectives of its actions and policy instruments

2.1.3 The COSME intervention logic

The COSME intervention logic presented below (Figure 2) maps out the hierarchy or chain of (expected) effects of the programme, turning the objectives at the different levels set out above into a concrete 'pathways to impact', i.e. from inputs and outputs, to outcomes, results and impacts.

It should be noted that there is no direct one-to-one link between the programme effects at the different levels: as for any programme, the impacts will be through a *mix* of results, which in turn will be reached thanks to a *mix* of outcomes and outputs. In other words, the action lines (structured into themes or 'Thematic Areas' – see Section 2.2.1, below) and policy instruments are expected to result in outputs that will *jointly* contribute to the creation of the expected outcomes, which in turn will *jointly* lead to the expected results, and ultimately impacts.

Figure 2: Intervention logic of the COSME programme



Source: Technopolis Group, based on the COSME Regulation and Work Programmes

2.1.4 Similar actions in the previous funding period

The Competitiveness and Innovation Framework Programme (CIP) was the EU programme preceding COSME. It ran between 2007 and 2014 and had a budget envelope of €3.6 billion for the entire programming period⁶. Objectives were to contribute to strengthening productivity, innovation capacity, and sustainable growth. It comprised three so-called 'pillars': the Entrepreneurship and Innovation Programme (EIP), the Information Communication Technologies Policy Support Programme (ICT-PSP), and the Intelligent Energy Europe Programme (IEE). The EIP was by far the largest pillar and accounted for slightly less than 60% of the CIP budget. In the 2014-2020 programming period, the activities under ICT-PSP and IEE were transferred to Horizon 2020, while the activities under the EIP programme were largely transferred to COSME. The EIP supported access to finance for SMEs, the Enterprise Europe Network (established in 2008 by integrating two former networks: the Euro Info Centres and the Innovation Relay Centres, Erasmus for Young Entrepreneurs, the IPR Helpdesks for SMEs, and activities aimed at fostering entrepreneurship culture and creating better framework conditions for SMEs operating in the EU. It also provided actions to support innovation in enterprises (including eco-innovation) and innovation governance and culture.

The EIP and COSME look very much alike. Access to finance and support for entrepreneurship are important focus areas in both EIP and COSME. However, while EIP under CIP strived 'to support entrepreneurship and innovation and to promote the development and growth of SMEs across the EU', COSME takes a more targeted approach and aimed at improving the business environment to enhance competitiveness by focusing on framework conditions, entrepreneurship, access to finance and/or markets. In addition, all references to innovation were left out in COSME, while special attention to tourism was introduced.⁷

In most cases, the specific actions that were implemented or piloted in the EIP programme were continued also in COSME, with only minor changes, if any. Exceptions are the financial instruments and the EEN services, the two key areas of COSME, for which more substantial changes were introduced, listed in Table 3, below. The share of the budget allocated to the financial instruments were very similar in the two programmes.

Table 3: The financial instruments and EEN services in CIP versus COSME

Focus area	Under EIP	Under COSME
Financial instruments	Three financial instruments: <ul style="list-style-type: none"> the High Growth and Innovative SME Facility (GIF) the SME Guarantee Facility (SMEG), and the Capacity Building Scheme (CBS) 	Two financial instruments: <ul style="list-style-type: none"> EFG was created as a translation of GIF2 with adjusted terms and conditions of investment The LGF is a direct translation of the SMEG Windows on loans, microcredit and securitization The CBS was discontinued because of a low take up
EEN	Key focus is on facilitating cooperation among SMEs	<ul style="list-style-type: none"> Key focus is on facilitating access to markets and internationalization (within the EU) More customized services to SMEs Expansion of the online services Advisory services as an additional service

Source: Technopolis Group, based on CIP/EIP and COSME programme documents

At the programme level, the final CIP evaluation⁸ concluded that the programme objectives related directly to the needs, problems and issues they were intended to address. In addition, the concentration of actions on areas where EU action could make a difference had been identified as a positive shift. CIP also proved to be flexible and able to respond to emerging issues. However, stakeholders raised the issue of fragmentation

⁶ COM(2005) 121

⁷ For a detailed comparison of CIP and COSME: Fanny Lajarthe (2012). Differences and Similarities Between CIP And COSME: Briefing Note. IP/A/ITRE/2012-14

⁸ CSES (2011). Final Evaluation of the Competitiveness and Innovation Framework Programme

due to the financing of many small activities and the evaluation recommended a continued need to justify each small-scale measure separately, a need to strengthen mechanisms for the overall coordination of actions (to avoid unnecessary proliferation and achieve greater synergies), and a need to improve the monitoring and communication of the aims and achievements of small scale measures. It pointed out that in general, the indicators chosen to monitor the implementation and results of the actions were not all responding to the SMART criteria. Questions were raised also concerning synergies across the three components of CIP and issues were spotted also in relation to the coherence of the programme, amongst which the coherence of the Financial Instruments with the support offered by the Structural Funds.

The need to further develop and improve the monitoring system was a major finding also in the final EIP evaluation, which recommended the development of "a clear overall monitoring system that regularly provides data in an easily accessible and standard format".⁹ The evaluation team also noted that there was a very limited synergy or overlap with financial instruments on a national level and that the various financial instruments of the Commission were still seen to be fragmented and overlapping. Both the interim and final evaluation of the EIP¹⁰¹¹ highlighted that there was some sort of competition between venture capital and loan guarantee schemes under the ERDF and under the EIP programme. The EIP final evaluation considered that the demand-driven approach to the financial instruments could give way to one that is more pro-active and especially one that concentrates on promoting facilities in countries not yet covered. Finally, the EIP evaluation raised the danger of having too many small activities funded by the EIP programme and noted the absence of "a mechanism that could ensure greater coordination and synergies among the different activities". It proposed to establish an enhanced co-ordination function in the management of the programme that would have the SBA as a major reference point and focus on "an active exploitation of the potential synergies, both within the Programme and with external actions".

2.2 State of play

In this section we describe the structure of the COSME programme and the budget distribution over its focus areas (Section 2.2.1) and analyse the programme portfolio (Section 2.2.2) and the profile of the final beneficiaries reached (Section 2.2.3).

2.2.1 The programme structure and budget distribution

In the period 2014-2016, the COSME programme committed a budget of **€874.5 m**, of which 28% was committed in 2014 (€245m), 36% in 2015 (€311m), and 36% in 2016 (€319m). It should be noted that budget data for 2016 are estimated because the data were still incomplete at the time of this evaluation. The cut-off date for any data related to the COSME budget was *May 29, 2017*.

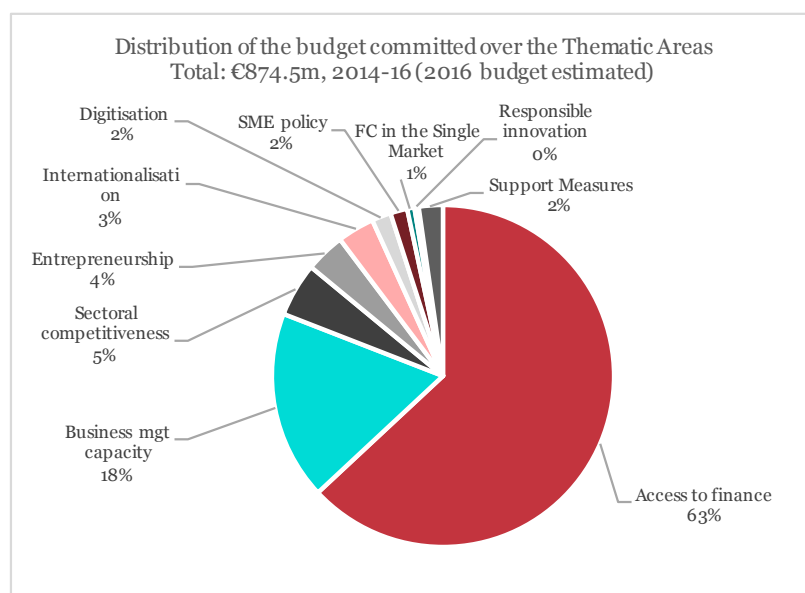
COSME is a small programme that however encompasses numerous actions structured around the four Specific Objectives (SO): Access to finance (SO1); Access to markets (SO2); Actions fostering the establishment of a favourable environment for business creation and growth (SO3); and Entrepreneurship actions (SO4). To facilitate our assessment of the results and ensure a comprehensive evaluation, we identified and grouped the COSME actions into nine themes that constitute the programme **Thematic Areas** (TA) of focus (see also Section 3.2.1, below). The distribution of the budget committed across these thematic areas (TA) is shown in Figure 3, below.

⁹ Final Evaluation of the Entrepreneurship and Innovation Programme - Final Report, Centre for Strategy and Evaluation Services, April 2011

¹⁰ Interim evaluation of the Entrepreneurship and Innovation Programme (April 2009)

¹¹ Final evaluation of the Entrepreneurship and Innovation Programme (April 2011)

Figure 3: Distribution of the budget committed over the thematic areas



Source: Technopolis Group, based on data provided by DG GROW, August 2017

The Access to Finance TA accounted for the highest share of the budget committed in 2014-2016 (€551.4m or 63%). Next to a small number of accompanying actions (promotion campaign, survey, workshops, etc.), this TA entails two major actions:

- The *Loan Guarantee Facility* (LGF) increases SMEs access to finance through guarantees and counter-guarantees (including the securitisation of SMEs' debt finance portfolios) for financial intermediaries. It mainly covers financing up to €150k and is available for all types of SMEs. The budget committed towards the LGF in 2014-16 amounts to €375.5m, which accounts for 43% of the overall budget committed
- The *Equity Facility for Growth* (EFG) provides venture capital to enterprises, especially in their growth or expansion stage, thus enhancing the supply of risk capital. The budget committed towards the EFG was €172.9m or 20% of the overall

The Business management capacity TA was the second most funded area, accounting for 18% of the total budget committed (€156.2m). This TA entails the services provided by the *Enterprise Europe Network* (EEN), a network of 600 business service centres in the EU and beyond, and some other smaller actions. The Network aims to serve SMEs that have international ambitions by providing advice, partnership services and support for innovation. A major focus is on supporting SMEs to establish business links outside their own country and to export within the EU Single Market as well as outside Europe.

Other Thematic Areas are:

- The Sectoral competitiveness TA, which bundles all actions focused on a specific industry sector (€66.5m, or 5% of the budget). A typical focus of these actions is on the creation of transnational¹² networks, the exchange of good practices and the collection of strategic intelligence for expanding business activities
- The Entrepreneurship TA, which encompasses the actions geared towards fostering entrepreneurship (€32.7 or 4%). The *Erasmus for Young Entrepreneurs* (EYE) programme is the largest action. It facilitates exchanges between new entrepreneurs and more experienced ones in other countries to help them acquire and build skills

¹² It should be noted that in this evaluation, we distinguish transnational collaboration (ie within the European market) from international collaboration (ie related to other world regions, such as the US)

and knowledge, as well as further develop business activities and ideas. Some smaller actions aim at reaching out to different groups of entrepreneurs (women, migrants, seniors, young entrepreneurs) or addressing specific areas of entrepreneurship (digital entrepreneurship, entrepreneurship education, etc.)

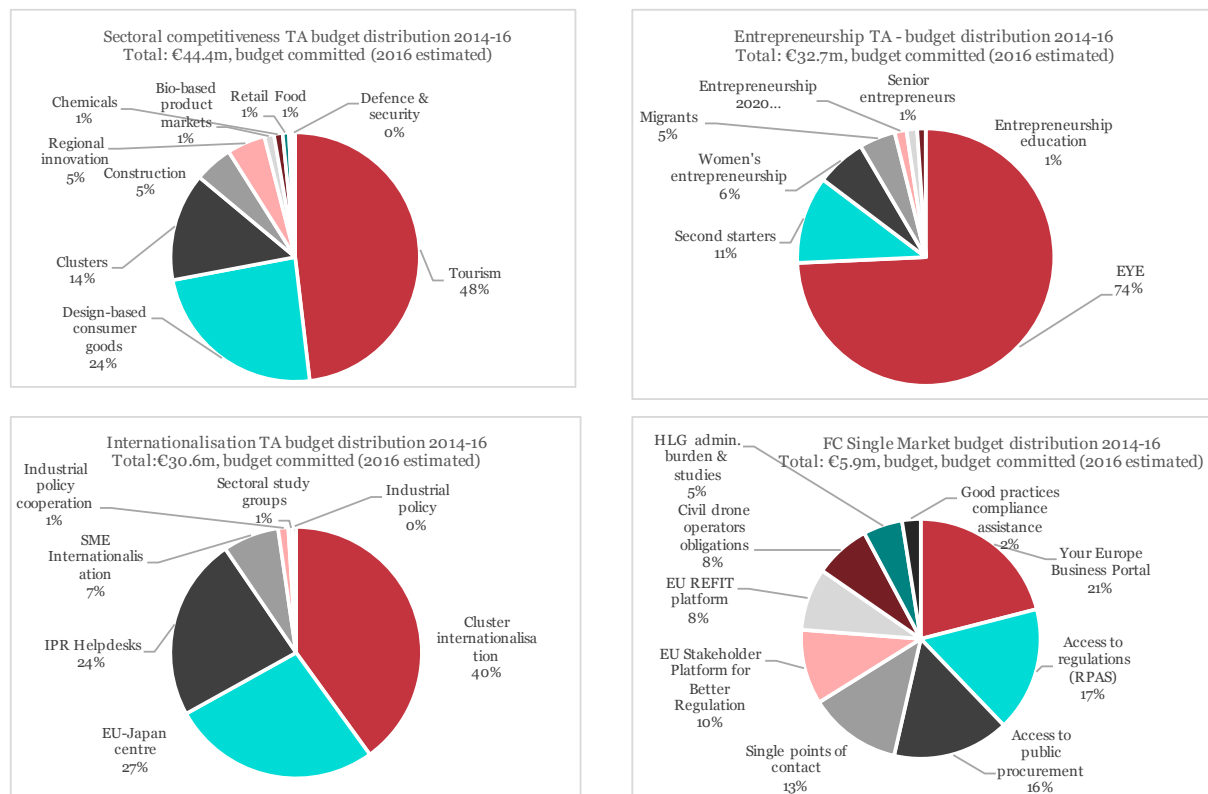
- The Internationalisation TA, which groups together all actions related to this topic (€30.6m or 3%).

A set of minor thematic areas follow, accounting for a total of 5% of the budget: the *Digitisation* TA bundling all actions related to digital skills and KETs (€15.8m); the *SME policy* TA that gathers all policy-focused actions (€14.1m); the *Framework Conditions (FC) in the Single Market* TA grouping all actions focusing on regulation and IPR issues *within Europe* (€5.9m); and the *Responsible Innovation* TA with its actions focused on sustainability, corporate social responsibility and the social economy (€3.5m). General communication and organisational costs (e.g. memberships, expert groups etc.) and one-spot actions such as conferences and workshops, studies and evaluations that were not listed in the Work Programmes, are grouped together under the denominator 'Support Measures' and accounted in total for 2% of the committed budget (€19.9m).

Within the Thematic Areas, the budget is divided across **action lines**. In the *Access to Finance Thematic Area* (TA), the accompanying actions account for (only) 1% of the budget for this TA (ie €2.9m). The other Thematic Areas show a very diverse picture in terms of number and size of the action lines funded. Major programmes, such as the EEN services, the EYE and the Clusters Internationalisation programme, are combined with smaller actions, in most cases one-off interventions.

Some interviewees viewed the funding of these small actions positively as an illustration of the programme's capacity for **flexibility**; others criticised the approach and instead emphasised the budget **fragmentation**. The TAs that show the highest levels of budget fragmentation are the Sectoral competitiveness, Entrepreneurship, Internationalisation and especially, FC for the Single Market TAs (Figure 4).

Figure 4: TAs with the highest level of budget fragmentation



Source: Technopolis Group, based on data provided by DG GROW, August 2017

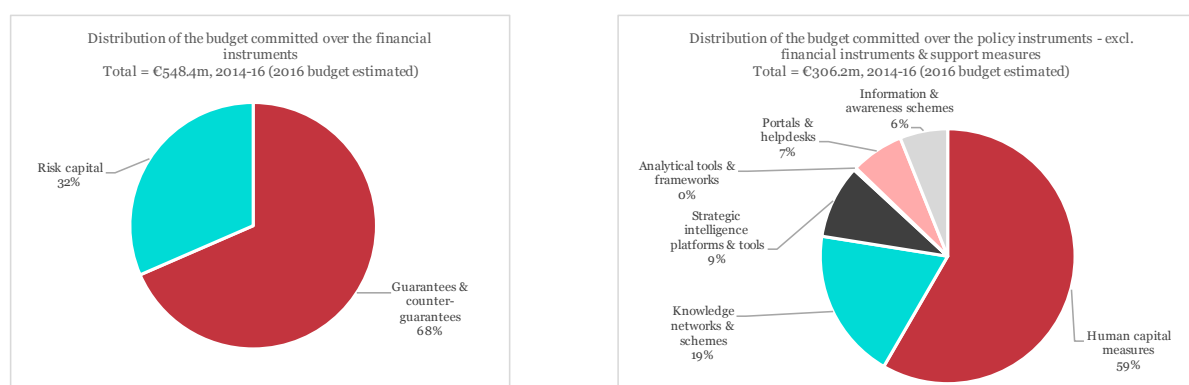
2.2.2 The programme portfolio or policy mix

The analysis of the COSME portfolio considers *how* the programme was implemented, ie the policy instruments used and the mode for their implementation. Programmes use a range of '**policy instruments**' for their implementation; the types of instruments used typically denote the type of effect expected. In the case of the COSME programme, we distinguish between financial instruments and 'non-financial' instruments, ie human capital measures, knowledge creation and exchange measures, and information instruments. In Figure 5, below, we provide a view on the budgets allocated to these policy instruments.

The financial instruments, ie the LGF and EFG, accounted for 63% of the total budget committed. The focus is especially on the LGF scheme, which so far has accounted for about 70% of the budget for the financial instruments (left-hand graph in Figure 5).

The remaining 40% of the total COSME budget was distributed over the 'non-financial' policy instruments as shown in the right-hand graph of Figure 5.

Figure 5: Distribution of the budget committed over the policy instruments



Source: Technopolis Group, based on data provided by DG GROW, May 2017

The focus was mainly on human capital measures aimed at the enhancement of competences and skills (60% of the budget for non-financial instruments) and funded mainly under the *Business management capacity* and *Entrepreneurship* theme.

Creating opportunities for knowledge development and exchange through the funding of networks, strategic platforms and analytical tools was a second major focus, accounting in total for 30% of the non-financial measures budget or €103.1m. These measures were funded in *all* thematic areas but especially in the *Sectoral competitiveness* area (the exception is the entrepreneurship thematic area).

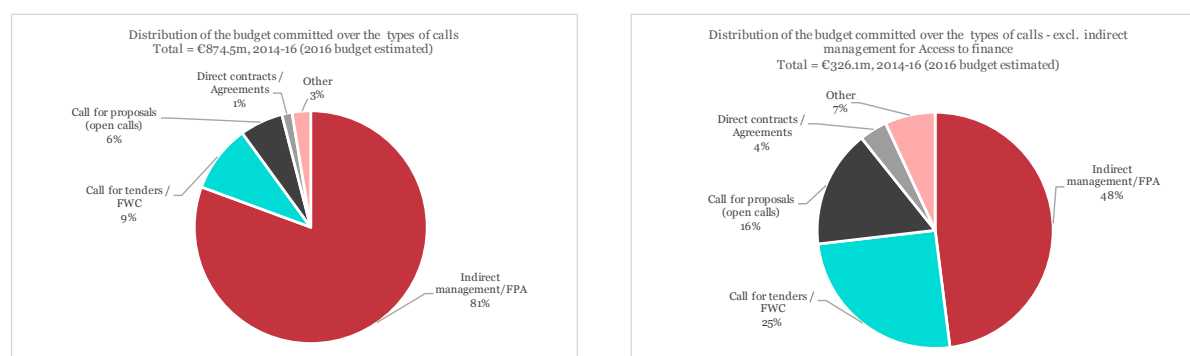
Finally, 15% or €48.4m was dedicated to the funding of information and awareness schemes such as portals, helpdesks and awareness campaigns. These measures constituted an important focus in close to all TA, and especially in the *Sectoral competitiveness* and *Internationalisation* TA, except for the Business management capacity TA. It should be noted, though, that information transfer constitutes one of the core activities of any type of EEN services. Increases in the overall budget as well as changes to the focus and size of the actions funded have implied that the budget effectively dedicated to the financial instruments and human capital measures was higher than originally foreseen.

As for the implementation mode, a specific feature of the COSME programme is the predominantly **indirect management** approach, ie the use of external actors ('intermediaries') for the management and/or implementation of its actions, based upon bilateral or Framework Partnership Agreements (FPA). Concretely, this regards the European Investment Fund (EIF) for the implementation of the financial instruments, the

FPA with the EEN, and since 2016, the FPA for the implementation of the EYE programme.

Figure 6, below, shows that 80% of the total committed budget is distributed in this manner (left-hand graph); when not considering the Access to finance thematic area, this concerns close to 50% of the budget committed to the 'non-financial' instruments (right-hand graph). Calls for proposals, ie open competitions that lead to project grants and **directly** involve the SMEs, account for 6% of the total committed budget and about 15% of the budget in the TAs other than Access to finance. This approach is taken especially in the Sectoral competitiveness TA (specifically the actions targeting the Tourism sector) and the Internationalisation TA (specifically the Cluster Internationalisation programme).

Figure 6: Distribution of the budget committed over the calls



Source: Technopolis Group, based on data provided by DG GROW, May 2017

2.2.3 Composition analysis: final beneficiaries reached

In this section, we focus on the profiles of the final beneficiaries reached, thus establishing the basis for the assessment related to the effectiveness criteria. We first report on the total number of final beneficiaries involved and then investigate two dimensions of their profile: their geographical location and their industry sector of activity.

Data on the number and profile of the final beneficiaries are available for only a small number of COSME action lines, due to the characteristics of the instruments implemented (eg the information instruments), combined with the approach taken to the monitoring activities (see Section 4.3.3, below). Nevertheless, these action lines include the major sub-programmes (EFG, LGF, EEN, and EYE); this analysis therefore 'covers' about 87% of the total budget committed in 2014-2016 and encompass the five major thematic areas.

The data available show that, so far, COSME has reached about **230 thousand final beneficiaries** (Table 4, below). The Access to finance TA reaches 63% of these final beneficiaries, accounting also for almost 83% of the budget committed.

In the Access to Finance TA, final beneficiaries are the eligible SMEs supported either by guarantees and counter-guarantees (LGF) or by risk capital and mezzanine finance (EFG); in the EEN action line of the Business Management Capacity TA, final beneficiaries are the SMEs serviced by the Network; for the EYE action line (Entrepreneurship TA), the final beneficiaries are the Young Entrepreneurs. For the Cluster Internationalisation programme, we counted as final beneficiaries the SMEs that are members of the clusters involved; for the Tourism action line, final beneficiaries are the organisations receiving grants through the open calls; because of the pronounced value-chain approach in the Tourism actions, final beneficiaries include SMEs, but also public agencies, citizen and professional associations, etc.

Table 4: Number of beneficiaries, budget committed and average budget committed per beneficiary over action lines

Themes	Action lines	COSME budget committed (m€)	Nr of final beneficiaries	Share of total SMEs in Europe	Average COSME budget committed per beneficiary (k€)
Access to Finance	EFG*	172.9	12	0%	14,408
	LGF	375.5	143,344	0.60%	3
Business mgt capacity	EEN Administration & services	113.3	70,768	0.10%	2
Entrepreneurship	EYE	8.1	2,574	0.02%	3
Internationalisation	Cluster Internationalisation	10.2	9,274	0.04%	1
Sectoral competitiveness	Tourism (grants)	9.7	358	n.a.	n.a.

Notes: * In this analysis, we considered only the 'eligible' SMEs in the case of the EFG, i.e. the SMEs targeted by the EFG scheme. Following market rules and to ensure attractiveness of the EFG, the financial intermediaries are allowed to invest up to 50% of their portfolio into 'non-eligible' SMEs. Source: for LGF and EFG: *EIF quarterly report 2016*; for EEN and EYE: databases provided by COSME; for Internationalisation: *European Cluster Collaboration Platform*

The action lines listed above provided data also on the **geographical distribution** of the final beneficiaries. For this analysis, we aggregated the countries involved in four main geographical areas: the EU15¹³, the EU13¹⁴, the Third countries¹⁵, and 'other countries'.

Based on these data, 87% of the estimated number of final beneficiaries reached by the COSME main action lines, were located in the EU15 countries (Table 5, below).

This concentration is mainly accounted for by the LGF, which reached 63% of these final beneficiaries, out of which 93% were based in the EU15 at the end of 2016.¹⁶ Also the final beneficiaries of the Cluster International programme were mainly located in the EU15 (97%). In the EEN, EYE and the Tourism action lines, instead, about 25% of the final beneficiaries reached were based in EU13 countries. It is interesting to note that 99% of the final beneficiaries in Other countries and 77% of the final beneficiaries in 3rd countries were supported thanks to the EEN action line.

Table 5: Estimated number of final beneficiaries for 2014-2016 per geographical area

Thematic Area	EU15	EU13	3 rd countries	Other	Total
Access to finance / LGF	133,952	8,871	521	0	143,344
Access to finance / EFG	12	0	0	0	12
EEN	18,362	7,325	2,059	2,962	30,708
EYE	3,972	1,374	215	0	5,561
Cluster internationalisation	8,952	322	0	0	9,274
Tourism grants	265	87	6	0	358
Grand total	165,515	17,979	2,801	2,962	189,257
	87%	9%	1%	2%	100%

Source: for LGF and EFG: *EIF quarterly report Q4/2016*; for all the other action lines: COSME *data-hub*; for Internationalisation: *European Cluster Collaboration Platform*. Note: the datahub contains information on calls for proposal only.

¹³ Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom

¹⁴ Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, and Slovenia

¹⁵ Enlargement countries (Montenegro, Turkey, Macedonia, Albania, Serbia, Bosnia and Herzegovina), Eastern neighbourhood countries (Ukraine, Georgia, Armenia, Moldova, Azerbaijan, Belarus), EFTA countries (Iceland, Norway, Liechtenstein, Switzerland)

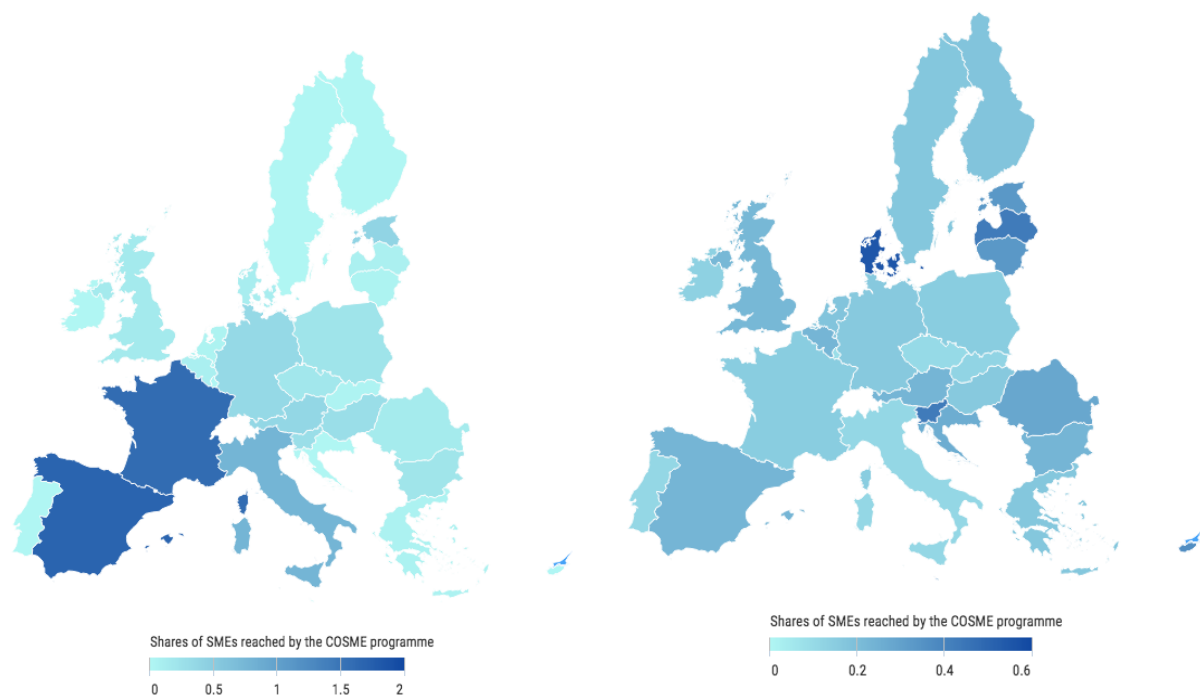
¹⁶ At the end of 2016, the LGF covered 20 EU Member States and Montenegro. Additional countries were reached in 2017 (i.e. Croatia, Ireland, Serbia and Turkey) or are foreseen to be covered in the future (e.g. Luxembourg and Sweden).

The maps in Figure 7, below, therefore present the estimated geographical distribution of SMEs reached weighted by the number of SMEs in each country. To provide a more balanced picture of the geographical coverage of *all* thematic areas, we show two maps: one for the financial instruments and one for the other actions.

- The left-hand graph shows the importance of the financial instruments for some countries, especially France and Spain, followed by Italy. In France and Spain, the LGF is the COSME instrument accounting for the highest number of SMEs reached.
- When focusing on the SMEs reached by other instruments (the right-hand map), the picture changes considerably. This map shows that in Denmark, the 'non-financial' COSME actions reached 0.6% of the country's SMEs. It is the country with proportionally the highest number of beneficiaries, followed by Slovenia, Latvia, Cyprus and Malta (all around 0.5%). Spain, Romania, and the other two Baltic countries are examples of countries where 0.3% of the SMEs was reached.

In relation to the LGF it should be noted that when considering the "maximum LGF portfolio volumes" (i.e. when and if the financial intermediaries use all the funds that the EIF assigned to them through LGF by the end of 2016), the EU13 countries account for 15.5% of the maximum LGF portfolio volumes for the EU28 (while they represent 14% of the EU28 GDP).

Figure 7: Indicative map of SMEs reached by COSME in the EU, weighted by the number of SMEs in each country (in percentages) – left-hand map: EFG/LGF; right-hand map: without EFG/LGF



Source: Technopolis estimation based on data received from EASME

The **sector of activity** is another key element of the final beneficiaries' profile. We defined the sectors based on NACE (statistical classification of economic activities in the EC, or 'Nomenclature statistique des Activités économiques de la Communauté Européenne'). In Table 6 below, data are provided at the one-digit level of NACE, representing the 10 main broad industry sectors. The one-digit level was the only level at which data was available for all six COSME actions.

The estimated distribution of final beneficiaries grouped by NACE sector shows that so far, COSME supported especially SMEs active in the 'Wholesale and retail trade' sector, accounting for close to 20% of the final beneficiaries; the second largest group of SMEs is

active in the *Manufacturing* sector (15%). Around 10% each of the SMEs supported are active in the *Construction* sector, the Accommodation and food services sector, and the (broad) *Professional, scientific and technical activities* sector, respectively.

Table 6: Sectoral distribution – estimated number of beneficiaries for 2014-2016

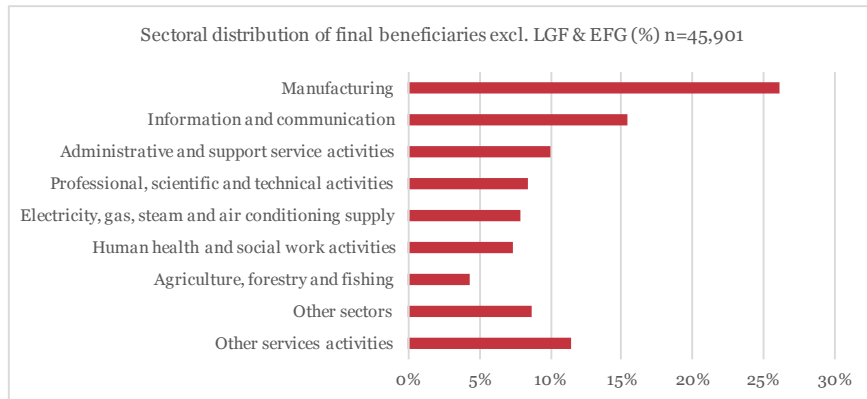
Sector	Description	Access finance / LGF	Access finance / EFG	EEN	EYE	Cluster internat.	Tourism grants	Grand total	Share of total
A	Agriculture, forestry and fishing	5,874	1	508	172	1291	2	7,848	4%
C	Manufacturing	16,564	2	8,276	625	3,076	-	28,543	15%
D	Electricity, gas, steam and air conditioning supply	128	1	2,132	69	1,444	-	3,774	2%
E	Water supply; sewerage; waste management and remediation activities	487	-	-	26	349	-	862	0%
F	Construction	18,057	-	-	647	190	-	18,894	10%
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	36,830	3	-	133	-	-	36,966	19%
H	Transporting and storage	8,907	-	-	42	373	5	9,327	5%
I	Accommodation and food service activities	14,666	-	-	381	-	11	15,058	8%
J	Information and communication	2,881	1	4,255	647	2196	2	9,982	5%
M	Professional, scientific and technical activities	11,626	2	2,540	1303	-	42	15,513	8%
N	Administrative and support service activities	5,751	-	4,350	-	-	244	10,345	5%
Q	Human health and social work activities	4,221	-	2913	150	264	23	7,571	4%
S	Other services activities	9,697	2	5,235	-	-	-	14,934	8%
Other	Other sectors	7,655	-	499	1,366	91	29	9,640	5%
TOTAL		143,344	12	30,708	5,561	9,274	358	189,257	100%

Source: for LGF and EFG - EIF quarterly report Q4/2016; for Entrepreneurship education - EYE database; for EEN - EEN database; all the other action lines - datahub; for Internationalisation: European Cluster Collaboration Platform. Note: the datahub only contains information on calls for proposal.

Also in this case, the numbers at the programme level mirror the data for LGF.

- The LGF supported mainly SMEs that are active in the wholesale/retail, construction and manufacturing sectors (accounting for 26%, 13% and 12% of the SME beneficiaries, respectively)
- The main 'non-financial' action lines in COSME supported mostly SMEs active in the manufacturing sector (26%), followed by the Information and communication sector (15%). More than half of the final beneficiaries (57%) are active in services (Figure 8)

Figure 8: Partial overview of SMEs reached by COSME (excluded LGF and EFG), grouped by NACE sector



Source: for Entrepreneurship education - *EYE database*; for EEN – *EEN database*; for all the other action lines – *datahub*; for Internationalisation: *European Cluster Collaboration Platform*. Note: the datahub only contains information on calls for proposal.

3 THE EVALUATION METHODOLOGY

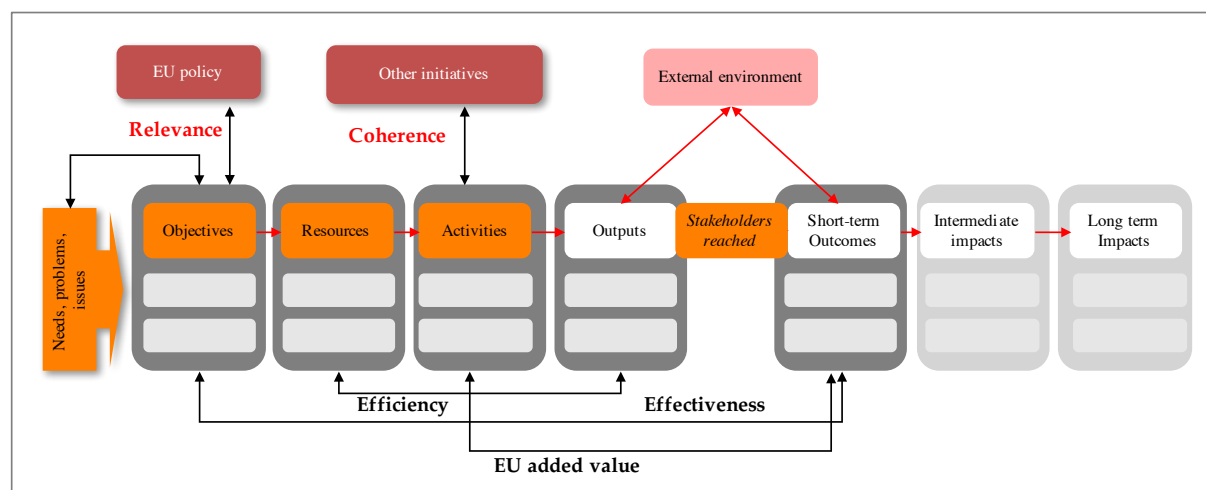
This section gives an overview of our methodological approach; more detailed information is provided in Annex D to this report ('Methodology report' - separate report); the approach to the consultations and the results are summarised in Annex E – Consultation Synopsis report.

The evaluation was implemented in three phases: the inception (January - end of March 2017; the data collection and analysis phase (April - end of June 2017); and the reporting phase (July – beginning of October 2017).

3.1 The methodological framework

The methodological framework for this evaluation builds upon the evaluation criteria of relevance, efficiency, effectiveness, coherence and EU added value that the Terms of Reference (ToR) indicated for this study. These evaluation criteria assess the relationships between the various components of the intervention logic as shown in Figure 9, below. Taking account that this is an interim evaluation, the primary focus was on the extent to which the programme set the building blocks for reaching the intended mid- and long-term results and impacts.

Figure 9: Evaluation criteria and intervention logic in an interim/mid-term evaluation



Source: Technopolis Group, 2017

In line with good practice, we used a mix of quantitative and qualitative methods for the evidence collection and analysis to allow for a proper triangulation of the evidence collected, ensuring the robustness of the findings. Table 7, below, presents the tools and methods that we used in this evaluation.

Table 7: Tools and methods used in the evaluation

Methodological approach	Tools & methods	Number
Qualitative methods	Desk research	260+
	Interviews	120
	Case studies	4
	Workshop	1
	Qualitative targeted consultation	7
Quantitative methods	Targeted consultation	7
	Public consultation	1
	Statistical analyses of secondary data	5

Table 8 shows the methods used in this evaluation for the six leading evaluation questions and fifteen sub-questions that were set out in the study specifications.

Table 8: Use of the methodological mix per evaluation question

	Qualitative				Quantitative				
	Desk research	Interviews	Case studies	Workshop	Composition & portfolio analysis	Other secondary data analysis	Cost-effectiveness analysis	Targeted consultation	Public consultation
1) Implementation - State of play									
Q1.1) Programme implementation and evolution since 2014	X	X	X		X				
2) RELEVANCE									
Q2.1) Ongoing relevance of the objectives	X	X		X	X			X	X
Q2.2) Relevance to the stakeholders and the EU citizen	X	X		X	X			X	
Q2.3) Adaptation of the objectives to the political priorities	X	X							
3) EFFECTIVENESS									
Q3.1) Progress towards achieving the specific objectives	X	X	X					X	
Q3.2) Factors driving or hindering progress	X	X	X		X			X	
Q3.3) Progress towards contributing to the 5 Union priorities	X	X	X		X				
4) EFFICIENCY									
Q4.1) Regulatory/administrative costs and benefits for the different stakeholders	X	X					X	X	
Q4.2) Costs (direct and indirect) proportionate to the benefits	X	X				X	X	X	
Q4.3) Efficiency of the programme implementation structure and governance	X	X			X	X	X	X	
5) COHERENCE									
Q5.1) Internal coherence	X	X		X	X			X	
Q5.2) Coherence with ESI funds, H2020, EFSI, EASI and other EU programmes	X	X		X				X	X
Q5.3) Coherence with national programmes	X	X		X				X	X
6) EU ADDED VALUE									
Q6.1) Added value of implementation at the EU level	X	X		X				X	X
Q6.2) Ongoing need for action at EU level and why	X	X		X				X	X

3.2 Challenges encountered and lessons learnt

3.2.1 An evaluation at the programme level

In COSME, the actions are grouped under the headings of the four Specific Objectives (SO). The composition analyses conducted at the beginning of the study showed the limits to an evaluation structured around these Specific Objectives as suggested in the ToR.

We identified *nine relevant themes* in the COSME programme. Next to the delivery of support for access to finance, these are: Business management capacity services (EEN); Digitisation & KETs; Entrepreneurship; Framework Conditions in the Single Market (FC); Internationalisation; Responsible innovation; Sectoral competitiveness; and SME policy. Out of the four SOs, only SO1 had a homogenous thematic focus, ie providing support for access to finance. In SO2 and especially SO3, and to an extent SO4, the actions had different focus areas or 'themes'. In many cases, one could therefore envisage similar effects to derive from actions funded in different SOs, while different actors and/or stakeholder communities could be targeted in a single SO. For five out of the ten themes, actions were funded under *multiple SOs*.

An evaluation conducted at the SO level therefore implied that each 'sub-evaluation' would be dealing with a heterogeneous set of actions, adding unnecessary complexity to the data collection and analysis. It would also have limited our capacity to conduct a *comprehensive* evaluation at the overall programme level. In agreement with the EC, we structured our analysis in the second half of the study around Thematic Areas rather than SOs.

3.2.2 *The validity of the intervention logic*

The intervention logic set out in Figure 2, above, reconstructs the original programme logic, based on the indications provided in the COSME regulation and the 2014-16 Work Programmes. It constituted an essential framework for our assessment of the COSME effectiveness and most important, for a consistent structuring of the effects identified for the different components of the programme.

The evaluation results showed that the intervention logic captured the different types of outputs and outcomes that could be identified so far. Our analyses also confirmed the rightfulness of not setting a priori one-to-one links between the actions in the different thematic areas and the categories and types of outputs and outcomes. As is shown more in detail in the Thematic Area reports (Annexes to this report), it allowed us to capture the *full range* of outputs and short-term effects created by the actions, i.e. beyond the ones that were explicitly intended. An example is the important function of the EEN as a platform for the knowledge enhancement of the Network members themselves.

3.2.3 *Value of the evaluation tools and methods*

Among the methods and tools used for this evaluation, there were two methods that proved being of limited value for our overall analysis.

In the original design of this evaluation (the proposal), we had foreseen a high number of interviews. In response to the request of the Interservice Steering group, we reduced this number and substituted the interviews with '**qualitative**' **targeted consultations**. These were consultations targeting small groups of stakeholders, which therefore would not allow for a statistical analysis of the responses received. The stakeholders were sent a questionnaire that had the features of an interview guide, i.e. mostly open questions, and had as main objective to collect more qualitative information. The responses received, however, often lacked in depth and the impossibility to investigate further with the responding stakeholder limited the value of these consultations.

The limits to the value of the **public consultation** derive from the impossibility to control and manage the profile of the responding stakeholders. While the responses were informative and valuable from a qualitative perspective, the responses did not have a value from a statistical perspective. The outcomes of the consultation could therefore be used only to corroborate findings collected and triangulated by means of other methods and tools.

3.2.4 Data availability and reliability of the data analyses

A major challenge for this evaluation was the lack in **data availability** – and the **quality** of the data provided. This regarded basic programme management data such as the budget committed for the different actions and the results of the proposals evaluations as well as data on the outputs reached and the profile of the stakeholders reached, such as their geographical location, the sectors of activity of the SMEs and other companies involved, etc.

We performed the analyses wherever possible as in-depth portfolio and composition analyses are critical for a robust interim evaluation. While we succeeded in collecting all data needed for the portfolio analysis, data that could be collected in relation to the profile of the programme beneficiaries was limited to some action lines. Even though these action lines accounted for about 80% of the budget committed, it implies that the data related to the geographical and sectoral profile of the programme beneficiaries cannot but be considered an estimate.

Overall, the data collected through the seven targeted consultations can be considered as **reliable**; the survey population resulted representative for the overall population (or in the case of the LGF SME beneficiaries, sufficiently representative for the target sample). There is one exception: in the case of the consultation targeting EEN SME clients, data on the profile of these beneficiaries was not available, so no stratified random sample could be created (as was done for the LGF beneficiaries, instead). The distribution of the questionnaire to the SMEs by the intermediaries implied also that the evaluation had no control over the process; the lack in data on the profile of the EEN SME clients hindered a quality control of the representativeness of the survey population.

Taking this uncertainty on the reliability of the data into account, we complemented and triangulated the information collected through this survey with the (preliminary) data from the EEN Performance Enhancement System (PES) database and with the other monitoring data provided by EASME.

The requirement to contact the SME beneficiaries of the larger actions (in the case of the EFG even for the 'qualitative' consultation) only by using a **cascade approach**, i.e. through the intermediaries, deserves a specific note. The fact that the study team did not have direct control over the number of SME clients that are invited to participate in the survey, resulted problematic in some cases. In the case of the survey to the LFG beneficiaries, it implied that we did not receive any response from the beneficiaries located in France because the financial intermediary did not circulate the survey before the deadline, despite our best efforts. In the case of the EFG qualitative consultation, only three out of five intermediaries were available for collaboration and the team received only four completed questionnaires (out of 12) from the EFG SMEs. In the case of the EEN clients SMEs, the number of respondents from COSME-participating third countries was too low to make a meaningful analysis.

We therefore endorse the recommendation made by the CIP and EIP final evaluation teams to ensure in the future the possibility for evaluation teams directly to contact beneficiary SMEs.

Further details on the methodology and our considerations and approach related to the reliability of the data are provided in the Methodology Report (Annex D to this report – separate report).

4 ANSWERS TO THE EVALUATION QUESTIONS

This chapter presents the findings of the evaluation. It is structured along the evaluation criteria and therefore the six leading evaluation questions set out in the ToR. We report on our findings related to the relevance of the COSME programme in Section 4.1; the effectiveness of the programme is covered in Section 4.2 and the efficiency in Section 4.3, the coherence in Section 4.4 and the European added value in Section 4.5. In each section, the sub-headings reflect the topics of the evaluation sub-questions.

In this chapter, we report on the main findings of the evaluation only; more detailed information on the outcomes of the assessment of the activities in the three key Thematic Areas (i.e. Access to Finance, Business Management Capacity, and Entrepreneurship) is provided in the related Appendices to this report (separate reports).

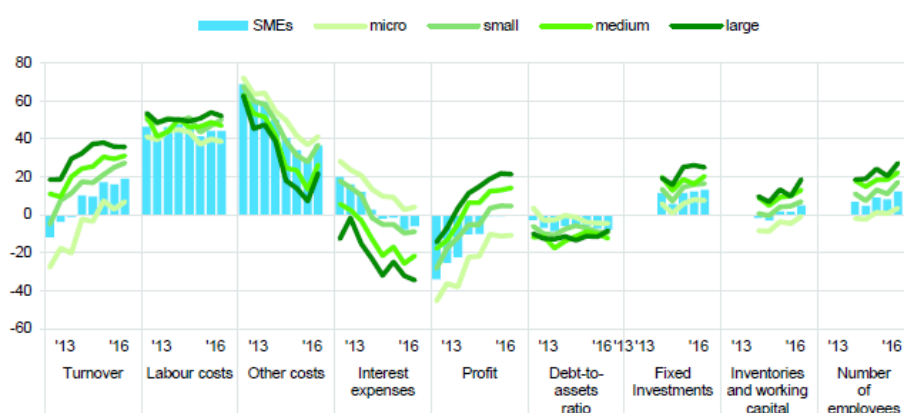
4.1 Relevance of the programme

This section focuses on assessing the extent to which the objectives of the COSME programme are (still) in line with the needs and problems in Europe. In Section 4.1.1, the objectives of COSME are set against the changing environment and the developments (since the beginning of this decade) in the problems and issues it was designed to address. The alignment with the needs and problems of the stakeholders and the European citizen are considered in Section 4.1.2. Section 4.1.3 presents our considerations on the ongoing relevance of the objectives from a European policy perspective.

4.1.1 Ongoing relevance of the COSME objectives

The situation of European SMEs has changed considerably in recent years, following the economic and financial crisis that began in 2008. After several years of poor economic performance, the latest data available for SMEs show consistently positive indicators of growth since 2014 (Figure 10, below). Value added has increased strongly for two years in a row (3.8% in 2014 and 5.7% in 2015) and employment has experienced a slight increase (1.1% in 2014 and 1.5% in 2015), the first increase since 2008. The number of SMEs and the value added that they generate are already above pre-crisis levels; employment however has not recovered completely. The improvement in the overall condition of SMEs continued throughout 2016.¹⁷

Figure 10: Change in the income and debt situation of euro area enterprises (over the preceding six months, net percentage of respondents)



Source: Survey on Access to Finance of Enterprises (SAFE), 2016, Chart 1

¹⁷ 15th round of Survey on Access to Finance of Enterprises (SAFE), 2016

While the areas in need of public intervention have not substantially changed since the beginning of the 2010s, the changing economic environment seems to have led to a shift in the emphasis that SMEs place on the need for financing versus their other needs for support. According to the 15th round of Survey on Access to Finance of Enterprises (SAFE) in 2016, SMEs in the euro area tend to consider the access to finance less important in each successive round, while customers or the availability of skilled labour are seen more and more as the most important problems they face.

In this section, we first focus on the ongoing alignment of the COSME objectives in the financial sphere to then cover the other areas. A more detailed analysis of the topic in relation to access to finance is provided in Annex A to this report (separate report).

The objectives of the Access to Finance thematic area

The evolving need for policy intervention

The overview of the current needs among SMEs provided below highlights the persistence of the need for support in access to finance. Even though there have been considerable improvements in recent years that allowed the financing gap to reduce, there still are sharp differences among the EU Member States. More than a credit crunch, the current issue is one of a collateral crunch. The problem seems to be shifting also towards equity funding, which is an issue that especially start-ups face in their scale-up phase.

The economic recovery has implications in terms of access to finance. The euro area SMEs' need for external finance remained relatively constant in net terms, but SMEs signalled an improvement in the availability of external sources of finance. These favourable supply-side conditions were driven by the improvement in the willingness of banks to provide credit, facilitated by the European Central Bank (ECB) regime of low interest rates and quantitative easing. The ECB Bank Lending Survey of January 2017¹⁸ showed that the increasing demand across all loan categories continued to support the loan growth. The information on demand and supply combined indicates that in recent years, the potential supply of external funds is exceeding the need for external financing; in other words, the **financing gap has tended to close**.¹⁹

However, there still is a large variation among countries; problems to attain access to finance are high in Greece, but significant also in Ireland, Italy, Portugal and the Netherlands.

In addition, the negative correlation between finance and firm size, age, and degree of innovation that emerged from the 2014 Survey on the Access to Finance of Enterprises (SAFE) seems to persist. The 2017 ECB survey, for example, shows that in the euro area large enterprises continue to experience easier access to finance than SMEs, except in the case of equity financing. The access to finance success rate for the large firms remains much higher than for SMEs (78% versus 69%), the rejection rate much lower (1% vs. 7%), and the interest rate on credit lines or overdrafts is estimated at around 200 basis points below the one paid by SMEs. Market barriers in this context are the high costs for assessing the need for finance of a relatively small company compared to the potential financial return (high fixed cost), and the information asymmetries between the potential provider and the potential beneficiary. Venture capitalists play a crucial role as intermediaries to overcome the information asymmetries, but at a significant cost; often, it is more cost effective for investors to concentrate on later-stage companies where

¹⁸ Euro area bank lending survey

¹⁹ The ECB calculates to external current financing gap, for example on page 4, table A and bottom of the page, SAFE, 2016

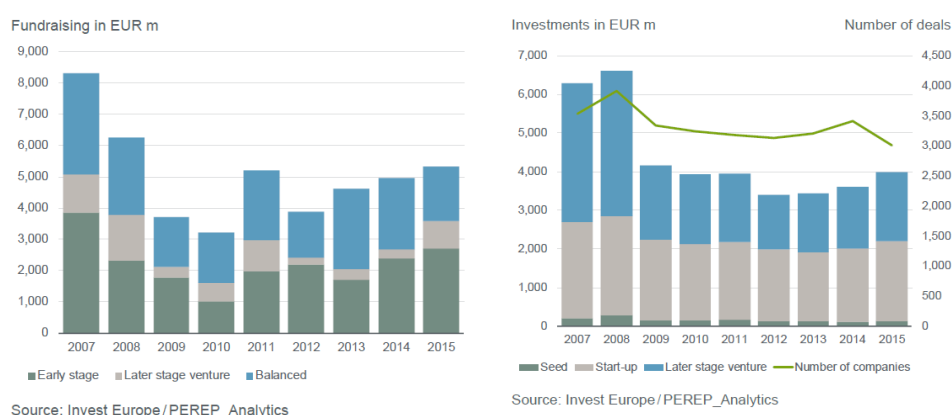
better information is available, bigger investments can be made, and relative costs are lower.²⁰

In line with the improvement in the availability of bank loans, SMEs continued to report a net decline in interest rates and an increase in the available size and maturity of loans and overdrafts. However, a positive net percentage of SMEs also indicate a tightening in the collateral and other requirements of banks, as well as in other costs of financing, especially charges, fees and commissions.²¹ In other words, in the current financing environment, the '**collateral crunch**' appears to be more important than the credit crunch.²² A mix of factors have reduced the supply and velocity of global collateral, including the new rules governing the derivatives market and tighter capital and liquidity rules, combined with shifting industry practices that have led to a higher demand for perceived safe assets. Even with the Basel Committee's dilution of the liquidity coverage ratio in 2013, which freed up more global collateral, in 2014 the collateral management industry still faced a surge in demand and a reduction in supply of assets.

In parallel, external **equity funding** for SMEs is rather limited in Europe, including the financing of their growth ambitions, with a large equity financing gap in smaller countries. The Juncker Plan EFSI Equity fund aims at a massive stimulation of the equity sector. European Venture Capital (VC) investments have fallen significantly since 2007-2008 when they were about €6 billion per year.²³ The VC market in Europe is still small and highly fragmented across countries: ninety percent of all European venture capital is to be found in just eight EU Member States (Denmark, Finland, France, Germany, the Netherlands, Spain, Sweden and the UK). European Equity funds are considerably smaller on average than American funds, resulting in, amongst other, smaller tickets for the European VC-backed SMEs than their counterparts in the US. This is a problem especially for scale-ups.²⁴ Differences across European countries are large, with UK firms receiving 2.5 times more than their German counterparts.

Between 2007-2015, around 28,000 companies were supported by equity firms located in the EU, providing €35b of funding; 4% of the funds were for early seed stages, 47% for start-ups growth stages and 49% for more mature ventures (Figure 11, below).

Figure 11: Fundraising of Equity firms in the EU and venture investments by Equity firms located in the EU



Source: Study on 'Building Momentum in Venture Capital across Europe', Figures 1 and 3

²⁰ Kraemer-Eis, H et al. (2016), The European venture-capital landscape: an EIF perspective, Volume I: The impact of EIF on the VC ecosystem, EIF Research and Market Analysis, Working Paper 2016/34.

²¹ SAFE, 2016

²² Interim evaluation of Horizon 2020's Financial Instruments for DG RTD (April 2017)

²³ AFME, The Shortage of Risk Capital for Europe's High Growth Businesses

²⁴ Europe's next leaders: the start-up and scale-up initiative. EC Communication COM(2016) 733 final

According to the 2016 Annual Report of the SME Performance Review, the *EU managed to catch up with the US in terms of new firm creation*. The share of new firms in total number of active enterprises increased by 1.8% in 2014 compared to 2013, with creation rates ranging from 4.4% in Belgium, to 24.5% in Lithuania (Eurostat). Countries such as Hungary, France and Spain witnessed new firm creation rates close to the EU average, ie under 10%.²⁵ However, independent observers²⁶ and actors in the field²⁷ acknowledge that the main challenge for European start-ups is to survive the early stage and to **scale up**²⁸. According to a Bruegel working paper, if policy-makers want to support high-growth firms, “they need to look beyond just the seed and early stage, taking a more long-term and comprehensive approach”.²⁹

The alignment of the COSME objectives

The COSME actions fully respond to the SMEs’ current needs to access finance.

The explicit objective of the LGF is to help the financial intermediaries in providing more loans and leases to riskier SMEs, thus expanding the range of SMEs they can finance to include SMEs that have difficulties in obtaining funding through the traditional banking system. LGF therefore directly addresses the financing gap; the limits set to the tickets also ensure that the facility is of specific interest to SMEs.

The objective of the EFG, instead, is to cover the needs of start-ups and SMEs in general in their growth and expansion stage. The ‘Scale-up Manifesto’, published in 2016 by leading start-up associations and entrepreneurs, include several objectives and actions that are intrinsically linked to parts of the COSME programme, highlighting the ongoing relevance of the programme.³⁰

COSME is one of the relevant instruments, along with Horizon 2020 and ESIF, that support the SBA as well as the Start-up and Scale-up Initiative, the Action Plan on building a Capital Markets Union and the Juncker Plan, i.e. strategies that have access to finance and support for start-ups among their key focus areas.

The objectives of the other thematic areas

The evolving need for intervention beyond finance

A 2015 EC Staff Working Document³¹ indicated economic reform in the field of restoring labour productivity of the EU economy as a key area of concern for the EU Single Market. It also considered that investments in **digitisation**, adopting new technologies, and integration in **EU and global value chains** were sources of growth that needed to be further tapped into. According to the SBA factsheet 2016, only some EU MS have registered progress related to **skills & innovation** since 2008, and some key indicators deteriorated at the EU28 level – including the percentage of turnover of new-to-market innovations and the percentage of SMEs innovating in-house. Also in the field of **internationalisation**, performance among EU SMEs shows limited progress. While the percentage of EU-based SMEs with extra-EU imports and exports of goods improved

²⁵ Eurostat, Business demographics statistics

²⁶ “The challenge (...) has become how to succeed at the later stages of the entrepreneurial development process”, in Duruflé G., Hellmann T., Wilson K, *From start-up to scale-up: examining public policies for the financing of high-growth ventures*, Working Paper, Issue 04, Bruegel, 2017

²⁷ “The problem, however, is that European companies seldom grow to scale”, in A manifesto for Change and Empowerment in the Digital Age, Scale Up Europe, 2016

²⁸ InvestEurope, 2015, Yearbook

²⁹ Duruflé & al, 2017: From start-up to scale up. Examining public policies for the financing of high-growth ventures, Bruegel Working Paper 04/2017

³⁰ Scale-up manifesto. (<http://scaleupeuropemanifesto.eu>)

³¹ European Commission, (2015): Staff Working Document SWD(2015) 203 final on 28 October 2015 accompanying the Communication Upgrading the Single Market: more opportunities for people and business, COM(2015) 550.

since 2008, the European Commission reported in 2014 that only 25% of EU-based SMEs were engaged in export activities and an even smaller share of SMEs (7%) exported beyond the EU.

The 2015 EC Staff Working Document also considered that innovation is hindered by **regulatory and structural barriers** such as the slow improvement in the EU regulatory environment (especially in EU15 countries), slow reforms of the public procurement system, and in general a regulatory climate that does not encourage innovation.

Reflecting the considerations made in the EC Staff Working Document, both the 2015³² and the 2016 Annual Growth Surveys (AGS)³³ show that pursuing *structural reforms* in the MS is key to modernising EU economies and ensuring better framework conditions for business. Further removing regulatory barriers to the Single Market, establishing the Digital Single Market and continuing the REFIT process for simplifying existing legislation have been highlighted as priorities for 2015; according to the 2016 AGS, increasing transparency, efficiency and accountability in public procurement, ensuring open and competitive product service markets, and modernising the public administration remain further challenges in the EU.

In the context of Europe's lagging behind in the creation of start-ups, also fostering an **entrepreneurial spirit** among the European citizen has been a major policy objective during the last two decades. The SBA factsheet 2016 informs that at the EU28 level, there has been continuous (yet moderate) progress since 2008. Early stage entrepreneurial activity and entrepreneurship intentions have steadily increased since 2008; however, the factsheet emphasises, "more policy efforts are needed to turn entrepreneurship into a desirable career choice and to promote education as a means to develop an entrepreneurial attitude".

Key challenges to address also include the difficulties firms face in surviving the first years of activity, as well as the barriers start-ups face to **starting anew**. Year-on-year survival rates decrease gradually. On average, less than half (44%) of the companies established in the EU in 2009 had survived by 2014. Companies in Romania, Latvia, Austria and the Netherlands had the highest five-year survival rates in the EU, while Belgium was the country with the lowest five-year survival rates of companies. The policy response has been to shift the attention towards 'second chance' policies and bankruptcy laws, to make it less costly to fail and to encourage the dynamism of the entrepreneurial environment as key driver of EU growth and employment.³⁴

Recent literature takes a broader perspective to the needs of SMEs and highlights the importance of High-Growth Innovative Enterprises (HGIE) for the European economy. The 2016 Bruegel Blueprint on measuring competitiveness in Europe³⁵ points to the fact that, when measuring competitiveness, it seems that a "small number of highly-productive firms [can be considered] as drivers of competitiveness at the country and industry level". These few large, very productive and internationally active firms have a great influence on the performance and growth potential of countries, regions and sectors. In the EU28, on average HGIEs represent 0.16% of the total number of firms and 3.3% of total employment.³⁶ The consideration is that an **integrated approach** to the growth of the European economy - and in general to supporting SMEs, start-ups, or scale-ups - would imply dedicated policies for support at all stages of a firm's development as well as the **reinforcement of ecosystems**, focusing on 'relational' forms of support: network

³² European Commission, (2016): Annual Growth Survey for 2015. Strengthening the recovery and fostering convergence

³³ European Commission, (2017): Annual Growth Survey for 2016. Strengthening the recovery and fostering convergence

³⁴ European Commission, (2016): SME Performance Review 2015-2016

³⁵ Altomonte, C., Bekes, G (eds.) , 2016: Measuring competitiveness in Europe: resource allocation, granularity and trade,

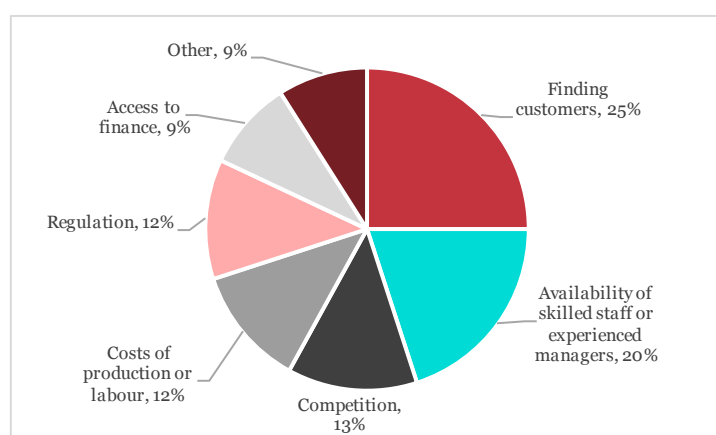
³⁶ VTT, INOVA+, TNO, 2017: Framework conditions for high-growth innovative enterprises (HGIE); Final Report for DG RTD

building, developing connections between entrepreneurial actors - of all sizes, including HGIEs, an institutional alignment of priorities, and fostering peer-based interactions.³⁷

Recent surveys of SMEs broadly confirm the considerations set out above. A survey by the European Start-Up Monitor (ESM)³⁸ shows that while start-ups expect policy interventions to cut red tape, increase tax relief, and support by raising capital, more capital ranks only fourth among their biggest challenges; the three biggest challenges faced by start-ups are *sales/customer acquisition, product development, and growth*.

The SAFE Survey 2016³⁹ reached similar findings (Figure 12, below). For SMEs in general, the most pressing problem was 'finding customers'; the 'availability of skilled staff or experienced managers' ranked second, followed by 'competition'. Only about 10% of the respondents identified 'regulation' and 'access to finance' (which are at the core of the COSME programme) as the most pressing problems.

Figure 12: Most important problems faced by firms in EU28, April-September 2016



Source: European Commission, (2016): Survey on the access to finance of enterprises (SAFE), Analytical Report 2016

The alignment of the COSME objectives

In Table 9, below, we map the objectives of the 'non-financial' Thematic Areas against the challenges listed above. The matrix shows the **strong alignment** of the COSME programme with these evolving needs, if not only in terms of focus and objectives.

Skills and capacity enhancement as well as facilitating internationalisation (especially in terms of cooperation and networks within the EU, ie 'transnational' collaboration) are topics that are covered by actions in various TAs. By addressing the internationalisation challenge and the inclusion of SMEs in global and European value chains, the programme responds to the SMEs' need for support in the field of gaining access to new markets, and thus new customers. The strengthening of ecosystems is a key objective of actions in the sectoral and internationalisation TAs, especially those related to the clusters; the specific focus of the Clusters Internationalisation programme on emerging technologies is in line also with the reflections set out above on the need to support high-growth enterprises in innovative sectors. Regulatory and structural barriers constitute the main area of focus for the actions in the Framework conditions and SME Policy TA.

³⁷ *ibid.*, VTT, INOVA+, TNO, 2017

³⁸ <http://europeanstartupmonitor.com/>

³⁹ European Commission, (2016): Survey on the access to finance of enterprises (SAFE), Analytical Report 2016

Table 9: Alignment of COSME objectives with the changing needs

Thematic areas	Budget	Digitisation, skills & innovation	Internationalisation EU & global value chains	Entrepreneurial spirit	Starting anew	Ecosystems	Regulatory & structural barriers
Business mgt capacity	€156m						
Sectoral competitiveness	€44m						
Entrepreneurship	€32m						
Internationalisation	€31m						
Digitisation & KETs	€16m						
SME policy	€14m						
FC in Single Market	€6m						

Notes: the colour shadings in the cell highlight the degree to which the TAs covered the challenges. Source: Technopolis Group, 2017

The flexibility of the programme in launching new actions to address these needs is a key asset in this context. An example is the call for a 'European Network for Early Warning and for Support to Enterprises and Second Starters', launched in 2016 under the Entrepreneurship TA to develop and implement support services for companies and company owners in difficulty and entrepreneurs looking for a second start.

4.1.2 Relevance to the stakeholders and the EU citizen

In this section, we first consider the relevance of the programme for its stakeholders, ie SMEs, intermediaries and policy-makers. We then take a more macro-economic perspective and consider the programme's relevance against two main dimensions: economic growth and the societal needs, including societal challenges.

Responsiveness to the needs of stakeholders

The programme overall

To facilitate our analysis of the programme's relevance in relation to the SMEs' needs, we set the programme actions and action lines against a framework of market and systemic failures that the programme addressed, as outlined above. We make a distinction between **market and systemic failures**. While the former relates to 'internal' needs and challenges of the (individual) SMEs, systemic failures relate to needs and problems arising from an insufficient interconnectedness among SMEs (eg knowledge sharing) and between SMEs and other components of the innovation system such as policy-makers, other actors in the value chain, professional service providers etc.

In Table 10, we present a taxonomy of market/systemic failures that underpin rationales for public intervention, selecting for each category of failure those 'corrective measures' that belong also to the COSME portfolio. The problems in reaching access to finance, especially for the smaller and younger SMEs, constitute a clear market power failure⁴⁰; the limited capacity of SMEs to internationalise their activities and their challenges in 'finding customers' can be considered an information asymmetry failure. The lack of managerial competences belongs to the capability failure category; the concrete training of staff or entrepreneurs, instead, addresses an infrastructural failure (no other entity in the system provides these services). Finally, the need to address framework conditions in the Single Market implies an institutional failure.

⁴⁰ It should be noted that there are also structural failures linked to the access to finance, such as the smaller ticket sizes, information asymmetries, perceived higher risk, and the lack of sufficient collateral; these failures will not be overcome by improving economic conditions only

Table 10: Categorisation of Market and Systemic Failures and associated corrective measures

Failure	Main characteristics	Examples of corrective measures
Market failure		
Market power	Lack of adequate competition in markets	<ul style="list-style-type: none"> Supporting the formation and start-ups of new innovative SMEs Access to seed-capital funds for SMEs
Information asymmetry	Economic agents interacting within a particular market are not well informed; or information is not equally distributed among participants	<ul style="list-style-type: none"> Information programmes providing access to knowledge of technological and/or market opportunities
Systemic failure		
Capability	Inability of firms to adapt freely to structural changes, new technologies or new organisational concepts	<ul style="list-style-type: none"> Promotion of ICT use Skill awareness & training programmes
Network	The flow of information and cooperation between different actors in the system is sub-optimal	<ul style="list-style-type: none"> Specific cluster policies Facilitation of knowledge transfer/exchange
Institutional	Effective innovation depends also on favourable regulatory frameworks, health and safety rules, as well as on sophisticated consumer demand	<ul style="list-style-type: none"> Measures fostering standardisation or better regulation
Infrastructural	Difficulty to provide innovative firms with the necessary human resources and knowledge base	<ul style="list-style-type: none"> Facilitation of knowledge transfer Mobility programmes

Source: EC (2009) Pro Inno Europe, paper n. 13

Based upon our analysis reported below, we developed a matrix providing an overview of the **intensity** of the relevance of the COSME programme and its Thematic Areas in addressing these market and systemic failures (Table 11, below). By including the budgets committed to these Thematic Areas in the matrix, we also provide a view on the **degree** by which COSME addresses these challenges.

The major relevance of the COSME programme is in its focus on the enhancement of knowledge, creating network opportunities, setting the basis for changes in SME management practice and providing the needed information to facilitate access to new markets – apart from, obviously, improving the access to finance. The programme is not very active in providing concrete training and skill enhancement opportunities (ie addressing the infrastructural failure), essentially limited to EYE.

The matrix also indicates the relatively limited involvement of COSME (in terms of budget committed) in addressing a challenge that (still) is high on the EU policy agenda, but no longer strongly felt as a challenge by the SMEs, ie the streamlining of regulations and the reduction of red tape in the Single Market (institutional failure).

Table 11: Relevance of the programme in directly addressing the market systemic failures

Thematic areas	Budget	Market failures		Systemic failures			
		Market power	Information asymmetry	Capability	Network	Institutional	Infrastructural
Access to finance	€551m						
Business mgt capacity	€156m						
Sectoral competitiveness	€44m						
Entrepreneurship	€32m						
Internationalisation	€31m						
Digitisation & KETs	€16m						
SME policy	€14m						
FC in Single Market	€6m						

Source: Technopolis Group, 2017

Below, we report on the outcomes of our assessment for the five main thematic areas. The main findings related to the smaller thematic areas are as follows:

- Digitisation and KETs: Interviewees indicated that in terms of capacity, the largest SME challenges are related to the integration of creativity, design and new technologies, and the exploitation of ideas for new products and services. The creation of knowledge exchange opportunities is perceived as critical in this context, especially in the field of KETs. The interviewees considered there was a gap in the support from COSME from that perspective; more support for awareness raising activities would also be beneficial. The newly started WATIFY campaign may be a step forward to cover this need.

In the field of e-skills, the actors involved considered the objectives of the actions funded under COSME to be pertinent to the needs, problems and issues they were designed to address, ie to increase the supply of IT-educated professionals for enterprises. A conservative economic growth scenario will require Europe to generate around 50,000 additional high-tech leaders per year in the years up to 2025.⁴¹ Together with the finding that 45% of Europeans still do not have basic digital skills as indicated by the Digital Economy and Society Index (DESI),⁴² the risk that this gap will impact competitiveness and innovativeness of companies is still pertinent.

- SME Policy: The main objective in this TA is to create “a business-friendly environment for existing SMEs and potential entrepreneurs” by fostering SME-friendly regulations and policy-making in the COSME countries. Two main failures are addressed: network and information asymmetry. The former is tackled at policy-level through the Envoys network and at business-level through the SME Week; as for the latter, ensuring the flow of information is an objective of all actions, to the benefit of policy-makers (the Envoys and SME performance review), the stakeholders (SME Week) and the public (Outreach tools).

Stakeholders interviewed and surveyed agree that support by the SME policy actions is highly relevant for the dissemination of the ‘Think Small First’ principle, seeing the difficulties that most SME Envoys encounter in the integration of this principle into their national policies. They consider information transfer and knowledge exchange on lessons learned to be critical for the implementation of the SBA at the national level.

- Framework Conditions for the Single Market. The actions in this TA address a range of failures. Most of the actions focus on the information asymmetry failure for SMEs, while others aim at levelling the playing field for SMEs or at bringing national policy and support more closely together. There is a big difference in relevance among these actions. For example, the three actions addressing the information asymmetry failure revolve around dealing with regulations and administrative burdens; they are all portals.
 - The *Your Europe Business Portal* is of particularly high relevance, acting as a strong backbone for information and linking to many other sources for information. SMEs visit the portal to inquire about very diverse topics
 - The relevance of the other two portals, instead, is less evident. The Points of *Single Contact* (PSCs) action, which aims at raising awareness of the national e-government portals among European enterprises and business support organisations, is of limited *concrete* relevance because of the low quality of the e-government portals themselves.⁴³ The portal facilitating access to Light Remotely Piloted Aircraft Systems (RPAS) regulation (drones) targets SMEs in a niche sector

⁴¹ See e-skills action: High-Tech Leadership Skills for Europe. Towards an Agenda for 2020 and beyond by empirica, pwc (2017).

⁴² See e.g. <https://ec.europa.eu/digital-single-market/en/desi>.

⁴³ Capgemini Consulting, EUROCHAMBRES (2015), “The Performance of the Points of Single Contact – An Assessment against the PSC Charter”

where regulations still are under development in most Member States, and in Europe as such

The relevance of the actions in the **Access to Finance** theme has been set out above in general terms; in this section, we focus on their relevance linked (also) to their specific characteristics and conditions they set.

An outcome of this analysis is that both intermediaries and beneficiary SMEs consider the financial instruments in COSME to be relevant and corresponding to their needs, both in terms of the conditions set and the size of the financing offered - even though there are some issues remaining.

The 2016 "Scale-up Manifesto"⁴⁴ proposed under the heading 'mobilising capital' to make a greater use of the EFSI by giving it a permanent status and applying the 'crowd-in' model used also for other risk-driven budgetary decisions. The idea was for Europe to adopt a 'funds of funds' (FoF) to 'crowd-in' investment alongside the private sector. The COSME financial instruments fully reflect this concept of 'crowding-in'; they were designed to increase the volume of financial intermediaries' activities on the market by sharing the risk and thus creating a leverage effect.

The objective of the EFG is to crowd-in more capital for pan-European operations at the growth and expansion stage. Interviewed stakeholders regarded this focus of the EFG instrument as appropriate. The flexibility to crowd-in the pan European Fund(s)-of-Funds is also regarded as relevant. However, the clause that the EFG can invest in a VC (only) up to 25% of the total amount is viewed by funds and the EIF as suboptimal for creating an attractiveness effect for other private investors. In comparison, EFSI can invest up to 50%.

The objective of the LGF is to help the financial intermediaries provide more loans and leases to riskier SMEs, thus expanding the range of SMEs they can finance. The 'on demand' principle and flexibility in the design of the programme aim at facilitating the adaptation to the market needs and to the needs of financial intermediaries.⁴⁵ The programme supports all kinds of SMEs that face difficulties in accessing debt finance, without considering any specific sector or any specific country base, but rather the SMEs' level of risk for the lending sector. COSME takes a flexible approach and allows any institution implementing the LGF to increase its activity with 'high risk' or 'higher risk' SMEs as per its own definition of risk.⁴⁶ This greatly facilitates the take up of the LGF.

Nevertheless, financial intermediaries responding to the survey and/or interviewed mentioned that some financial intermediary needs - and therefore, in cascade, SME needs - are not sufficiently supported by the LGF. These regard the subordinated loans for more than €150k to an innovative SME that cannot be supported under InnovFin nor under COSME, and the loans over €1.5 million (assuming a 50% guarantee rate). The surveyed LGF intermediaries also considered the time limitations to the guarantees (a minimum of 12 months and maximum of five years for guarantee amounts above €1.5 million and 10 years for those below) to be inadequate for the needs of financial intermediaries and SMEs alike.

The TA also included a few 'accompanying actions' addressing the information asymmetry failure. The main action consists of the single web portal on EU finance (to be accessed through Your Business Europe or www.accesstofinance.eu) set up for SMEs. It provides contact details of around 1,500 intermediaries and information on all financial instruments under the new EU programmes 2014-2020 (COSME, EaSI, InnovFin under Horizon 2020, Life and the EU Investment Plan under EFSI, and the new financial instruments supported by European Structural and Investment Funds), information on

⁴⁴ Scale-up manifesto (<http://scaleupeuropemanifesto.eu>)

⁴⁵ Co-financing from various EU programmes is also possible.

⁴⁶ There is no standard definition of "high risk" or "higher risk" SMEs among European financial intermediaries

how to access financial instruments from 12 different EU programmes in 39 countries, and on EU financial instruments with a clean-tech investment focus for climate-change objectives. The portal reached 150,000 monthly page views in 2015.

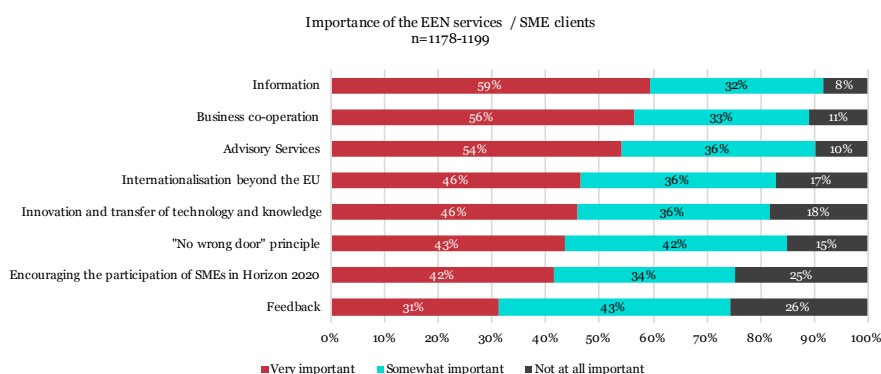
The **business management capacity** TA, which entails predominantly the EEN services, addresses three major failures, as shown in Table 11, above, i.e.

- The broad range of *information* services, covering a.o. H2020 funding opportunities, information on financing opportunities and opportunities to increase competitiveness and innovativeness in the Single Market and beyond, address the clear (and ongoing) information asymmetry failure SMEs face to enhance their competitiveness
- Through its *advisory* services, the EEN also addresses the capability failure, ie the SMEs' need for know-how on management processes, customer needs and how to enter foreign markets
- The Network also addresses network failures by helping *SMEs* to find (international) cooperation partners and by providing an avenue for intermediary organisations to collaborate. The co-operation services are one of the core services that the Network offers. EEN provides an avenue to link up businesses that look for partners regarding cooperation in 'Research & Development' and 'Technology' as well as 'Business' partners in general. Through the partnership database, Network members can present information on partnership opportunities of their clients to other Network members, who in turn are able to collect expressions of interest from their clients.

The activity of the Network members that is the least directly relevant to the overall challenges for SMEs, especially given their timetable, is 'the provision of a communication channel between SMEs and the EU'. Yet it is an important part of the Network to ensure ongoing alignment with stakeholder needs and support in the decision-making on priorities.

Confirmation of the relevance of the EEN services to SMEs can be found in the importance attributed to these actions by the SME clients (Figure 13). In general, the SMEs' view on the extent to which Network services address their needs is quite positive.

Figure 13: SME clients' views on the importance of the EEN services



Source: Technopolis, based on survey data (2017)

Interviewed intermediaries confirmed this positive view of the SMEs. They indicated that their Network services matched the needs of companies and SMEs in the field very well and argued that the core function and value of the Network is to *help companies grow and find new partners*. The type of services financed by the Network matches well the demand of the SMEs, which is further reflected in the high satisfaction rates and importance attributed to the services as expressed in the SME survey.

The COSME actions under the **sectoral competitiveness** theme are wide-ranging and fragmented. The major action line is the one focusing on the Tourism sector, which

accounted for about half of the TA budget (€21.4m). The tourism sector stands out for its economic stability and significant growth potential. It is a major economic activity with a broadly positive impact on economic growth and employment in Europe, even in times of economic recession; it also creates spill-over effects on other sectors such as the agro-food, transport, construction, retail, culture or design sectors.⁴⁷

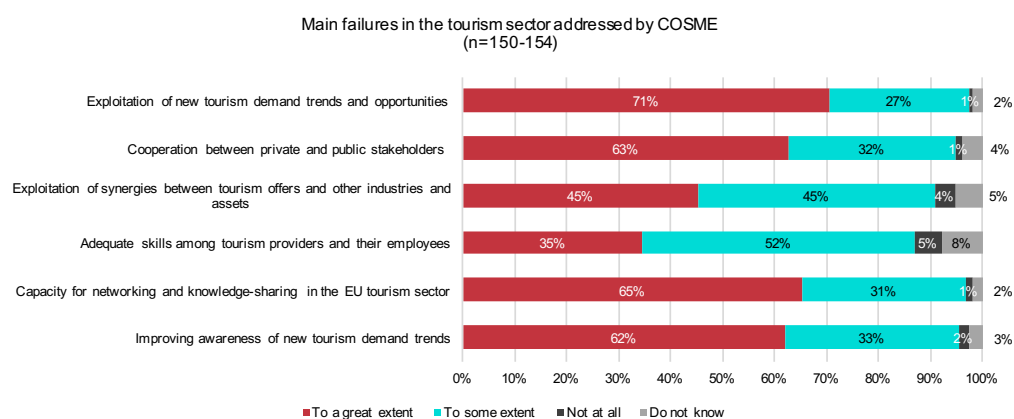
Based upon the objectives, the programme addressed the information asymmetry failure through a variety of actions. The Virtual Tourism Observatory and support for the publication of the OECD 'Tourism Trends and Policies 2016' report, for example, aimed at improving market knowledge; support for the organisation of the 3rd International Congress on Ethics and Tourism with the UNWTO aimed at raising awareness on the need for a more sustainable and ethical tourism. The European Destinations of Excellence (EDEN) scheme aims at raising the profile and European visibility of non-traditional sustainable tourism destinations and encourages the exchange of best practices.

The Tourism programme addresses network failures through its grants that aim at enhancing synergies between tourism and other sectors as well as supporting the development of emerging tourism transnational products with a thematic dimension (eg destinations that are not well-known, needing further networking to trigger investments in infrastructure), the exploitation of new business opportunities such as senior and out-of-season tourism, or the accessibility of the touristic facilities. The actions seek to trigger spill-over effects throughout the tourism value chain.

According to the participants in the Tourism projects, the insufficient exploitation of new tourism demands and opportunities is a major failure in the sector, followed by an inadequate cooperation between private and public stakeholders in the development and promotion of tourism offers. In Figure 14, below, we ranked the possible failures based on these responses and indicate the extent to which, according to these participants, COSME addressed these failures. More than 60% of survey respondents thought the programme covered the two most important failures to a great extent.

While the COSME actions therefore show a particularly high level of relevance for the SMEs in the Tourism sector, the responses also show two major gap areas: the exploitation of synergies between the tourism offer and other industries, and the enhancement of skills among tourism providers and their employees. The latter was emphasised especially by SMEs located in the EU13.

Figure 14: Main failures in the tourism sector addressed by COSME



Source: Technopolis Group, based on survey data (2017).

⁴⁷ Boros, Krisztina (2017) Sustainable tourism actions under EU Tourism Policy Funding opportunities. Conference on Sustainable tourism and EU funds, La Valetta, May 2017. Available at: http://ec.europa.eu/environment/emas/pdf/STC/6.%20Krisztina%20Boros%20presentation_%20HL%20Conference%20on%20Sust%20Tourism%20and%20EU%20funds_050517.pdf

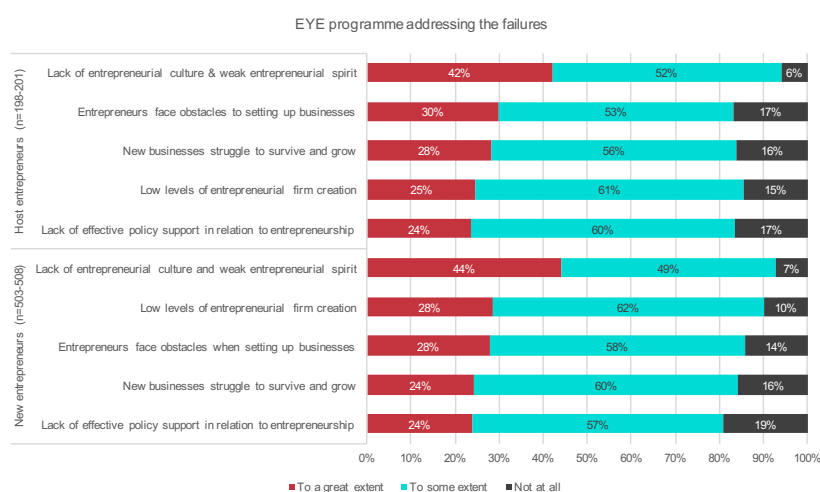
In the field of **Entrepreneurship**, the COSME programme set out to improve framework conditions affecting the development of entrepreneurship; facilitate learning and exchanges of experience for entrepreneurs; and promote entrepreneurship and entrepreneurial culture to specific groups. The actions in the Entrepreneurship TA include a wide range of measures and activities in the areas of information provision, knowledge development/sharing and networking, with some actions involving more than one type of policy instrument. The portfolio includes information and awareness-raising measures, several portals and support services, networks to share knowledge and best practices, strategic intelligence platforms and measures to develop entrepreneurial human capital. Besides the Erasmus for Young Entrepreneurs (EYE) programme, COSME also funded actions on digital entrepreneurship, women’s entrepreneurship, migrant entrepreneurship, senior entrepreneurship and entrepreneurship education, and early warning/ second starters. Two additional actions included the organisation of conferences and events and a study on national policies to promote social economy entrepreneurship.

Evidence shows that the EYE has a high level of relevance to the needs of the respective target groups, with no major gaps identified.

As part of the evaluation, we surveyed large numbers of Host and New Entrepreneurs who had participated in the EYE programme during the 2014-2016 period. These (potential) entrepreneurs were asked to assess the extent to which a series of barriers to entrepreneurship were present in their country today. Their responses provide widespread confirmation of the existence of market and systemic failures in this area. The large majority (jointly, 92%+) agreed that entrepreneurs face obstacles to setting up businesses, that new businesses struggle to survive and grow, and that there is a lack of effective policy support related to entrepreneurship. There was also a widespread (though less strongly held) belief that there is a lack of entrepreneurial culture, weak entrepreneurial spirit, and low levels of entrepreneurial firm creation in Member States.

Figure 15 shows that more than 90% of these survey respondents agreed that COSME – through its largest entrepreneurship action, the EYE programme - helped to address all these areas to some extent, and particularly the lack of entrepreneurial culture and spirit. The areas with the least agreement (EYE addressing a lack of effective policy support and EYE helping new businesses to survive and grow) are also those with the least relevance to the intentions of the programme itself (which is more focused on providing a learning opportunity for new and aspiring entrepreneurs).

Figure 15: EYE programme addressing failures



Source: Technopolis Group, Survey data

The enhancement of **SME internationalisation** (beyond the EU) is an area of high importance in the context of raising the global competitiveness.

The main EU trade partners in goods (imports plus exports as a share of total EU outward trend) are US (17.7%), China (14.9%), Switzerland (7.7%), Russia (5.5%), Turkey (4.2%), and Japan (3.6%)⁴⁸. EU trade with US has been rising strongly in 2008-2016, increasing by 44% in the case of trade in goods, while trade in services grew by 63% in the same period.⁴⁹ Rising outward trade partners are also South Korea, with 2.5% of EU outward trade in goods, India (2.2%), Canada (1.9%), Brazil (1.7%) etc.

These emerging markets are covered in COSME through the clusters internationalisation and IPR Helpdesks. A survey undertaken by the ECCP platform with the ESCPs' project coordinators shows that, by June 2016, in the early phases of the implementation of the partnerships, 47.4% of them had selected USA as a target for international cooperation. Further popular markets targeted included Brazil, Canada, China, Japan and Mexico.⁵⁰ These are in line with the EU largest trade partners and potential as outlined above. Other actions such as the EU's Low-Carbon Business Actions (LCBAs) in Brazil and Mexico, supported through the EU Foreign Partnership Instrument are examples of other approaches targeting the matching and direct funding of businesses from emerging European industries with partners from new emerging geographical markets⁵¹.

The 2015 Flash European Barometer on Internationalisation of SMEs showed that SMEs considered the complicated administrative procedures, high delivery costs, and difficulties in identifying business partners abroad to be key bottlenecks for internationalisation.⁵² A fourth area of concern is the perceived high investment cost.

The COSME internationalisation actions are highly relevant for addressing the barriers related to market access as they are aimed at enhancing SMEs' knowledge, awareness, and competences around managing international activities, understanding regulatory systems and competition rules. The actions also help SMEs effectively to engage in networking activities and find potential business partners; most importantly, they address systemic failures by supporting intermediaries, such as clusters and their managers, in the development and implementation of internationalisation strategies.

Based upon the objectives, COSME actions such as the EU-Japan Centre and the IPR Helpdesks are very relevant in reducing the administrative burden; actions providing support to identifying business partners, such as the European Strategic Cluster Partnership (ESCP) – Clusters Go International programme (further: 'Cluster Internationalisation') and the business missions organised in the context of the European Cluster Collaboration Platform (ECCP) and the EU-Japan centre are very relevant to the overall need of SMEs in building trust in finding suitable partners. The COSME actions do not address the fourth barrier, that is the high costs that come with building trust in finding suitable partners. A potential upgrade of the programme could therefore include other types of support, such as demonstration projects, feasibility studies and knowledge-acquisition activities.

Figure 16, below, shows that the cluster managers involved in the Clusters Internationalisation programme indicated as major system failure the lack of tailored financing schemes for longer-term trust-building and 'business-planning' activities. More policy coordination and creation of relationship-building opportunities were the second and third most frequently indicated needs. Their indications on the extent to which COSME addresses failures in the field of internationalisation show a high relevance of the programme especially for the creation of structured opportunities for relationship-building. Support in terms of tailored financing schemes and especially the coordination of European and national/regional policies are the main areas for improvement.

⁴⁸ See European Parliament, 2017: EU trade flows with the rest of the world, Infographics,

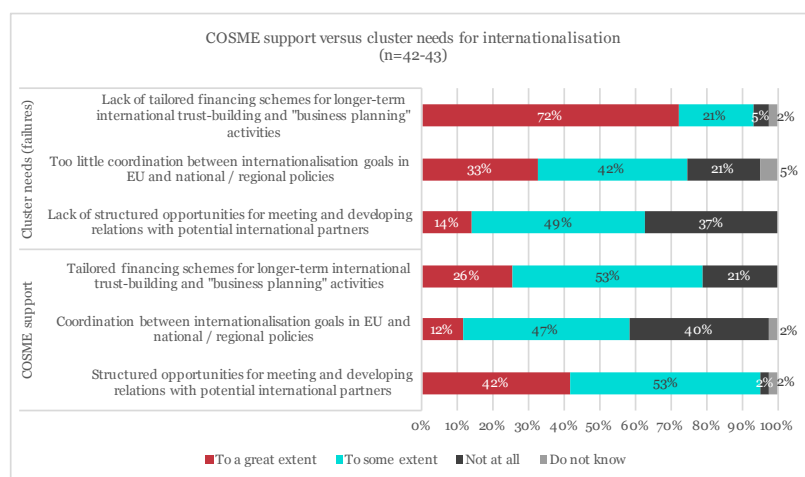
⁴⁹ *ibid*, European Parliament, 2017: EU trade flows

⁵⁰ ECCP, 2016: Analysis of the Consultation launched by ECCP amongst the ESCP-4i partnerships in June 2016,

⁵¹ <http://www.lowcarbonbrazil.com/index>, <http://www.lowcarbon.mx/>

⁵² European Commission, 2015: Flash European Barometer, Internationalisation of SMEs

Figure 16: COSME support versus clusters' needs in the field of internationalisation



Technopolis Group, Survey data (2017)

Relevance to the EU citizen

We take a broader view on the relevance criterion in this section and consider the relevance of the programme from a socio-economic perspective. Specifically, we focus on the relevance of the programme for Europe's economic growth and societal challenges. These aspects are closely interlinked to the high-level objectives and expected impacts of COSME, ie 'Jobs and growth', 'Business creation and growth', 'Strengthened global competitiveness', and 'Sustainable and inclusive growth' (see the intervention logic in Section 2.1.3, above).

The relevance of the programme related to economic growth has largely been set out in the preceding section. The major drivers for economic growth constitute the key focus of this programme. COSME shows limited relevance for topics beyond the economic sphere, though, when considering numbers of actions funded and budget allocated to them. The high-level objectives related to inclusive and sustainable growth are addressed mainly in an indirect manner.

The budget committed to actions focusing on 'responsible innovation', ie sustainable and/or inclusive innovation, amounted to €3.5m in 2014-2016, ie 0.4% of the total budget. This included two actions focusing on resource efficiency, four calls related to corporate social responsibility (of which three were cancelled), and four actions covering the social economy and social entrepreneurship. In relation to the latter, support for the social economy and social enterprises was indicated in the 2016 Start-up and Scale-up Initiative as a route to sustainable growth. Throughout the programme, actions focusing on inclusiveness were few and mainly concentrated in the Entrepreneurship TA.

Actions explicitly supporting sustainable development were funded mainly in the Sectoral competitiveness TA. An example is the support provided to the construction sector for the implementation of the Construction 2020 Action Plan, aimed at promoting sustainable growth and development in the construction sector. COSME helped implementing some of the steps foreseen in this action plan, including the REFIT process and actions following up on the Communication on Resource efficiency opportunities in the building sector (2014), which targets the improvement of products in the fields of design, construction, demolition and recycling of construction products, in addition to streamlining data in these fields.⁵³

⁵³ See European Commission, 2014: Communication on Resource Efficiency Opportunities in The Building Sector / * COM/2014/0445 final */ <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52014DC0445>

Sustainable growth was explicitly pursued also through the Network focus on 'Measures to increase SME access to energy efficiency, climate and environmental expertise'. This societal challenge-related focus, however, is quite distant from the 'crossing borders' image of the Network and does not coincide with the profile of the Network partners, undermining the credibility of these partners to provide services in this field.

The programme relevance related to sustainable development is therefore mainly an **indirect** one. For example, among the VC funds that received EFG funding, about three quarters are focusing on the ICT sector and clean technologies. Societal goals are also the funding purpose of many national promotional banks that signed an agreement for the LGF.

4.1.3 Policy relevance

In this section, we investigate how and to what extent the programme has adapted to changes in policy priorities over the last years.

The recent policy developments

As mentioned in Section 2.1.1, above, the policy context of the COSME programme starts with the Europe 2020 Strategy that was adopted a few years before the COSME programme started. The policy that laid out the basis of the COSME programme was the SBA Review of 2011. The *Entrepreneurship Action Plan* that was published in the same year (2011), as well as the *Single Market Strategy* and the *Start-up and Scale-up Initiative*, both launched in 2016, constitute the other building blocks for the strategic decision-making on the COSME Programme.

The Single Market Strategy sets the need to support SMEs in the context of the many obstacles that SMEs, start-ups and young entrepreneurs are facing, such as access to finance, the complexity of VAT regulations, aspects of company law and how to comply with various regulatory requirements in different markets. The Start-up and Scale-up Initiative was set up in November 2016 to "reduce barriers for young businesses in the Single Market". It followed shortly upon the launch of the Single Market Strategy and aligns with the COSME objectives, namely providing SMEs with a better access to finance and a better business environment. It echoes the continuous work of the Commission to foster better regulation⁵⁴ (through actions such as REFIT and the High-Level Group on Administrative Burden).

The European Commission Investment Plan for Europe was approved shortly after COSME started in 2014; taking a more operational stand than the Europe 2020 Strategy and the SBA, it has reshaped much of the COSME policy context - and continues doing so. It is set in the context of the so-called *Juncker Plan*, which established the following *ten priorities*:

- A New Boost for Jobs, Growth and Investment
- A Connected Digital Single Market
- A Resilient Energy Union with a Forward-Looking Climate Change Policy
- A Deeper and Fairer Internal Market with a Strengthened Industrial Base
- A Deeper and Fairer Economic and Monetary Union
- A Reasonable and Balanced Free Trade Agreement with the US
- An Area of Justice and Fundamental Rights Based on Mutual Trust
- Towards a New Policy on Migration

⁵⁴ https://ec.europa.eu/info/law/law-making-process/better-regulation-why-and-how_en

- A Stronger Global Actor
- A Union of Democratic Change

COSME's response to the political priorities

Building upon the evidence reported in the preceding sections, a conclusion we can draw is that the portfolio of actions in the COSME programme have achieved a high level of policy relevance. COSME responds particularly well to the priorities set out in the recent Single Market Strategy and Start-up and Scale-up Initiative (2016), setting a pronounced focus on support to start-ups, scale-ups, and second starters, but includes also several of the priorities defined by the Juncker Commission. Also other EU policies are addressed, as demonstrated by the Entrepreneurship TA, in which the Entrepreneurship Action Plan 2020 features highly as a principle guiding the design and implementation of all the COSME entrepreneurship actions.

The flexibility in the COSME programme allows it to respond in a swift manner to emerging high-priority topics. It does so in two ways: by launching new actions addressing new or more emphasised priorities, and by steering more budget towards areas that constitute a priority area of rising importance.

A non-exhaustive list of measures taken by COSME in response to the current EU policy objectives is provided in Table 12, with a specific focus on the ten priorities in the EC Juncker Plan and the 2016 Single Market Strategy.

Table 12: Examples of COSME measures responding to specific policy priorities

Policy priority	Examples of COSME actions responding
Juncker Plan – the ten priorities	
Boost for Jobs, Growth & Investment	The cluster internationalisation actions' objective to facilitate SMEs wanting to go abroad in finding long-lasting partnerships based on an internationalisation strategy is a very relevant approach, trying to capitalise on revealed strengths of the cluster members and regional contexts. This also builds on the EU's approach of promoting growth through smart specialisation (S3).
	The aim of the IPR Helpdesks to strengthen European SMEs' growth and competitiveness is directly aligned with this policy objective. The protection of Intellectual Property Rights in third countries is crucial for promoting innovation and business of European SMEs abroad. By facilitating and supporting companies to engage in international business, the Helpdesks indirectly stimulate their growth and competitiveness
	Actions launched for the enhancement of the competitiveness and sustainable growth of the tourism sector in Europe contribute to this priority. Tourism has been showcased as an example of the need to reconcile economic growth and sustainable development, including an ethical dimension. In the Communication from the Commission "Europe, the world's No 1 tourist destination – a new political framework for tourism in Europe" ⁵⁵ , this industry is also pointed out as an important instrument for reinforcing Europe's image in the world.
	Taking note of the importance of the social economy and social enterprises as a route to sustainable growth as well as of the fact that social enterprises still lack recognition and understanding (as mentioned in the Start-up and scale-up initiative), a study was launched, in the Entrepreneurship TA on the promotion of entrepreneurship in the social economy in Europe
Connected Digital Single Market	The digital entrepreneurship actions (relating to monitoring and awareness raising) support the building of a digital economy, and therefore contribute towards certain aspects of the 'connected Digital Single Market' priority. The Digital Transformation Monitor more directly supports the implementation of the European Roadmap for Digital Entrepreneurship
A deeper and fairer internal	Measures <i>across</i> the Entrepreneurship portfolio seek to increase knowledge and skills in the workforce (including amongst vulnerable groups),

⁵⁵ European Commission, 2010 Communication on Tourism.

Policy priority	Examples of COSME actions responding
market with a strengthened industrial base	In 2013, the European Commission developed an Action Plan for supporting Design-Driven innovation, which devised actions for the development of design-based goods and services in the EU. ⁵⁶ The COSME action providing grants to SMEs developing design-based goods responds to one of the priorities of the Action Plan, aiming to support design-driven innovation in industry to strengthen competitiveness. In addition, the design-based innovation is recognised in the Commission's 2014 Industrial Renaissance Communication as a priority.
	Framework conditions in the Single Market actions are aimed at providing transparency in terms of information, obligations and rights. The information provided through the thematic area Framework conditions in the Single Market allows companies to gain a better understanding of how to be active in the Single Market. Furthermore, initiatives allow countries to become more aligned in terms of the conditions for conducting business. This also concerns the public bodies themselves through the action on Improving SMEs' Access to Public Procurement or the Exchanges of Good Practices in the Area of Compliance.
Area of Justice & fundamental rights	The women's entrepreneurship actions (relating to the e-platform) support the enablement of women's participation in the labour market, and contribute towards gender aspects. The action is also in line with the message of the January 2016 European resolution ⁵⁷ urging removal of obstacles to female entrepreneurship.
New policy on migration	The action focusing on migrant entrepreneurs (networking/learning for support organisations) seeks to improve and increase the support available to help make the EU an attractive destination for talented and skilled migrants. It also aims to ensure that the most is made of these capabilities,

Single Market Strategy

Obstacles for growth in the Single Market to SMEs, start-ups and young entrepreneurs	The international mobility focus of the EYE programme makes this directly relevant to supporting the key policy objective of internationalisation, helping new and growing businesses to take advantage of the EU's internal market.
	The framework condition actions are aimed at allowing companies to benefit more easily from the Single Market. For instance, VAT legislations in the EU28 MS is listed as one of the key aspects relevant to <i>the strategy to "Help SMEs and start-ups to grow"</i> which is covered by the Your Europe Business portal. Furthermore, some actions are closely linked to core aspects of the strategy, like the focus on public procurement and compliance; however, the actions do not resonate specifically to the approach chosen in the Single Market Strategy- the strategy focuses more closely on large public procurement contracts, and focuses on the cultural aspect of compliance.
The effects of bankruptcy create a disincentive for entrepreneurs, who need to know that they will have a second chance	Supporting this ambition are two entrepreneurship actions: a conference on second chance for honest failed entrepreneurs, as well the pan-EU network for early warning and second starters. It also sets out the Commission's intention to support bona fide entrepreneurs with early restructuring and second chance.
Make the EU a more attractive destination for innovators	The recent migrant entrepreneurship action seeks to disseminate and improve support measures for migrant entrepreneurs to operate in the Single Market

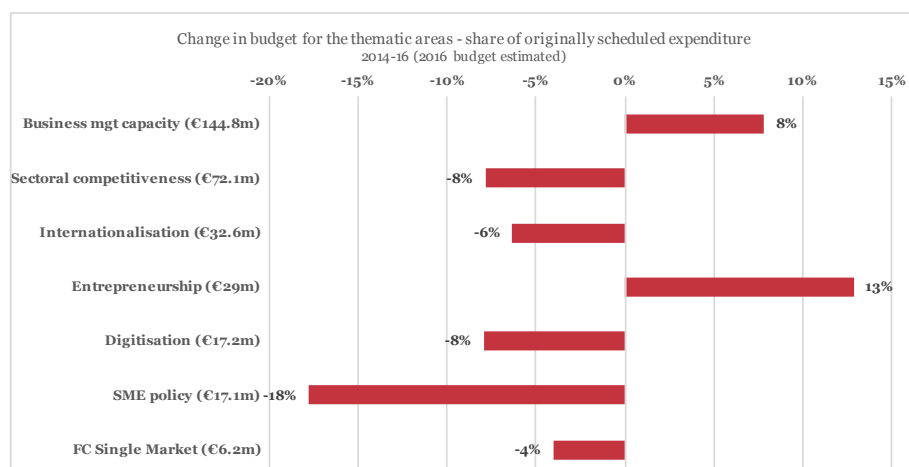
Source: COSME Work Programmes 2014, 2015, 2016

As shown also in Section 2.2, above, during these first three years of activity, the COSME programme saw several changes in the **allocation of its budget** over its components. This was partly caused by a rise in budget available for the financial instruments, partly by adjustments made for the sake of efficiency (eg actions not performing as expected), and partly to take account of the need to fund new actions in response to changes in policy priorities. Figure 17 shows the changes in the thematic areas' final (committed) budget compared to what was planned in the Work Programme; they are expressed in terms of share of the original budget that was added or subtracted.

⁵⁶ See European Commission, 2013: Commission Staff Working Document Implementing an Action Plan for Design-Driven Innovation, SWD(2013) 380 final

⁵⁷ <http://www.europarl.europa.eu/news/en/news-room/20160114IPR09909/eu-needs-more-women-entrepreneurs>

Figure 17: Difference in budget allocation over the thematic areas – originally scheduled expenditure versus finally committed budget (excl. Access to finance thematic area)



Source: Technopolis Group, based on data provided by DG GROW, May 2017

In absolute terms, the largest increase in budget (€11.3m or 8% of the original budget) was to the benefit of the Business management capacity TA; the proportionally highest increase, however, was for the Entrepreneurship TA (+13% or €3.7m), which is to be set in the context of new policy priorities such as the focus on second starters and migrant entrepreneurship.

For all other thematic areas, decreases can be noted. In absolute terms, this particularly concerned the Sectoral competitiveness area (-€5.7m or 8% of its originally planned budget); proportionally, the reductions were especially pronounced in the SME policy area (-18%, or €3m), predominantly thanks to savings on the originally estimated costs.

4.2 Effectiveness

This chapter presents the main findings on the extent to which the programme has been effective in reaching its objectives. We first report on the outputs and short-term outcomes of the actions funded under the COSME programme (Section 4.2.1) and then cover the results reached so far (Section 4.2.2).

It should be noted that many actions covered in this evaluation effectively started in 2015, so in most cases, a measurement of tangible results is not yet feasible. Wherever relevant and possible, we indicate how the effects reached compare with the expectations set in the programme.

4.2.1 Outputs and short-term outcomes

Our evaluation of the COSME programme outputs and outcomes focuses on the actions listed in Table 13, below. These actions accounted for ~85% of the total committed COSME budget, ~65% of the total budget for the non-financial SOs, and at least 40% of the budget in each Thematic Area. They encompass the full variety of policy instruments and measures used in the programme, ranging from the financial instruments and EEN services to portals. To cover the Framework Conditions in the Single Market TA, we considered the only action that had continuity in funding over the three years (20% of the TA budget), ie the Your Business Europe portal.

Table 13 : Action lines/actions covered in the evaluation of effectiveness

Thematic Area	Action line / action	Thematic Area	Action line / action
Access to Finance	LGF	Entrepreneurship	EYE

Thematic Area	Action line / action	Thematic Area	Action line / action
	EFG		WEgate
Business management capacity	EEN Administration & services	Digitisation & KETs	E-skills for jobs
Internationalisation	Clusters Go International	SME policy	SBA implementation
	EU-Japan Centre / Vulcanus	<i>FC in the Single Market</i>	<i>Your Europe Business Portal</i>
Sectoral competitiveness	Tourism grants		

Source: Technopolis Group

We conducted an in-depth evaluation for the actions highlighted in blue; in the other cases, the evaluation was based on case studies, as agreed with the EC during the inception phase of this study.

Access to Finance

The financial instruments are effective in reaching their outputs, even though progress is modest for the EFG due to the preference given to the EFSI SMEW. The LGF reached a considerable number of SMEs, proposed overall more favourable financing terms, demonstrated leverage in SME financing, and increased the supply of debt finance in most Member States.

Under the **Equity Facility for Growth (EFG)**, nine operations with financial intermediaries have been signed so far and an additional four operations are in the pipeline (Table 14 below). These operations account for an overall investment of €64m in eligible SMEs. The drawdowns level under the EFG is at 13.4%, which amounts to €12.2m. Twelve SMEs in expansion and growth stages have benefitted from these investments; they are based in France (4), Germany (2), Greece (2), Ireland, Italy, the Netherlands and the UK.

As the investment period is usually five years from the signature of an operation, it is too early to draw a conclusion on the effectiveness of the EFG. Nevertheless, current progress is modest: at the end of 2016, the volume of investment into eligible SMEs accounts for 13.6% of the maximum investment of €470.6m that the EFG is expected to reach under the fund agreements signed so far. This corresponds to an expected leverage⁵⁸ of 2.72 versus 4 to 6 as a long-term target⁵⁹ (2020).

Table 14: Current achievements in the EFG

	Signed	Approved but not yet signed
No. transactions with financial intermediaries	9	4
No. countries covered	7	
Total amount of operations	€101.3	€48.5m
Total no. beneficiaries	19*	
Maximum amount of investment	€627.5m ⁶⁰	
Actual volume of investment made	€77m ⁶¹	
Average ticket for SMEs	€4m	
Target leverage	2.72	
Current leverage	0.37	

Notes: *7 beneficiaries are non-eligible; Source: Technopolis Group, based on EIF monitoring data at end of 2016

⁵⁸ Indicator calculated by EIF based on the "total amount expected to be invested into Eligible Final Recipients". Normally and logically this average will be achieved at the end of the investment period.

⁵⁹ As set in the legal base

⁶⁰ Of which investments into Eligible Final Recipients is €470.6m

⁶¹ Of which investments into Eligible Final Recipients is €64m

Both intermediaries and SMEs report to have accessed additional funding. For the intermediaries, the sources were private investors (especially corporate investors); based on the survey, SMEs gained additional financing mainly from other sources of equity and in some cases from the bank sector. The additional funding allowed the intermediaries to increase the average volume of their investments. As a result, the EFG allowed for an average volume of 'ticket' received by the eligible SMEs of €5m, which is about three times the average European risk capital ticket. To date, participation in the Pan-European VC Funds of Funds is still under negotiation, but well under way.

In the context of the **Loan Guarantee Facility (LGF)**, the EIF has signed 67 transactions so far, for a total amount of €611.7m (Table 15, below). More than 60 financial intermediaries in 25 countries are involved, supporting more than 140 thousand SMEs, out of which 50% are start-ups with an operating history of less than five years. SMEs based in France, Spain and Italy were the main beneficiaries (see also Section 2.2.3, above). The progress towards reaching the envisaged leverage effect is on track: the expected leverage⁶² for operations signed is 30.9 versus 20 to 30 as a long-term target.

Table 15: Current achievements in the LGF (end 2016)

	Approved	From COSME	Covered under the EFSI guarantee
Operations	67		
No. financial intermediaries	61		
No. countries covered through financial intermediaries ⁶³	25		
Total amount of operations signed	€611.7m⁶⁴	€349.35m (61%)	€262.4m (39%)
Total no. beneficiaries	143,344		
Maximum amount of financing available under operations signed	€18.9b		
Actual volume of financing available to SMEs under operations signed	€5.5b (29%)		
Average ticket for SMEs	€38.4k		
Target leverage of operations signed	30.9		
Current leverage of operations signed	9.1		

Source: Technopolis Group, based on EIF monitoring data at end of 2016 (EIF Quarterly Report Q4/2016)

The LGF allowed for an increase in the number and volume of transactions in the sector. As shown in Table 15, above, the €611.17m of signed guarantee agreements under the LGF⁶⁵ in 2014-2016 allowed for a volume of €5.5bn in transactions with SMEs. Most surveyed financial intermediaries indicated that the LGF instrument considerably improved their ability to provide credit risk coverage or credit.

The survey also showed that in general, the COSME guarantee triggered significant additional investments, mainly by the beneficiary SMEs themselves (for 85% of respondents). In general, micro SMEs had more difficulties in obtaining additional external funding than small and medium-sized SMEs. Based on these survey data, we estimate that the financing supported by the COSME guarantee prompted an additional investment of in total €1.25bn, ie an additional 21%/23% for micro- and small SMEs, while for medium/large SMEs an additional 29%⁶⁶. Combining these two parameters (principal amount and percentage of additional investment), we estimate that the financing supported by the LGF guarantee prompted an additional investment of in total €1.25 billion (Figure 18).

⁶² This indicator is calculated by EIF based on the "maximum amount of financing expected to be made available to Eligible Final Recipients".

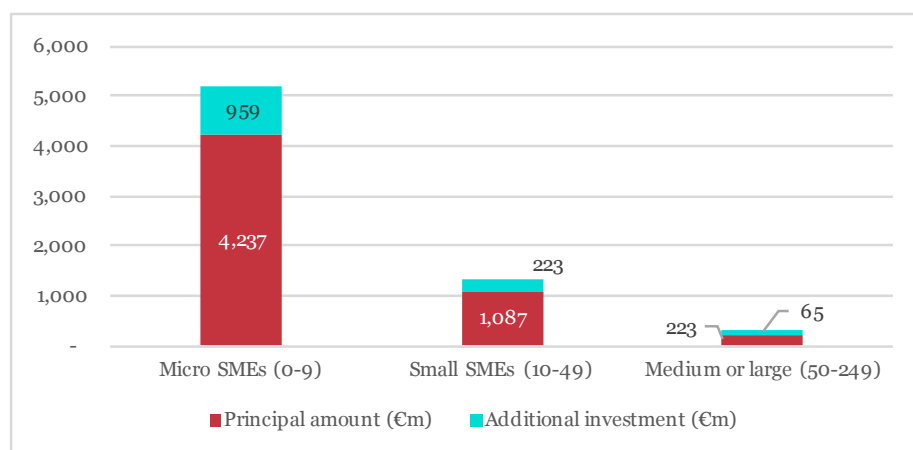
⁶³ So far, SMEs in 21 countries have received financing.

⁶⁴ As a shared contribution from COSME and EFSI

⁶⁵ As a result of the joint effort of COSME and EFSI

⁶⁶ The estimates of additional investment are based on the information on the value of Principal Amount covered by the loans and other credit instruments provided by financial intermediaries in the context of the COSME programme

Figure 18: Total investments thanks to LGF guarantees per size of SME – estimates



Source: Technopolis Group (2017)

Business management capacity - EEN

The Network is an effective action in the COSME programme; close to all its services are widely used and appreciated by the client SMEs. The Network shows significant results in terms of outputs especially in the business cooperation services, while the new advisory services will need some time before reaching the expected results. The EEN services have been effective also in providing additional knowledge, overcoming innovation and business management obstacles and setting up valuable relationships between SMEs throughout the COSME countries.

The COSME-funded action also fostered the capacity and integration of the EEN member organisations. EEN members reported to have increased their expertise as well as their ability to provide high level services to their client SMEs by participating in the Network.

The EEN focused mainly on providing access to other national markets in the EU; also services for the creation of business contacts outside of the EU were provided, though not funded by COSME. Overall it can be stated that the EEN has been very effective in reaching SMEs in Europe and offering quality services leading to concrete results.

The way of counting the SMEs reached makes it difficult to establish a **verified** number at the level of the action, though. As Table 16, below, shows,

- The number of reached SMEs is split between the different services provided and the format in which they are provided differs. If all participants in events were individual SMEs and double counting over the different types of services can be disregarded, this would result in a total number of ~500,000 SMEs reached. This figure would however be a lot lower, ~210,000 SMEs, if the trends identified in the 2008-2014 Network impact evaluation were extended to the 2015-2016 period. Most likely, the 'real' figure will be in this range
- In terms of actual outcomes, the data above show very positive effects especially on the stimulation of cross-border cooperation: Business cooperation services achieved a success rate of 40%. Five thousand Partnership Agreements were signed thanks to these services, about 70% of them in the field of business rather than innovation (ie technological or R&D cooperation). According to interviewees, the EEN services also had a positive indirect effect on business cooperation also at the regional level thanks to participation in the information events.
- The survey results suggest that the information and advisory services are effective in providing additional knowledge, learning and skills, for the main contact person of the SMEs. These services are not set up as a training scheme, though. Instead, they focus on addressing knowledge or skill gaps, related to specific barriers or

opportunities regarding business, innovation and crossing borders in the Single Market.

Table 16: Outputs and outcomes of the EEN services (2015-2016)

	Information services	Advisory services	Business cooperation services
No. SMEs directly reached	Unknown	More than 100,000	More than 50,000
No. participants in events	More than 300,000	<i>No events for these services</i>	More than 45,000
Concrete outcomes	<i>No concrete outcomes for these services</i>	3,448 ASO* (3.4%)	5,019 PAs** (40%)
Quality rating by SME clients	Very good: 50%	Very good: 55%	Very good: 48%

Notes: *Advisory Service Outcomes are the real implemented improvements deriving from the advisory service; ** Partnership Agreements are signed between organisations following a successful matching thanks to the EEN matchmaking database in order to make the cooperation official. Source: Network monitoring data provided by EASME, Technopolis Group survey results (Base = 1,597 – 1,627)

The Network also created outcomes for the intermediaries themselves. The survey results show that about two thirds of the Network staff were trained, half of these centrally; in addition, more than 10% were trained through e-learning and more than 15% participated in staff exchange and mentoring activities. The Network members also use knowledge, strategic intelligence and relationships of the other Network members to increase the quality of their service provision. In 2015 and 2016, more than 26,000 enquiries from other Network partners have been answered, ie on average about 22 enquiries per EEN member per year. EEN members reported to have increased their expertise as well as their ability to provide high level services to their client SMEs by participating in the Network.

Internationalisation

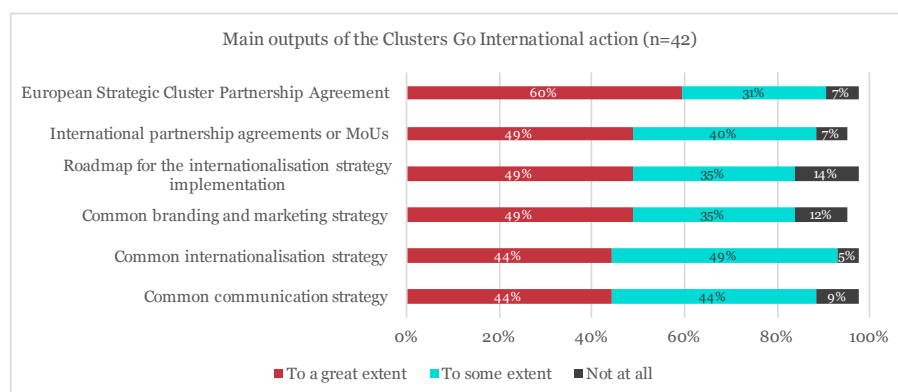
The Clusters Go International action involves 25 European Strategic Cluster Partnerships (ESCPs), representing 145 cluster organisations across 23 European countries and more than 17,000 European SMEs. Only 15 out of the 25 selected ESCPs were funded, though, due to budget constraints; the other 10 partnerships were awarded the ESCP label and encouraged to continue their partnerships on a voluntary basis, without COSME funding. The 15 co-funded partnerships account for approximately 95 clusters reaching out to over 10,300 European SMEs. The Clusters Go International projects were launched in 2016.

The Clusters Go International action succeeded in involving a high number of clusters, some even at a voluntary level, testifying the high interest in this action in the EU cluster community. The projects show overall good progress in reaching the outputs expected. At this stage, the effects are mainly in the sphere of an improved understanding of the internationalisation process, which is a major barrier for cluster and SME internationalisation.

The outputs that were expected at this stage of the projects, ie the European Strategic Partnership agreements and the international partnership agreements, were overall reached. The programme therefore set the foundation for the attainment of a key objective, ie to develop knowledge networks among EU clusters focusing on emerging technologies, geared towards an internationalisation of their activities. The ESCP activities are largely oriented toward markets outside of Europe.

The ESCPs are broadly on track also with their development of roadmaps for the implementation of the internationalisation strategies and common internationalisation and communication strategies (Figure 19, below).

Figure 19: Outputs of the Cluster Internationalisation programme



Source: Technopolis Group, based on survey data (2017)

Survey respondents and interviewees alike highlighted the high 'knowledge and learning' value and importance of these activities as they are based on a strategic analysis of the cluster partnership's positioning versus global value chains. In roughly half of the ESCPs, the delivery of the international joint business plans for SMEs is not yet fully completed. Overall, however, the COSME-funded ESCPs made greater progress in their delivery of the expected outputs than the ESCPs participating on a voluntary basis.

The overwhelming majority of the clusters (over 90%) considered that the lack of resources (financial resources and to an extent, human resources) constitutes an important bottleneck for ESCP cooperation.

The **EU-Japan Centre** was effective in organising information events and knowledge-sharing opportunities, as well as networking activities. The limited scale of these activities and the small number of SMEs and other beneficiaries reached, however, limits the importance of this action line within the overall COSME programme portfolio.

In the 2014-16 period, the EU-Japan Centre has been quite active in organising events focused on information- and knowledge sharing with the objective of facilitating and fostering the cooperation between European and Japanese companies and clusters. The most prominent of these events are listed in Table 17, below.

Table 17: Activities organised by the EU-Japan Centre

Activity	Nr of activities / stakeholders reached
Policy seminars and analysis events	In 2014, eleven events; 2015 ten events were held; in total, close to 3,000 participants
Company visits to address the practical adaptation of Japanese management and production systems to Europe	Around five company visits per year, lasting one day each
Webinars to inform EU SMEs of possible partnering opportunities and support for improving EU manufacturers' competitiveness	Average nr of participants per webinar: 107
Cluster matchmaking events to inform EU SMEs of Japanese clusters and the opportunities for cluster-to-cluster partnerships	Since 2014, three actions per year, attracting between fifteen to twenty SME

Source: EU-Japan Centre for Industrial Cooperation. Activity Report for Fiscal Year 2015

The Policy Seminars and Analysis events have both specific concrete deliverables as well as relevant 'intangible' results such as policy exchange. The agenda of these policy seminars, focusing on the priority topics Industrial Policy, Trade and Investment policy, and Energy, Environment and Climate change policy, builds upon inputs from the European Commission, the Delegation of the European Union to Japan and the Japanese Authorities. Various activities of the Centre focused also on concrete missions and matchmaking events, including the one organised in 2016 in cooperation with the ECCP, focused on the biotechnologies, nanotechnologies and ICT/space sectors. There is no feedback from the participants to these missions, so it is not possible to quantify the extent to which they have been effective.

Knowledge enhancement is a targeted outcome also of the business training activities in the EU-Japan Centre '**Vulcanus in Japan**' programme, where in 2014-2015 around 20 Japanese host companies were matched with on average 44 EU trainees per year; the programme also supported a total of 37 Japanese participants to train in European companies. A large majority of the interviewed EU alumni indicated that thanks to the programme, they enhanced their technological and socio-cultural skills, the latter in relation to the Japanese environment. In their current or future employment, they are more inclined to take on a facilitating role between Japan and the EU. Representatives of European companies confirmed this benefit and stated that they hired '*Vulcanus in Japan*' alumni because of their knowledge of the Japanese culture and way of doing business. Involvement of the '*Vulcanus in Japan*' alumni creates a sense of trust amongst Japanese customers which helps increasing the company's business activities in/with Japan.

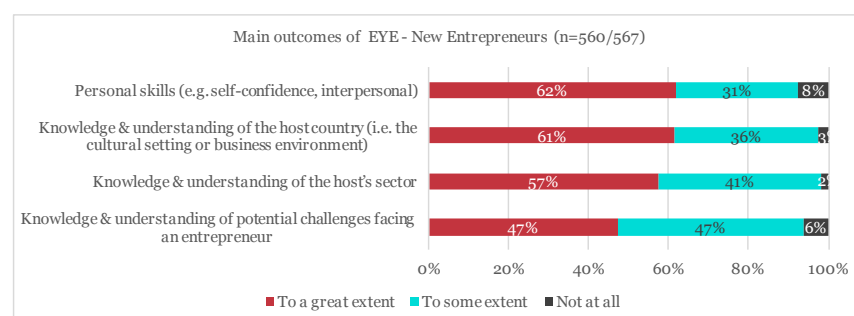
Entrepreneurship - EYE

The EYE programme has been particularly effective in reaching its knowledge- and skills-related objectives and has laid the ground for important outcomes in terms of business relationships and internationalisation, both for the New and Host Entrepreneurs. Also in this case, however, the scale of the activities (in total about 2,000 new entrepreneurs) poses limits to the importance of this action line within the overall programme portfolio.

The EYE programme targets a large pool of stakeholders. A 2013 statistical analysis⁶⁷ highlighted that the EYE action is attractive for a wide range of entrepreneurs, offering the possibility to match Host Entrepreneurs and New Entrepreneurs (NE) in a very diverse spectrum of sectors. In 2014-2016, in total 2,117 placements were undertaken (ie starting and concluding within these three years), ie 2,117 New Entrepreneurs were placed with 1,620 Hosts (of which 459 hosted one or more NEs during the period).

The programme has been particularly effective in reaching its knowledge- and skills-related objectives. Based upon the indications of these beneficiaries, the programme succeeded in achieving the effects that were expected. The New Entrepreneurs especially enriched their personal skills as well as gained knowledge on the country and sector of activity of the Host Entrepreneur. Based upon the survey responses, we estimate that around 1,800 NEs improved their management and technical skills during the 2014-2016 period because of EYE. Similarly, between one and two thousand entrepreneurs are thought to have improved several other business skills (marketing, administration, finance). In addition, nearly all participants said that their EYE experience had improved their understanding of the challenges that might face an entrepreneur, as well as possible strategies for avoiding or overcoming these. The Host Entrepreneurs, on the other hand, declared to have enhanced considerably their training and mentoring skills, which are likely to bring longer term benefits through future staff development

Figure 20: Main outcomes of the EYE programme – NEs



Source: Technopolis Group, based on survey data (2017)

⁶⁷ Technopolis Group: Statistical Analysis of the Erasmus for Young Entrepreneurs Programme, Final Report for the European Commission, 2014

The main innovation-oriented outputs for entrepreneurship actions relate to market intelligence or business networking activities, platforms and tools. Also in this case, we see significant results. We estimate that thanks to the EYE programme, over 1,000 individuals were given the opportunity to undertake market research and develop new business opportunities, meet customers and suppliers and attend business-related events. EYE has also brought immediate direct effects for Hosts, in terms of supporting innovation within their business.

The EYE programme also reached its objectives in intensifying business relationships and laying the groundwork for further cooperation and internationalisation, thanks to the creation of significant networking opportunities. Most New Entrepreneurs reported various opportunities for business networking through their EYE programme placement. Most of the NEs consulted by the study still have some contact with their host, even though the placement has ended, and we estimate that 1,107 NEs across the 2014-2016 period have maintained reasonably regular contact with their HEs. In fact, many of the ongoing HE-NE relationships involve formal business cooperation arrangements. For instance, we estimate that 315 HEs are now employing an entrepreneur they hosted, while 212 NEs are acting as an agent for their EYE host, and 191 have entered a joint venture.

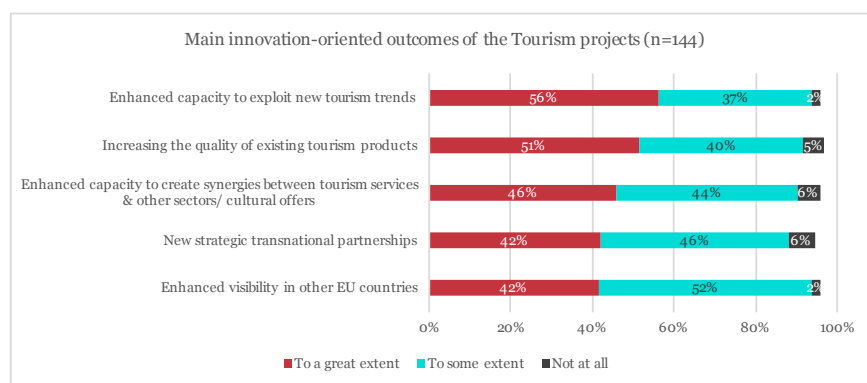
Sectoral competitiveness – Tourism programme (grants)

The approach taken in the Tourism programme to involve organisations along the value chain seems to have enabled the attainment of the expected outputs and outcomes from the projects. Participants indicate an improvement in their capacity to exploit new trends in the tourism sector and an improvement in the tourism offer. Most importantly, strategic partnerships have been established and the visibility in international markets strengthened.

The key objective of the Tourism programme is to strengthen the competitiveness of the EU Tourism sector and enhance the capacity of SMEs in the sector to expand their frontiers, both from a service/product offer and geographical point of view. The Tourism programme is geared towards the involvement of actors along the value chain. Based on the data available, the programme directly involved about 100 companies, active in the tourism sector, and an additional 50 private enterprises active in other sectors. The remaining 200 organisations were mainly business associations (mainly active in tourism), public agencies, user organisations, and professional service providers (eg marketing specialists).

Based on the survey responses, the knowledge-sharing opportunity provided by these collaborative projects enhanced the participants' capacity for exploiting new trends (senior tourism, youth tourism, low season tourism, sustainable tourism, cultural tourism etc.) and led to better quality tourism offers (Figure 21, below). Most important, the sustainability of this knowledge sharing has been ensured through the establishment of new strategic partnerships at the EU level (according to one in four respondents, these were sustainable and long-term). A considerable number of participants also indicate the attainment of more visibility in markets beyond the national borders, setting the basis for the SMEs' strengthened position in their EU markets.

Figure 21: Main innovation-oriented outcomes of the Tourism projects



Source: Technopolis Group, based on survey data (2017)

Digitisation & KETs – eSkills action line

All actions in the eSkills action line reached their expected outputs. The interviewees considered the e-skills actions effective especially in raising awareness on the needed skills and in engaging the relevant stakeholders and policy-maker communities.

The e-Skills action line entailed three actions:

- The 'e-skills for jobs' action, an awareness campaign (a budget of €2m)
- An action for the 'Development and implementation of a European Framework for ICT professions', ie an action mainly focused on framework development and coordination (€500k), and
- The action 'Promotion of e-leadership skills in Europe', an action geared to the development, validation and dissemination of a new, comprehensive policy agenda on leadership skills for digital and KETs (€500k).

All actions funded reached the outputs expected. Stakeholders interviewed were positive especially in their assessment of the effectiveness reached by the 'e-skills for jobs' awareness campaign. In 2016, it covered 21 different countries where events were organised and many stakeholders and high-level policy-makers were involved, including members of the European Parliament. Stakeholders and survey respondents unanimously indicated the effective engagement of various stakeholders such as education and training organisations, employees and entrepreneurs as the most important factor in driving progress towards an enhanced awareness and especially an enhanced availability of digital skills.

SME Policy

The activities undertaken under the COSME programme for SME policy have the objective to "support the implementation of the SBA by ensuring its follow-up and monitoring" and to help "monitoring EU and MSs activities, ensuring and organising the systematic exchange of best practices".⁶⁸ Our evaluation focuses on the main actions, ie the SME Performance Review, the SME Envoys Network, and the SME Assembly. While the Performance Review and SME Envoys Network are geared towards policy-makers, the SME Assembly has a larger target group, namely the 'interested public' (including policy-makers, entrepreneurs and SMEs organisations).

⁶⁸ Annexes to the Commission Implementing Decisions concerning the adoption of the work programmes for 2014 and the financing for the implementation of Programme for the Competitiveness of Enterprises and small and medium-sized enterprises. C(2014) 4993 final Annex 1

Based on the data and information available, all SME policy actions have been successfully implemented. Very little data are available when it comes to the use and dissemination of the outcomes of the SME policy actions, though.

Overall, stakeholders are satisfied with the results. The Envoys perceive the network as a highly valuable EU-level forum where ideas and practices are exchanged. The SME Performance Review as well as the factsheets are used by the national representatives and are considered to be of high quality. Many events are organised throughout Europe during the SME Week, and the SME Assembly gathers stakeholders from all MS. The main outreach tool, Business Planet, is broadcasted on Euronews.

The **SME Performance Review** aims at informing policy-makers. It is perceived as an important building block for evidence-based policy-making; most national representatives that were interviewed in the context of this study state that it provides reliable statistical data and analysis on EU SMEs and SME policies. It is effectively used also by the Commission to monitor the implementation of the SBA as well as the related SME elements of the EU2020 strategy. The SME Performance Review also feeds into the European Semester, which provides a framework for the coordination of economic policies across the European Union.

The **SME Envoys Network** consists of 29 Envoys (one per country and an EU SME Envoy), and meets four times a year. Together with the SME Assembly, the SME Envoy Network forms the governance structure of the SBA. For instance, since 2013 the Envoys report annually on the state of the SMEs and the implementation of the SBA to the Competitiveness Council. The report presents the latest trends in the performance of the EU SMEs and summarises the past and future activities of the Envoys.⁶⁹

Surveyed SME Envoys see their most important role as ensuring a 'watchdog' function to monitor policies and actions affecting SMEs throughout the administration of the SBA and acting visible contact persons and information providers for SMEs and SME organisations. They consider the Network to be an effective tool from that perspective. They believe the Network is the most effective in facilitating the systematic exchange of best practices and mobilising national networks. They considered the SME Envoys Network activities, the topics covered and the discussion and information received during the SME Assembly to be important elements for the implementation of the Think Small First principle at the national level. In their opinion, an effective way to increase the network's influence on national SME policy would be to increase the exchange of experience and best practices.

Most Envoys stated that the policy activities and discussions in the context of the SME Envoys Network influenced at least to a certain extent the SME policy in their country; some saw a very strong influence. Most of them found that their activities in the context of the Network had contributed to a convergence of SME policies in the EU Member States.

The Network and its activities also provided opportunities for concrete cooperation among the Envoys themselves. Examples of SME Envoy activities are the organisation of a specialist seminar and report around the implementation of the SME Test⁷⁰ and the production of a report on venture capital finance by a technical ad-hoc group to feed in to the Envoys' discussion. In 2017, the Envoys published the European SME Action programme. The programme "supplements" the SBA and "reflects the knowledge" of the network. Together with an analysis of the current situation, it provides insights into national policies and good practices. The Action programme is "a call to the European Commission and Member States to clearly commit to the 'Think Small First' principle".⁷¹

⁶⁹ 2016 Report of the SME Envoys network to the Competitiveness Council

⁷⁰ 2016, DG GROW, SME Test in EU Countries, <http://ec.europa.eu/DocsRoom/documents/19261>

⁷¹ SME Envoys Network, 2017, European SME-Action Programme

Some interviewees mentioned that the SME Envoys network could be more exploited, for example by strengthening the element of strategic reflection on SME Policies at EU level and in the Member States. Strengthening the consultative role of the SME Envoys Network (for instance feeding into the EC's policy design process on EU SME Policies) could create a channel for stronger impact of the Network.

The **SME Assembly** is a three-day conference held annually since 2012. It is directed to Europe's SMEs and entrepreneurs and those that support them. The Assembly embodies the SBA as it focuses on how to make SME policy work on the ground.⁷² It also manages the European Enterprise Promotion Awards (EEPA), which were first bestowed in 2006. The objectives of the awards are to promote enterprise and entrepreneurship, show-case best practices, raise awareness on the role of entrepreneurs in society and encourage and inspire potential entrepreneurs.⁷³ In 2014, there were 840 participants.

Several Envoys agreed that the SME Assembly is effective in show-casing the Member States' SME policy instruments and activities and the progress achieved in the implementation of measures in the ten key areas of the SBA, as well as for the development of SME policy and the implementation measures in the key areas.

Framework Conditions in the Single Market - Your Europe Business Portal (YEB)

The *Your Business Europe portal* is a prime example of a portal that acts as key source for information on the Single Market. It informs users about their rights and obligations when starting and/or managing a business in a European country and has attracted visitors beyond expectation. Its importance is illustrated by the scale of its reach: monitoring data indicate that the Portal reaches 11% of the COSME countries' SMEs. There are also high satisfaction rates with the information provided. Based on these data, the Your Europe Business Portal shows a strong contribution for (further) strengthening the Single Market.

The **Your Europe Business Portal** provides SMEs with a baseline of information on their rights and obligations at the EU level. It informs users about their rights and obligations when starting and/or managing a business in a European country. It provides practical information about these rights and obligations as well as on the practical implementation of the European rules through national legislation. User experience, and especially the accessibility to SMEs, are deemed very important. Synergies are developed mostly with the Enterprise Europe Network. The multi-lingual format of the Your Europe Business Portal and the embeddedness with and links to other national and EU support are key components.

The outputs of the Your Europe Business Portal show that many of the targets have been reached. It clearly shows that the number of visitors has increased far beyond expectations over the period 2014-2016. The figure for 2016, about 2.9m unique visitors, represents about 11% of the total SME population in the COSME countries (however, these numbers can be questioned, as it is not clear that double-counting has been avoided). Similarly, user satisfaction has remained high over the period: 88% find at least partially what they need, and 93% are at least satisfied with the portal. This shows that the portal provides SMEs with a good place to start their search for information and is able to enhance or at least start enhancing the knowledge of the SMEs visiting the site.

Visitor loyalty is the only aspect of the portal that does not seem to grow steadily over time, as many users are first-time users. The monitoring data indicate that most users come from the larger EU countries, like Italy, Poland, United Kingdom, Spain, France and Germany while also some non-EU countries show up, like Russia and the United States.

⁷² http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/sme-assembly_en

⁷³ http://ec.europa.eu/growth/smes/support/enterprise-promotion-awards_en

4.2.2 Results reached so far

Our assessment of the COSME programme results reached so far is limited to those actions for which data and information were available and/or could effectively be collected. These actions are listed in Table 18, below. As previously mentioned, the time lapse between this evaluation and the end of most of the actions implemented in COSME is not sufficient for the actual results fully to emerge; in most cases, the indications provided therefore relate to *expected* effects on the beneficiaries' economic performance, based on the short- to mid-term outcomes reached.

Table 18: Action lines/actions covered in the assessment of results reached

Thematic Area	Action line / action	Thematic Area	Action line / action
Access to Finance	LGF	Internationalisation	Clusters Go International
	EFG	Entrepreneurship	EYE
Business management capacity	EEN Administration & services	Sectoral competitiveness	Tourism (grants)

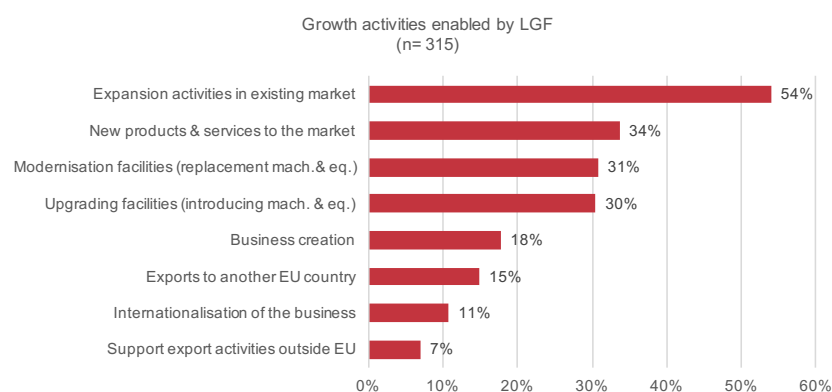
Access to finance

SMEs surveyed indicated positive impacts on their growth perspectives, both for EFG and LGF. The main ambition among the SMEs benefitting from the LGF is to expand current markets by launching new products or services and/or improving facilities with new or upgraded machinery and equipment. Ambitions for growth through an expansion of geographical markets are limited; the expectations are mainly to reach growth in turnover and safeguard jobs.

Most SMEs received funding from the **EFG instrument** only recently, so the effect of COSME equity on growth rates cannot be observed yet. However, the surveyed SMEs see a positive impact of COSME equity financing on the development of their firm and could invest in new capital stock which will have a positive effect on future growth.

By nature, the **Loan Guarantee Facility (LGF)** allows risk sharing at the European level with intermediaries across the EU. Most frequently, survey respondents indicated using the financing for the acquisition of 'machinery and equipment; Figure 22, below, shows that this regards both the modernisation and upgrading of facilities. A slightly smaller proportion of respondents stated that their funding would contribute to 'Stocks of raw material, goods to be sold, inputs to the production process, or equivalent'. Overall, however, the ambition is to expand in existing markets and launch new products or services. Only few survey respondents indicated the intention to use the funding for an expansion beyond the national territory, in the EU or internationally.

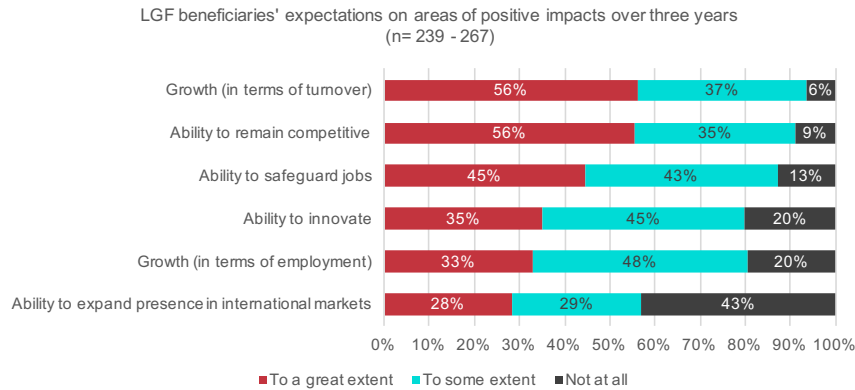
Figure 22: Growth activities enabled by LGF funding



Source: Technopolis Group, based on survey data (2017)

The expectations of the LGF beneficiaries for the near future are positive and mainly focused on achieving growth in turnover; the ambition is to safeguard current competitive positions in the existing markets, also maintaining jobs.

Figure 23: LGF beneficiaries' expectations on areas of positive impacts over three years



Source: Technopolis Group, based on survey data (2017)

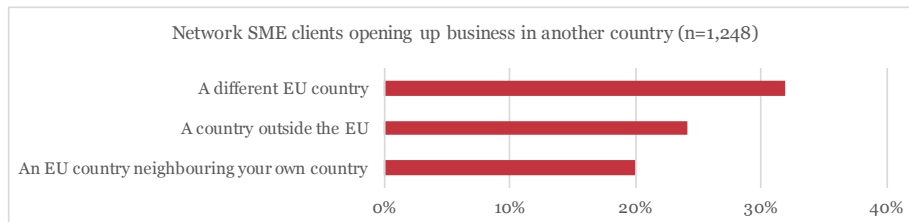
Business management capacity - EEN

A large share of SMEs that benefitted from the EEN services indicate strong expectations of growth in terms of turnover and employment, thanks to the launch of new products/services and entry into new markets, mainly in another EU country. The increase in cross-border activity is one of the better scoring aspects of the Network.

The newly introduced impact survey organised by the EEN shows that the beneficiary SMEs most often indicate an improved performance in existing markets and increased turnover as a result. Interestingly, job growth seems much less supported.

The survey conducted for this study shows that more than 75% of the client SMEs entered a new market, a result that is confirmed in the EEN impact survey. Most often, this concerned a market in another EU country (Figure 24, below). Interestingly, more than 20% of the respondents indicated entry to a market outside the EU. More than half of these respondents (60%) attribute these results at least to some extent to the services provided by the EEN.

Figure 24: Reporting of whether Network SME clients started doing business in any other country



Source: Technopolis Group, based on survey data. Base = 1,248

Based on survey data, a high number of the client SMEs (87%) also introduced new products/services. However, almost 50% of the SMEs do not attribute these developments to the Network services at all.

Figure 25, below, provides further insights into the effectiveness of the Network in promoting employment and turnover. The trends in reaching higher performance levels related to Network services that were found in the 2008-2014 impact evaluation show up

here as well.⁷⁴ Client SMEs experienced a better performance than other SMEs over recent years, both in terms of employment and turnover.

Figure 25: Effectiveness of the Network on employment and turnover



Source: Technopolis Group (2017) based on information from the EEN SME client survey and Eurostat

Clearly, the growth figures presented are not completely attributable to the Network services. Data from the survey suggest that about 50% of the SMEs do not attribute any of their growth to the Network; among the remaining 50%, about 10% attribute their growth 'to a great extent' to the Network services.

Internationalisation - *Clusters Go International action*

The improvement of the clusters' understanding of the internationalisation process and the enhancement of the cluster managers' capacities to support internationalisation in SMEs were key outcomes of the Clusters Go International (CGI) projects. Both outcomes can be expected to create positive effects in the medium-term. A similar positive effect is the creation of new international relationships, indicated by most survey respondents.

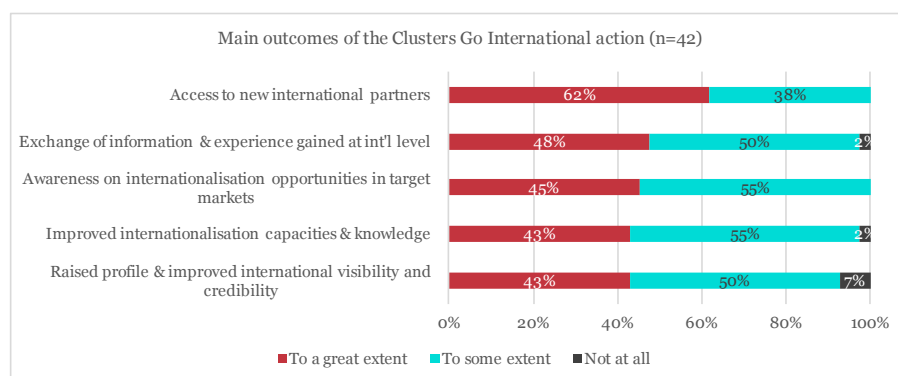
A stronger international profile and visibility as well as a strengthened world-wide market position can be considered among the more widely achieved medium-term results; so far, there are less conclusive results in relation to the integration in global value chains and the attraction of inward investment.

According to the participants in the Clusters Go International action (CGI), the main outcomes of their projects consisted in the expansion of their international networks and the enhancement of the cluster managers' capacities to support internationalisation in SMEs. These outcomes were reached thanks to the exchange in information and experience as well as the work done in preparation of the internationalisation strategy (Figure 26, below). Combined with the extension of the international networks, these 'knowledge and learning' outcomes lay the ground for potentially significant effects on the internationalisation of the SMEs involved in the partnered clusters.

The CGI actions have the potential to support also the diffusion of innovation from the EU to outside markets and vice versa, through the establishment of trustworthy partnerships and "gateways" (as some interviewed clusters mentioned) to external markets. Such a potential for the diffusion of technological and non-technological innovation is confirmed by the survey results, specifically by the fact that 100% of the clusters surveyed gained 'access to new international partners for collaboration' and greater 'awareness on internationalisation opportunities in target markets'.

⁷⁴ The same approach that was used in the impact evaluation of the Network over the period 2008-2014.

Figure 26: Outcomes of the Clusters Go International action



Source: Technopolis Group (2017); Notes: the survey targeted both funded and voluntary/non-funded projects

However, it is too early to discuss concrete results of the cluster internationalisation actions on the SMEs. In the first year, only 200 companies have been reported as directly or indirectly involved in the cluster internationalisation activities, which is almost a fourth of the number of companies that is expected to be involved in two years (890). There are no clear results yet on the extent to which SMEs have been able to scale up thanks to the cluster internationalisation programme. Based on the interviews with cluster managers, the engagement of the SMEs is expected to accelerate in the later phases of implementation, especially for the Strand 2 partnerships.

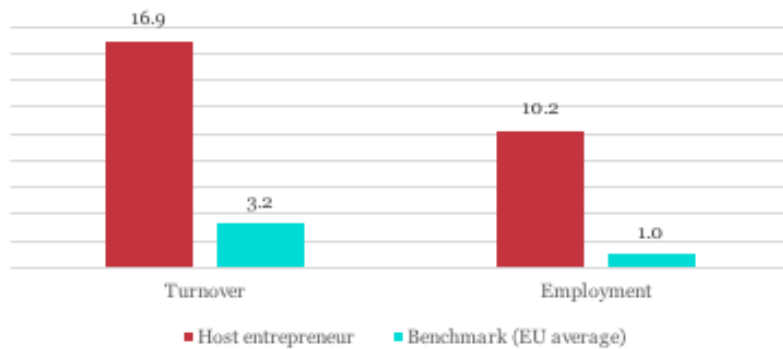
Entrepreneurship – EYE

There are already indications that the enhanced capacities amongst 2014-2016 beneficiaries are supporting further outcomes in terms of new businesses, business growth and employment. The EYE had positive effects on both the New Entrepreneurs and Host Entrepreneurs. Based on the survey responses, we estimate that the EYE programme is linked to the creation of 241 new businesses, €5m in additional turnover and the creation of over 1000 new jobs. The Host Entrepreneurs show growth rates that are considerably higher than the EU average.

Even in the short period covered by this evaluation, the share of the beneficiary New Entrepreneurs (NE) who are in employment or self-employment has increased from 50% to 78% (+ 600 people), while the proportion who are unemployed has decreased from 30% to 7% (- 473 people). EYE has also made a recognisable contribution to growth in turnover and employment in many of the Host Entrepreneurs (HE). Based on the survey responses, we estimate that the EYE programme is linked to: 241 new businesses, €5m in additional turnover and over 1000 new jobs. This implies that 11.4% of NEs created a business. Even though it is not possible to make a claim of 'causality' between EYE and these results, our evidence suggests that they are strongly linked / attributable to the programme.

Figure 27 shows that, on average, Host Entrepreneurs have had an annual growth of 16.9% and 10.2% in annual turnover and employment, respectively. These ratios are considerably higher in comparison with the rest of the economy (3.2% and 1% in annual turnover and employment, respectively) and this may partly reflect the type of company that is attracted to the EYE scheme, i.e. young companies, engaged in innovation activities, and with growth potential.

Figure 27: Average growth rate of EYE Hosts versus the EU average, in %



Source: Technopolis Group (2017)

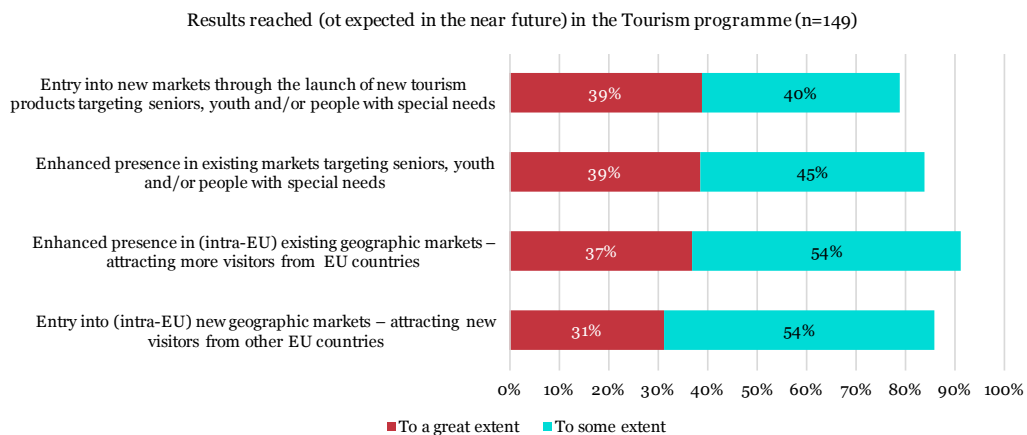
Sectoral competitiveness – Tourism programme (grants)

The COSME-funded tourism projects are achieving their expected objectives in terms of visibility and capacity to exploit new tourism trends. New tourism products and services are being developed and there are high expectations among the participants of entry into new markets, especially in relation to the development of tourism products or creating new synergies between tourism and other sectors.

Relatively few SMEs were involved in these projects geared towards value chains, but the considerable involvement of multipliers, ie tourism associations and public agencies, bodes well for future effects beyond the project participants.

The areas indicated by the survey respondents as areas where they reached or expect to reach results are exactly those areas that constituted the key objectives of the programme, ie the exploitation of new tourism trends (and/or enhanced inclusiveness) and the growth in turnover and markets (Figure 28). The involvement in the projects of several tourism associations and public agencies engaged with the tourism sector justifies the expectation that spill-over effects to the broader communities will be reached, ie these positive effects will not be limited to the project participants only.

Figure 28: Results achieved or expected shortly in the Tourism programme



Source: Technopolis Group, based on survey data (2017)

The survey respondents also indicated that their participation in the COSME programme allowed for the development of new tourism offers and the strengthening of their position in both existing and new markets.

4.2.3 Enabling factors and barriers

A major factor that determines the effectiveness of a programme is the programme design as it influences the capacity of the programme to attract the stakeholders needed to reach the desired effects. In the sections below, we consider the extent to which the design of the main action lines in the programme influenced their effectiveness and how.

In this context, it is important to consider that since its inception, the 'non-targeted' approach has been a key characteristic of the COSME programme. In most actions, there are no sectoral or geographical preference indications nor a focus on specific stakeholder communities. The actions tend to be transversal and horizontal (e.g. modernising the industry, harnessing social entrepreneurship or reducing regulatory burdens).

Access to Finance

The financial instruments show effectiveness in reaching the desired stakeholders. The current immaturity of the cross-border VC market in Europe is a barrier for a more extensive uptake of the EFG. In the case of the LGF, the 'non-targeted' approach is an issue. Currently, the use of LGF is strongly concentrated in geographical areas in Europe with more mature financial markets, insufficiently covering those geographical areas where the needs are highest.

The EFG targets and succeeded in reaching the right stakeholders, ie investment funds, private equity funds and special purpose vehicles that invest in SMEs established and operating in one or more EU Member States and COSME Associated Countries. The maximum ticket size, up to €30 million, appears to be at the right level.

There are, however, some issues when it comes to stakeholders targeted and reached. Key barriers for cross-border operations (EFG) identified through literature review and stakeholder interviews are:

- The single capital market in the EU is still in its infancy and country-specific barriers for investments still exist
- The knowledge on the local environment and the local capital market is not sufficient. This is particularly relevant since peculiarities of national capital market still prevail
- European venture capital funds do not have a track record in foreign markets nor do they have the sufficient size to operate on a pan-European basis
- EFG does not provide an appropriate incentive for private investors to invest in these funds: EFG can contribute up to a maximum of 25% of any transaction and allows only for a *pari passu* investment of the COSME instrument in a private venture capital fund.⁷⁵

The LGF has reached a high level of take-up thanks to the flexibility of its design. Based on the surveys and interviews to LGF SME clients and intermediaries, hindering factors effectively to reach the financial intermediaries and SME beneficiaries are the following:

- Not all financial intermediary stakeholders have the capacity needed to fulfil the obligations. Especially for smaller intermediaries, the high administrative costs for entering into an agreement with the EIF and complying with its requirements are problematic
- The implementation of the COSME LGF together with the InnovFin SMEG has generated some gaps. Surveyed LGF intermediaries most often point to the threshold of €150k above which financial intermediaries must check if the SME does not meet

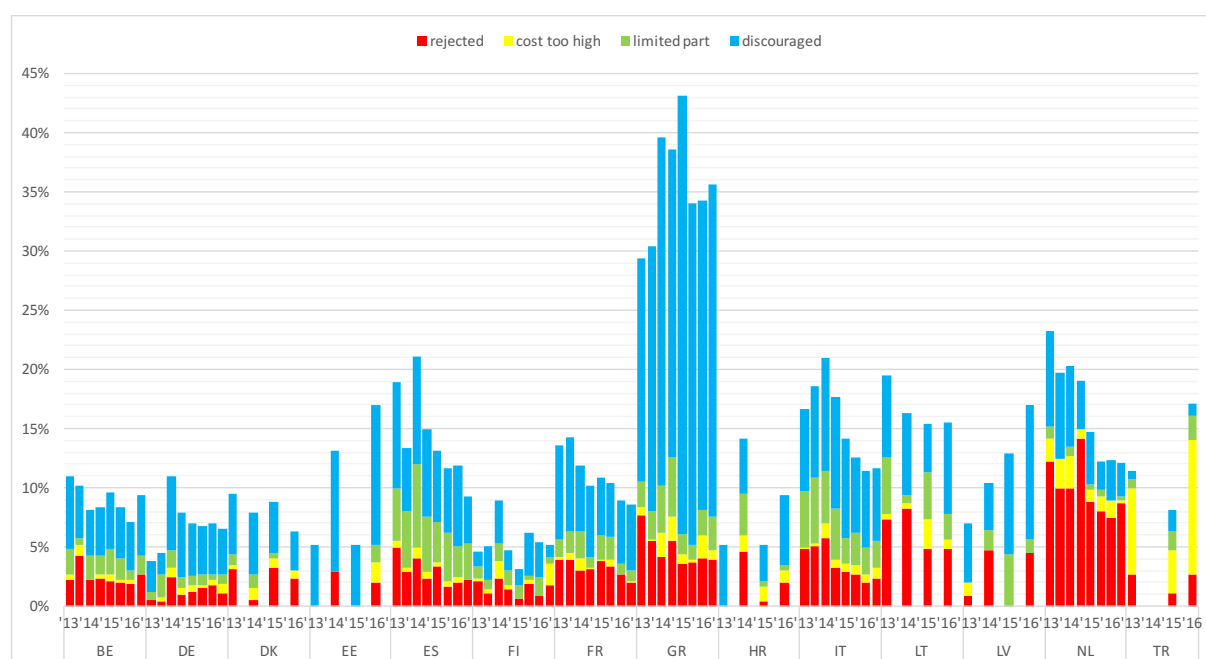
⁷⁵ In contrast, European intermediaries point to the fact that the EFSI equity product allows investing up to 50% of the total fund which provides more incentive to private investors who could earn a higher return. This further points to the EFSI being preferred to COSME.

any of the innovation criteria under the H2020 InnovFin instrument. According to the surveyed intermediaries, this resulted in many financial intermediaries limiting their products to this threshold. They also considered this threshold insufficient for many SMEs⁷⁶, a consideration that is supported by NEFI in its statement from May 2016⁷⁷. LGF intermediaries suggest that this threshold should either be abolished completely or should be increased, eg up to €500,000⁷⁸

- The intermediaries interviewed considered the additionality criteria⁷⁹ to be too restrictive for financial intermediaries that already provide a wide range of promotional programmes⁸⁰. While the first additionality criterion de facto prohibits any overlap of a new loan programme with an existing one, the second additionality criterion may create uncertainty concerning the ability to reach a sufficient amount to trigger the guarantee

In Section 2.2.3, above, we illustrated the concentration of the use of LGF in certain geographical areas and countries at the end of 2016. Further analysis of these data show that the use of LGF is concentrated in geographical areas with more mature financial markets. The data reported below show that on the one hand, most countries that benefit of a more favourable bank loan environment (eg Denmark, Germany, Belgium, France - Figure 29) feature also among the countries that have the highest shares of SMEs in their countries supported by the LGF (Table 19). On the other hand, most countries where SMEs still encounter high barriers to financing (eg Greece, the Netherlands) had in 2014-16 a proportionally small share of their SMEs supported (accounting for 0.00%).⁸¹

Figure 29: Obstacles to receiving a bank loan for SMEs across countries



Base: All SMEs. Figures refer to rounds nine (April-September 2013) to sixteen (October 2016-March 2017) of the survey.
Source: SAFE survey EU28, DG GROW,

⁷⁶ The average loan guarantee varies a lot between individual SMEs and between countries. One interviewee noted that there are average loan guarantees of 10,000 Euro in Turkey and 180,000 Euros in Germany.

⁷⁷ Joint Committee Complementarity COSME LGF-InnovFin SMEG, Presentation 2015

⁷⁸ An increase of the threshold might be more realistic than a complete abolishment in order to avoid additional overlaps with other programmes.

⁷⁹ The current additionality criteria require financial intermediaries: i) either to provide riskier financing products targeting new categories of SMEs or presenting new features; or ii) to substantially increase the volume of SME financing compared to the current activity.

⁸⁰ It was suggested to add a third additionality criteria, considering subordinated loans (or other forms of mezzanine financing) additional as such

⁸¹ At mid-2017 show that SMEs in Greece, the Netherlands and Ireland are supported under the LGF

Table 19: LGF geographical distribution – shares of SME population participating by country in EU (2014-2016)

Country	LGF	Country	LGF	Country	LGF	Country	LGF
ES	1.70%	SI	0.30%	LV	0.10%	LT	0.00%
FR	1.60%	BG	0.20%	RO	0.10%	LU	0.00%
IT	0.80%	CZ	0.20%	CY	0.00%	MT	0.00%
AT	0.40%	PL	0.20%	EL	0.00%	NL	0.00%
DE	0.40%	UK	0.20%	FI	0.00%	PT	0.00%
EE	0.40%	BE	0.10%	HR	0.00%	SE	0.00%
HU	0.30%	DK	0.10%	IE	0.00%	SK	0.00%

Source: Technopolis, based on EIF quarterly report Q4/2016 and National Statistics 2016 (2017)

Business management practice – EEN

Key for the effectiveness of the EEN services is the profile of the EEN member organisations and their embeddedness in their national and regional environments. There is a close intertwining between the services provided in the context of COSME and these organisations' 'mainstream' services. The credibility of the organisation in delivering quality services is a primary condition for the use of the EEN services by SMEs.

Uptake of public services for business and innovation management by SMEs depends on the value that the SMEs attach to the **credibility** of the service provider. The only way such credibility can be established and maintained is through high-quality service provision and building strong client relations.

Indirectly, the Network creates a platform of linked intermediaries that can provide deep knowledge and strategic intelligence on their respective regions. Survey and interview data emphasise the importance of these **knowledge- and network-sharing activities** among the Network members for the overall functioning and quality of the services provided to SMEs. The EEN monitoring data on the use of the knowledge and network of other Network partners show that in 2015/16, over 26,172 enquiries from other Network partners have been answered. This knowledge-sharing is facilitated through the task descriptions for the Network members, attributing responsibilities for 'knowledge transfer and good practices between Network consortia' as well as 'professionalism of Network services'. Different cross-country Thematic and Sector workgroups of the EEN members ensure collaboration and agenda-setting on important developments and trends within the Network, and trainings are put into place to foster a high level of quality of the Network services provided by the intermediary organisations. This is further supported through the animation of the Network as well as the Annual Conference of the Network.

Survey and interview results also indicate that participation in the Network enabled the Network members to strengthen their local ties. The **proximity** of the service provider, ie the close connection and integration of the service provider in the local environment, is another important facilitator for success, especially when providing advisory services to SMEs. The monitoring data indicate that the Network is cooperating with a total of 6,015 local stakeholders; on average, each Network partner is therefore connected to over ten actors in the region.

The Network services are also often integrated in the **overall service provision** of the Network partner organisations. The added value is that SMEs are attracted by and familiar with these organisations, which will then introduce them to the Network services when appropriate. This also ensures complementarity of the services offered by the Network partner organisations themselves.

A potential risk for the Network is that in case it seeks to shift its focus, for instance toward more high-growth firms only, this may create friction with the current client base of the established Network organisations. Another downside of this design is that the SMEs are not always fully aware that they are receiving 'EU' services, provided by their known service provider. In addition, SMEs' awareness of the Network is a matter for concern. Many SMEs know the Network partner organisations which can lead them to the Network services they need, but few SMEs are aware of the existence of the Network: according to the 2015 Flash Eurobarometer⁸², 8% of the EU's SME population is aware of the Network.

Closely connected to the integration of the EEN services in the overall service offer by the Network members is the topic of the **profile of SMEs targeted** by the EEN. In principle, the Network is open to all SMEs that are growth-oriented and need support to achieve that growth. In practice this means that the SMEs that use Network services need to have a goal that involves some type of growth – not necessarily in terms of turnover and employment. As the Network is organised in a bottom-up manner, the Network members have significant freedom in identifying their client base. Often this is done to meet the internal organisational KPI targets (or those of individual consultants). This could result in effective subsidiarity and tailor-made targeting. On the other hand, it might also imply that potentially interesting SMEs (those with a high growth potential over the longer term) are excluded.

Entrepreneurship

Despite the relatively small budget of the entrepreneurship element of the COSME programme, it has funded 13 actions over a three-year period, covering a range of different measures, in an effort to address several broad objectives and a variety of intended target groups. It therefore represents a considerable and varied portfolio of activities.

However, there is **no formal structure or process** for the design of the entrepreneurship portfolio as a whole – beyond the mere topic of 'entrepreneurship'. Actions originate from different places and are then managed across multiple policy officers and units, with only informal and unstructured interaction across them.

The COSME Work Programmes 2014-2016 provide only limited insight into the rationale (issues, problems and needs) that underlies the choice of specific entrepreneurship actions planned. The justification often relates to a lack of similar activity existing, but does not go further in explicitly explaining why such an activity is necessary at all (i.e. what the evidence is of needs). There is only one case where extensive information is provided to explain the inclusion of an action within the work programme, with detail on the background needs and rationale for COSME funding, ie the European network for early warning and for support to enterprises and second starters. In this case, the Work Programme highlights available statistics and survey data, current Member State policies and procedures, and international comparators to justify the need for the action. It also sets out the potential cost savings and wider benefits (jobs and growth) that might be realised as a result.

Internationalisation

In the Cluster Go International programme, the support for innovation was rooted in the creation of transnational collaborative environments, ie strategic partnerships between clusters, to facilitate the exchange of knowledge, expertise information on the processes to foster the internationalisation for their member SMEs. Actors involved are clusters in

⁸² European Commission, (2015), "Flash Eurobarometer 421 – Internationalisation of Small and Medium-sized Enterprises"

emerging technologies that as a first step in their project, set up transnational collaborations with other clusters in Europe.

This choice of supporting clusters was based on the **lessons learned** in the **first pilot phase under CIP**, when the coordinators were regional or national public authorities. According to interviewees, this created a bias and an imbalance in the task division among the partner: the regional authorities were coordinating the actions, but the cluster organisations gained the technical expertise. By the end of the first pilot, it became clear that public authorities are not the appropriate facilitators. The interviewees find that the clusters and cluster managers are well placed to facilitate the internationalisation of their member SMEs as cluster managers are acquainted with the technologies of the companies in their network and can promote the “ecosystem” to outside markets. Clusters are also the framework in which it is more likely to find companies involved in emerging markets, and with higher growth potential. Even if the internationalisation focus is new to the clusters, it was considered “a logical addition to cluster activities”. In a recent survey conducted by the European Cluster Collaboration Platform⁸³ with some 241 responses, 87% of responding clusters expressed their interest in going international whereas only 34% actually are active internationally. Using clusters as a tool to support the internationalisation of companies in emerging sectors was therefore considered an appropriate solution.

4.2.4 Progress towards contributing to the Union priorities

In this section, we first provide an overview of the programme effectiveness by setting the findings against the framework of market and systemic failures addressed by COSME (see also Section 4.1.2, above). In Section 4.4.2, we consider the effectiveness of the programme in attaining its high-level policy objectives, as defined in the programme intervention logic (see Section 2.1.3, above).

Overview of the effectiveness reached

Table 20, below, maps out the effectiveness reached by specific COSME action lines when addressing the market and systemic failures. The colour coding indicates the relevance of these action lines in relation to these failures as shown in Table 11, Section 4.1.2, above.

This mapping is based on a multi-criteria analysis in which we considered i) the capacity to involve SMEs with the profile needed to reach the objectives; ii) the achievement of the expected outcomes in terms of awareness, knowledge, networking, etc, depending on the defined objectives; iii) the capacity to reach the expected results and longer-term impacts that were set out in the objectives. The criteria used for the star-coding are listed under the matrix.

The multi-criteria assessment shows an overall positive picture on the effectiveness reached, or that can be expected to be reached - depending on the corrective measures that are taken up (eg the increase in intensity of the awareness-raising actions by the EIF) or the quality and commitment of the SMEs and other actors involved (eg the clusters in the Clusters Go International action).

Our assessment covers only the major action lines in each TA, so the matrix does not provide a full picture, especially for the actions addressing the information asymmetry failure, where we covered only the Your Business Europe portal. This specific aspect of the COSME activities is assessed more in detail in Section 4.4.1, below. We also did not map the effectiveness of the e-Skills actions. These actions are integral part of a longer-term policy framework, the results of which cannot yet be assessed.

⁸³ See at: <https://www.clustercollaboration.eu/news/analysis-survey-amongst-eccp-profiled-cluster-organisations-executive-0>

Table 20: Effectiveness of the COSME action lines in directly addressing the market and systemic failures

Thematic areas	Budget	Market failures		Systemic failures			
		Market power	Information asymmetry	Capability	Network	Institutional	Infrastructural
LGF	€376m	★★★★	★★★				
EFG	€173m	★★★	★★★				
Business mgt capacity	€156m			★★★	★★★★		
Sectoral competitiveness	€44m				★★★		
Entrepreneurship	€32m						★★★★
Internationalisation	€31m				★★★		
Digitisation & KETs	€16m						
SME policy	€14m					★★★★	
FC in Single Market	€6m		★★★★				

Notes: ★★★★★ reached the expected outputs and outcomes and shows **good** progress towards/attainment of expected results; ★★★ did **not** reach the expected *outcomes* but shows high potential to reach expected results; ★★ reached the expected outputs and outcomes but shows limited potential in reaching expected results; ★ did not reach the expected *outcomes* and shows low potential in reaching expected results

Effectiveness in relation to policy priorities

The COSME intervention logic indicates that contributions by the COSME programme to the higher-level EU policy priorities are expected in four areas: an increase in 'Jobs and growth', an enhanced 'Business creation and growth', a strengthened 'Global competitiveness of the SMEs', and an increase in 'Inclusive and Sustainable Growth'.

The profile of the SMEs that COSME succeeded in involving is a key criterion for the assessment of the programme's potential to contribute to the attainment of two higher-level COSME objectives: the contribution to the objectives of increasing 'Jobs and growth' and enhancing the 'Global competitiveness of SMEs'.

Table 21 gives an overview of the sectoral distribution of the final beneficiaries reached in the actions mentioned above. Details for each action line are provided in Section 2.2.3, above. We highlighted the sectors that showed the highest shares of SMEs reached by COSME so far.

Table 21: Sectoral distribution of the final beneficiaries – Partial view (EFG, LGF, EEN, EYE, Clusters Go International, Tourism grants)

Sector	No. SMEs reached	Share of the total	Sector	No. SMEs reached	Share of the total
A - Agriculture, forestry and fishing	9,048	4%	I - Accommodation & food services	15,058	7%
C - Manufacturing	41,132	18%	J - Information & communication	17,168	7%
D - Electricity, gas, etc. supply	6,973	3%	M - Professional, S&T activities	20,466	9%
E - Water supply; waste mgt etc	862	0%	N - Admin. & support services	14,695	6%
F - Construction	18,894	8%	Q - Human health & social work activities	11,452	5%
G - Wholesale & retail trade	36,966	16%	S - Other services activities	18,142	8%
H - Transporting and storage	9,327	4%	Other sectors	9,618	4%
			TOTAL	229,801	100%

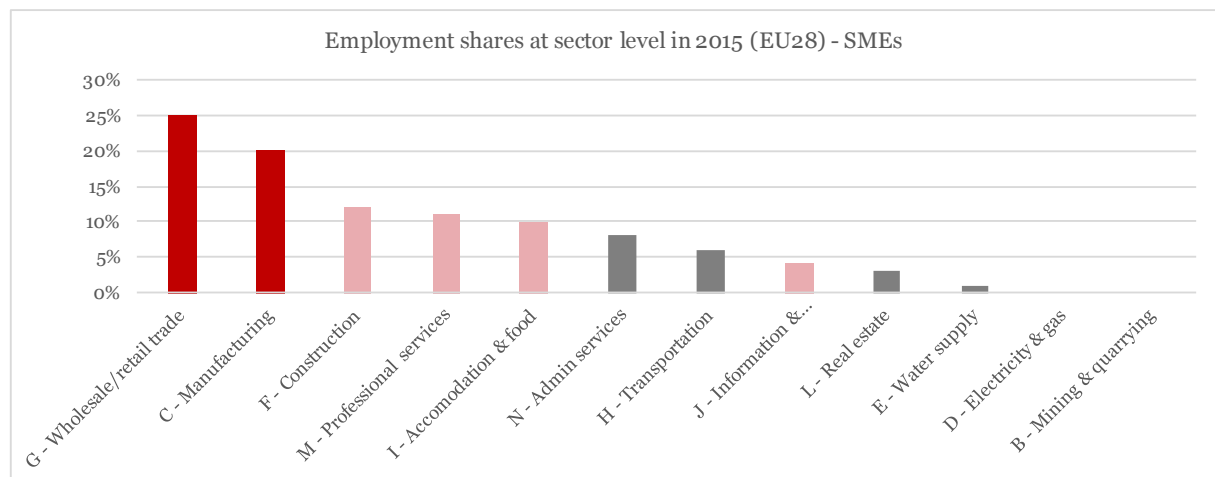
Source - for LGF and EFG: *EIF forth quarterly report 2016*; for EYE and EEN: data from EASME; for all the other action lines: *datahub*.

In the graphs below we first set these data in the context of statistical data related to the SMEs' employment shares at the sectoral level (Figure 30) and the developments from this perspective in recent years (Figure 31). Sectors with the highest shares of COSME beneficiaries are highlighted in dark red; those with high shares are highlighted in pink.

This analysis suggests that COSME has a high potential for contributing to the attainment of the **'Jobs and Growth'** objective. Its instruments – and especially the financial instruments - reached beneficiaries active in the sectors that are most important in the EU economy from that perspective.

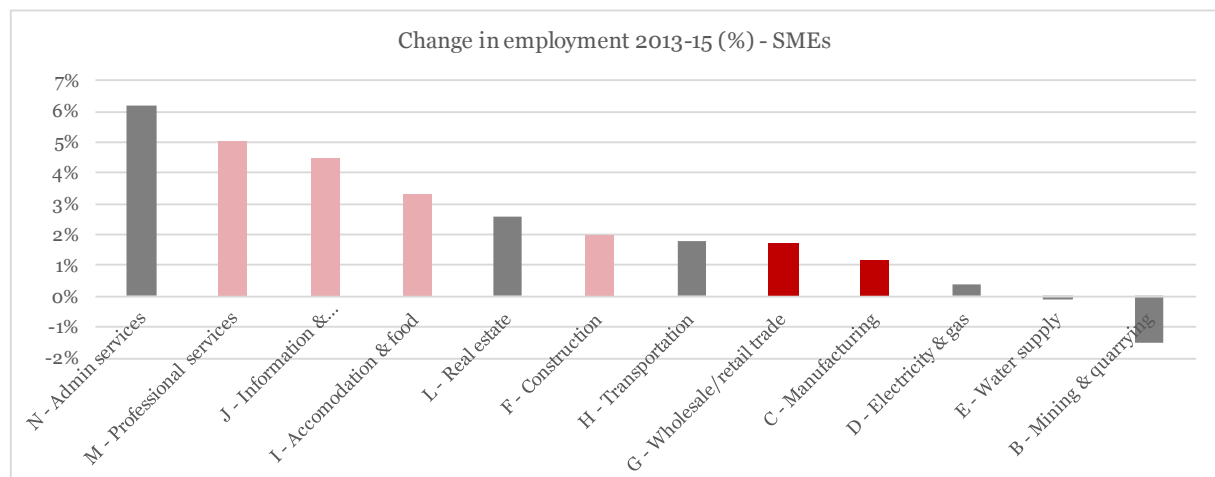
Seeing the strong presence of SMEs in the wholesale sector among the beneficiaries of the LGF (28% - see Section 2.2.3, above) and the limited importance of SMEs in this sector for the creation of new jobs (Figure 31), this analysis also confirms a finding emerging from the surveys, ie the 'value' of the LGF in supporting the safeguarding of jobs, versus the 'value' of the other instruments in boosting growth and jobs in the services sectors.

Figure 30: SME employment shares at sector level



Source: Annual report on European SMEs 2015/2016; Eurostat, Statistical Offices & DIW Econ

Figure 31: Change in employment in SMEs



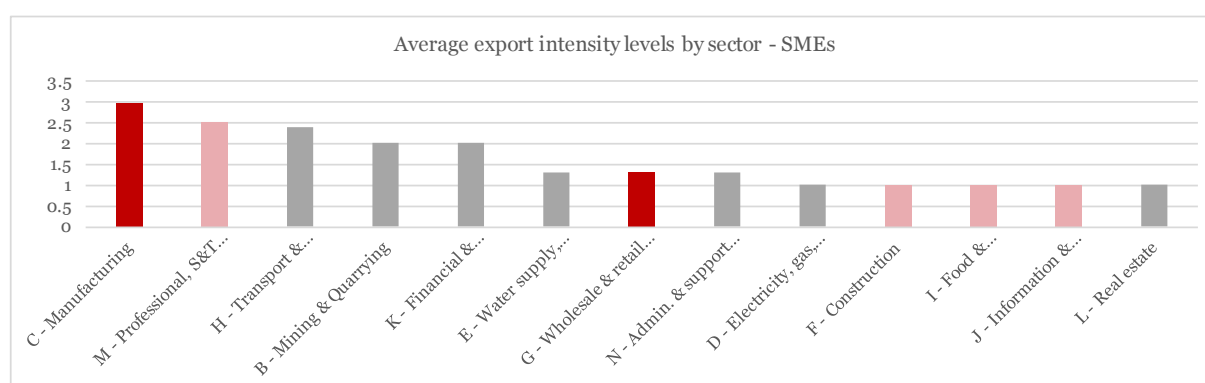
Source: Annual report on European SMEs 2015/2016; Eurostat, Statistical Offices & DIW Econ

For the estimation of the programme's potential to contribute to the attainment of the '**global competitiveness of SMEs**' objective, we took the SMEs' export intensity levels into account (Figure 32).

This analysis can only provide a very first picture because data at the highest level of the NACE code, which is the only type of data available for COSME's beneficiaries' sector of activity, does not provide a sufficient level of detail for a full-fledged analysis on this topic⁸⁴.

Nevertheless, it is interesting to note that the potential of COSME to contribute to this objective in terms of the profile of the stakeholders reached derives mainly from the non-financial instruments. Except for the manufacturing sector, the other sectors most reached by LGF (wholesale and retail, construction and accommodation and food services) sectors all show low to very low export intensity among SMEs.

Figure 32: Average export intensity levels by sector (SMEs)



Notes: 1 = very low export intensity (exports over total sales between 0 and 5%); 2 = low export intensity (exports over total sales between 5% and 10%); 3 = medium export intensity (exports over total sales between 10 and 20%); 4 = high export intensity (exports over total sales between 30 and 40%); 5 = very high export intensity (exports over total sales above 40%). Source: Annual report on European SMEs 2015/2016

4.3 Efficiency

The efficiency criterion refers to the relationship between the resources used by an intervention and the changes generated. In this section, we therefore assess the extent to which the effects achieved by COSME were reached at a reasonable cost.

In response to the evaluation questions set out in the ToR, we first report on the cost efficiency for intermediaries and final beneficiaries (Section 4.3.1) and then investigate the cost-effectiveness of the programme (Section 4.3.2). Finally, in Section 4.3.3, we cover the efficiency of the implementation structure and governance of the programme, including the contribution to an efficient implementation made by EASME and the cost-efficiency of the programme management activities.

4.3.1 Cost efficiency for intermediaries and final beneficiaries⁸⁵

In general, both intermediaries and final beneficiaries find costs and burdens affordable and acceptable. Even though in some cases, the administrative burden was still perceived as high (especially by financial intermediaries), the general feedback was that the benefits outweigh the costs.

⁸⁴ For example, the category 'C – Manufacturing' entails very different industry sectors in with a radically different propensity and capacity for internationalisation.

⁸⁵ The analysis in this section is restricted to the opinions of the intermediaries and final beneficiaries that participated in open calls.

There are some common topics in relation to costs and burdens:

- SYGMA, the **IT system** at EASME for the submission of the project proposals, clearly had some teething problems for the first calls of the COSME programme and stakeholders involved in the Tourism programme especially indicate that the user-friendliness of the IT system could be improved
- Intermediaries indicated most frequently the **reporting requirements** to be burdensome. This (still) regarded the EEN network members, but was an issue especially for the intermediaries involved in the financial instruments
- Final beneficiaries in the Tourism and especially Clusters Go International (CGI) actions shared the reflection that the **duration** of the projects - and for the CGI actions, **funding** - is insufficient in relation to the objectives and expectations set.

Half of the CGI participants responding to the survey thought the duration of the CGI project funding was not appropriate; about 40% of them thought the funding needed for the internationalisation activities was not correctly estimated. GCI participants interviewed felt unrealistic expectations were set by the EC especially for Strand 2 actions, where activities are thought to be more labour-intensive than the funding allows for. In addition, the division of project funding in two Strands, requiring new proposals, creates for the participants an issue for continuity of the clusters' internationalisation process initiated in Strand 1. For the Commission, instead, this approach of inviting projects in strand 1 to apply for a strand 2 provides an opportunity to assess the robustness of the joint internationalisation strategy developed in strand 1 and to support those in strand 2 that have most potential to achieve results. This two strands approach allows actually for a quality control of the internationalisation strategy before supporting its further implementation.

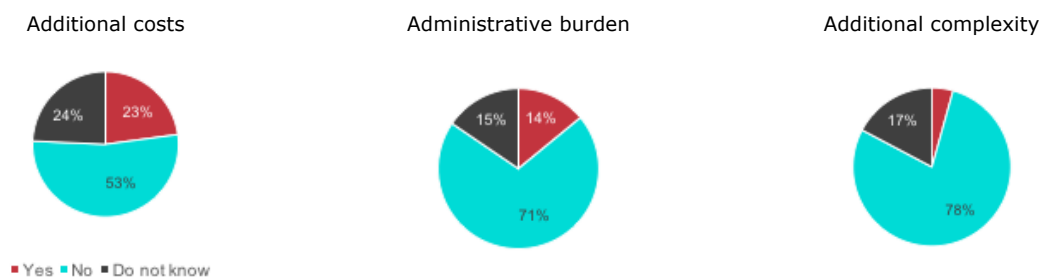
In relation to the **financial instruments**, beneficiary SMEs responding to the survey that had access to funding supported by the LGF guarantee indicated that they did not experience substantial additional costs (53%), administrative burden (71%) or complexity (78%) as a result of their LGF guarantee⁸⁶ (Figure 33).

Most beneficiary SMEs responding to the survey stated that they had not experienced additional costs because of their LGF guarantee (53%). Where additional costs were reported, the specifications in the open text question showed that these additional costs primarily regarded banking fees, ie the usual costs charged by intermediaries for any loan application processing, and therefore not specifically related to the EU-COSME guarantee. Our analysis of the responses by company size suggest that also the smaller companies were not unduly burdened.

All SMEs, but especially the micro and small firms, rated the borrowing terms of their financing supported by an EU-COSME guarantee as more favourable than those provided by other financial intermediaries for similar funding.

⁸⁶ We examined these issues in our LGF SME survey. In separate questions, respondents were asked to identify if there were any additional costs for the company related to the fact that the financing has an LGF guarantee, administrative burden for the company related to the fact that the financing was linked to an LGF guarantee, or complexity in the process because of the LGF guarantee.

Figure 33: LGF beneficiary companies that incurred additional costs, administrative burden or additional complexity related to their EU-COSME guarantee



Source: Technopolis, based on survey data. Base: 278-280

In general, the benefits outweighed the costs also for the financial intermediaries, both for LGF & EFG.

There is no clear opinion among intermediaries as to whether the administrative requirements of the programmes had been simplified in COSME compared to the predecessor programme. On the one hand, most intermediaries stated that they had seen an increase in the administrative requirements. On the other hand, some intermediaries considered that the LGF instrument is easier and simpler than its predecessor (see Section 2.1.4, above).

Although intermediaries manage to cope with the administrative requirements, they felt very strongly that the requirements should not be tightened further. They specifically mentioned the reporting requirements set by EIF (the quarterly reporting, controlling, monitoring and auditing) to be particularly burdensome. They considered that these requirements may reduce the attractiveness of the instruments and constitute a potential obstacle for commercial banks. The intermediaries suggested to simplify and reduce these reporting requirements and especially, to standardise them among EU institutions, so that the same templates could be used for different financial instruments (eg LGF and InnovFin).

EFG intermediaries indicated that the administrative burden related to an involvement of the EIF is higher than the administrative burden related to other investors in the venture capital sector. They pointed at the long time lapse between the applications for EFG funding and the date of receipt of commitment from the EIF and the long negotiations involved.

In contrast, most intermediaries involved in the LFG (nine out of 14) considered the time lapse between application and signature of the guarantee agreement with the EIF to be appropriate.

The **EEN members** equally perceive the benefits associated with taking part in the Network to outweigh the costs (Table 22).⁸⁷

More than two thirds of respondents (68%, 158 respondents) reported that the benefits outweigh the time investment either 'greatly' or 'to some extent' for SMEs. A slightly smaller proportion (63%, 148 respondents) reported the same for Network Partners. Less than 5% and 10% of respondents, respectively, suggested that the time investment 'greatly' or 'to some extent' outweighs the benefits for these groups. Respondents in all country groups were similarly positive.

⁸⁷ We explored the issue of costs and benefits via our survey of Network Members. Since the services provided by the EEN are free to SMEs, in the questionnaire we asked respondents to compare the time invested in taking part in the network or making use of its services with the benefits emerging from those interactions.

Table 22: In your opinion, to what extent do the benefits of participation outweigh the time investment?

	1 – Costs greatly outweigh benefits	2	3 - Costs are equal to benefits	4	5 – Benefits greatly outweigh costs	Average
For Network partners	1%	8%	28%	41%	22%	3.7
For SMEs	0%	4%	28%	43%	25%	3.9

Source: Technopolis, based on survey data. Base: 232-236

The balance between benefits and costs is positive also in the case of **EYE programme**.

Participants in the EYE programme were asked to assess how the costs and benefits of the scheme compared, looking at this from different perspectives (for Hosts, for New Entrepreneurs and overall). In each case the assessment was positive, with an average score around 4 (equivalent to benefits somewhat outweighing the costs) (Table 23). A much higher proportion of Hosts felt the benefits to their organisation had outweighed the costs, than the other way around (69% vs 11%). Similarly, a much higher proportion of New Entrepreneurs felt the benefits to them had outweighed the costs, rather than the other way around (67% vs 8%).

Table 23: In your opinion, how did the benefits and costs of the EYE exchange compare?

	1 – Cost greatly outweigh benefits	2	3 - Costs are equal to benefits	4	5 – Benefits greatly outweigh cost	Average
Host Entrepreneur assessment (n=179-181)	5%	6%	20%	27%	42%	4.0
New Entrepreneur assessment (n=429-491)	4%	4%	25%	37%	30%	3.9

Source: Technopolis, based-on HE and NE survey data.

4.3.2 Cost-effectiveness analysis

Our cost-effectiveness analysis (CEA) entails quantifying the benefits that would be generated by one Euro of total costs; CEA is normally used for identifying the “value for money” of programmes. Some benefits (outcomes) are expressed in monetary terms (e.g. turnover) while others are expressed as absolute numbers (e.g. number of SMEs supported). In the Methodology Report (Annex D to this report, separate report) we set out the methodology used for our CEA analysis and provide a full overview of the costs and benefits mapped for each of the actions.

For this analysis, **all costs** were considered, including the EC direct and indirect management and programme implementation costs. Below we first set out our estimates of the programme implementation costs to then report on the findings of our comparative cost-effectiveness analysis.

Programme implementation structure and management costs

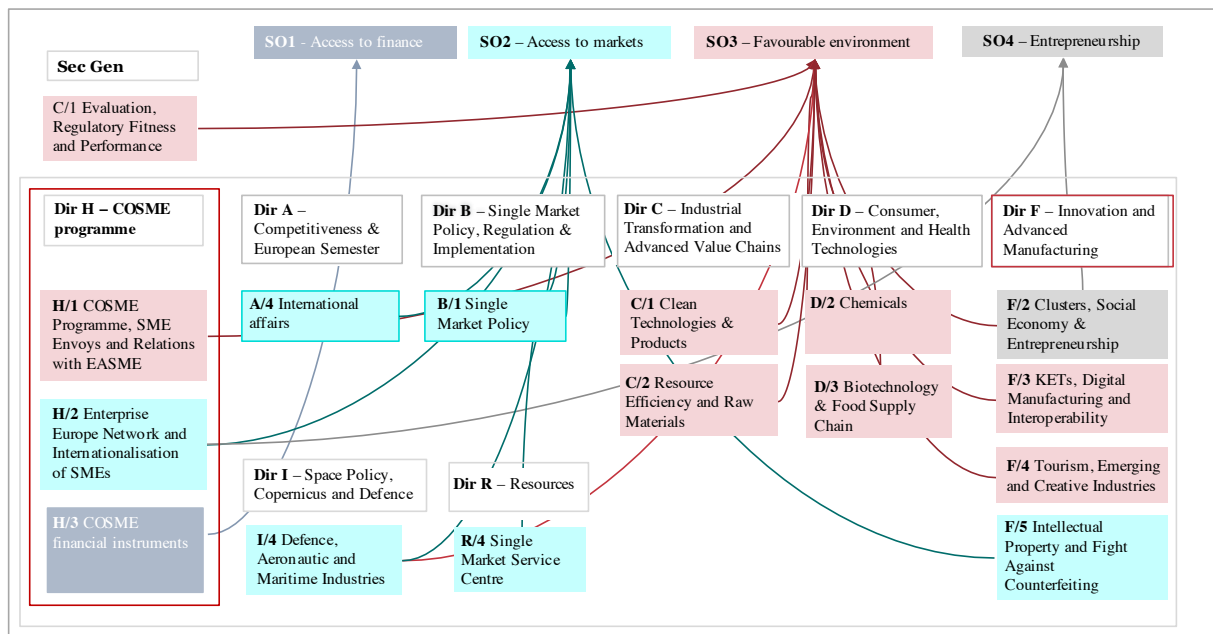
As set out in Section 2.1, above, COSME is implemented by DG GROW, supported by EASME and intermediaries with whom DG GROW concluded Partnership or Framework agreements; specifically, this regards the EIF and the EEN - and since 2016 also the EYE.

DG GROW is the EC body responsible for the management and implementation of COSME. EASME and DG GROW have shared responsibilities. According to the Commission decision on delegating powers, DG GROW leads the more strategic tasks while EASME is expected to cover the operational aspects of COSME. While DG GROW carries the overall management responsibility, the implementation of parts of the programme is delegated to EASME.

As shown in the 'COSME organogram' below (Figure 34), in 2014-2016, EC staff members responsible for specific actions or studies in COSME were active in eight out of the eleven DG GROW Directorates and in 15 DG GROW units. A *minimal* estimate provided by the EC is that about 31 FTE EC staff members are involved in COSME management and implementation activities.

The DG GROW Directorate H carries the main responsibility for the programme. It encompasses three units that are responsible for the management of the financial instruments (H3), the EEN and internationalisation actions (H2), and the SME policy actions (H1). H1 is also the unit responsible for the overall management of the programme and the administrative and horizontal supervision of EASME; it acts as the contact point for horizontal matters between EASME and DG GROW.⁸⁸ COSME involves twelve other units in DG GROW, spread over eight out of the eleven Directorates. These units are involved both in the design of the Work Programme and the implementation of the programme itself. Also the EC Secretariat General is involved. The colour scheme in the diagram below matches the units to the SOs where action lines or specific actions of their interest were (mainly) funded.

Figure 34: COSME Organigramme



Source: Technopolis Group, 2017

EASME provides support to the programme implementation and is responsible for the management of some or all phases of programme and project implementation and the communication on the programme's results. The MoU between DG GROW and EASME includes detailed task-sharing schemes. EASME is expected to cover the operational aspects of COSME, including the contractual aspects of the calls, their publication, Q&A with potential applicants, leading the proposal evaluation and award process, monitor the ongoing projects and provide feedback to the Commission on the results of projects. The MoU does not indicate targets, nor resources to be invested.

COSME's contribution to EASME for the period 2014-2016 was €21.7m, which covered the operational (administrative) aspects of the programme. This is approximately €7.2m per year (Table 24, below) and represents 6.6% of the budget committed to COSME in

⁸⁸ Memorandum of Understanding between DG GROW and EASME on modalities and procedures of interaction for the implementation of actions under COSME

the same period, excluding the budget for 'Access to Finance' managed by EIF. This is based on information provided in the annual "General budget of the European Union".⁸⁹ Further analysis is provided in Section 4.3.3.

Table 24: COSME contribution to EASME

Value in €k	2014	2015	2016	2014-2016
EASME – contribution from COSME	6,626	8,048	7,005	21,679

Source: Technopolis (2017) based on financial data provided by COSME and the General budget of the European Union.

In terms of FTE and budget for FTE, in 2016 a total of 61.3 FTE worked in the EASME management and administrative support for COSME, equating to €1.8m in terms of (the agency's) budget per capita.

The costs related to the **intermediaries** with which DG GROW concluded a Delegation or Framework Agreement (ie the EEN, the EYE European Partnerships, and the EIF) are as follows:

- *The EEN*: Approximately 600 Network member organisations are grouped in consortia organised at the national or regional level that have been selected through open calls. Typically, they are public bodies, industry/business associations, academia or private sector organisations. Network member organisations receive funding to provide services to the final beneficiaries, ie the SMEs; final beneficiaries therefore do not receive funding. It is foreseen that on average, approximately 5.5% of the COSME budget made available to the Network member organisations is dedicated to management/coordination activities; deviations are monitored by EASME.
- *The EYE European Partnerships (EPs)*: European Partnerships (EPs) are consortia of Intermediary Organisations, i.e. entities engaged in business support as their regular activities which operate at national, regional or local levels; they are officially appointed by EASME, following an open call. Each EP is composed of one Lead IO (ie coordinator) and at least four other entities from three or more different participating countries (ie partners). These partner entities, including academia, public bodies, industry associations etc., are tasked with the promotion of the scheme recruitment of entrepreneurs and the matching of Host and New Entrepreneurs. They distribute the budget among the final beneficiaries; their staff costs are included in the grant provided by COSME
- *The European Investment Fund (EIF)*: The EIF acts as entrusted entity for the implementation of the COSME financial instruments through a mandate given by the Commission. For the period 2014-2016, the costs for the COSME implementation by the EIF amounted in a total of €4.5m for EFG and €17m for the LGF. These figures corresponded for EFG to 2.6% of the total EU budget committed and for LGF to 4.5%. There are three components: administrative, incentive and treasury management fees.
 - The EIF *administrative* and *incentive fees* are calculated by means of key control indicators indicated in the Delegation Agreement.⁹⁰ They are capped at 6% of the committed amount for the EFG and the LGF; each financial instrument is set its own 6% cap.⁹¹

⁸⁹ General budget of the European Union for the financial year 2018 (<http://eur-lex.europa.eu/budget/data/DB/2018/en/SEC03.pdf>), 2017 (<http://eur-lex.europa.eu/budget/data/DB/2017/en/SEC03.pdf>) and 2016 (<http://eur-lex.europa.eu/budget/data/DB/2016/en/SEC03.pdf>). Based on outturn figures recorded in those documents (ie expenditure from previous years).

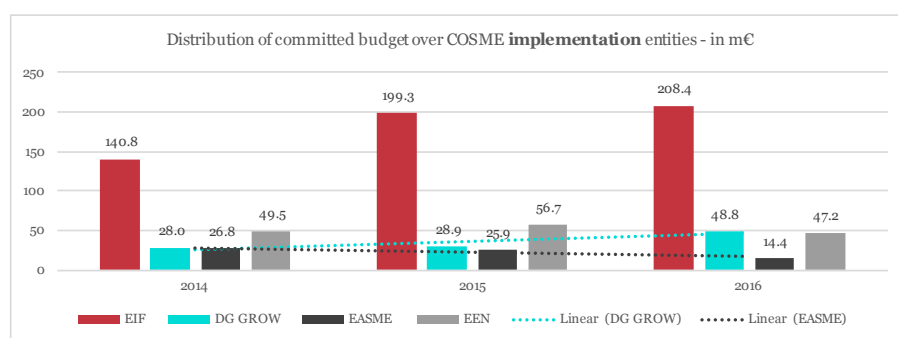
⁹⁰ Annex 5 of COSME DA

⁹¹ Article 12.2 of the DA

- The incentives fees are paid after having reached the specific targets (such as the number of SMEs financed, the volume of financing made available, the leverage achieved) and ensured diversification of the support provided through e.g. new financial intermediaries and new countries covered. A cap is set on administrative fees, which may not exceed 2.8% of the EU Contribution Committed for the EFG and LGF respectively.⁹²
- In addition to the above fees, treasury fees are paid for asset management. They are capped at 0.5%.

Figure 35, below, suggests that because of the budget distribution dynamics over the thematic areas in the period 2014-16, combined with the decreasing use of open calls for proposals (grants) as mode of implementation, a decreasing share of budget is directly managed by EASME while an increasing share is managed by EIF and DG GROW itself.

Figure 35: Allocation of roles and tasks versus budget managed



Source: Technopolis Group (2017), based on data provided by COSME

Comparative cost-effectiveness analysis

In our comparative CEA, we compared the grossed-up values of main outcomes of the key actions to the COSME budget committed, administrative costs and additional financial resources from other relevant stakeholders (e.g. EFSI guarantee in the case of LGF), to estimate the number of outputs achieved by each action by million invested.⁹³

In the case of LGF, we estimated also some additional indicators to account for the fact that the current 2014-2016 committed budget envelope (from COSME and EFSI) will continue to deliver results as the financial intermediaries have 2 to 3 years to build up loan portfolios under the guarantee agreements signed under 2014-2016 budget envelope. So far, a total of 143,000 SMEs has been supported; it is expected that the same 2014-2016 budget envelope will have supported a total of 300,000 SMEs in 2018.

The cost-effectiveness analysis shows that in relation to the number of SMEs reached, the Cluster Go International action appears as the most cost-effective action, ahead of the EEN, LGF and EYE. However, when considering the (estimated) increase in turnover generated and employment, the EEN appears to be more cost-effective than the LGF and the EYE, even when a measure of additionality is considered and taking account of the full potential of the LGF total 2014-16 budget envelope. It should be noted that these figures do not take account of the *intensity* of the interaction with the beneficiary SMEs.

⁹² Article 12.4 of the DA

⁹³ See the Methodology Report – Annex D to this report – separate report)

Reaching out / supporting SMEs & entrepreneurs, per €1 million invested

One metric that is directly comparable across the actions under analysis is the number of SMEs / entrepreneurs reached or supported per €1 million invested. The results are shown in Table 25. Based on this indicator,

- The *Cluster Go International* appears at the top with circa 3,800 SMEs reached per € 1 million invested. This is mostly due to the size of the membership of the clusters involved (93 cluster organisations that involve 1,246 SMEs), and the relative low amount of budget committed (€2.4m in 2014-2016, including an estimated €0.1m in administrative fees and co-funding from partners estimated at €0.6m).
- This is followed by the *EEN* (991 SMEs per €1 million invested) and *LGF* (225 SMEs supported so far per €1 million invested - and a total of 470 SMEs expected to be supported within the same budget envelope).
- *EYE*, on the other hand, appears as the least cost-effective action in terms of reaching out to SMEs (or potential SMEs) with only 98 SMEs per €1 million invested (including host and new entrepreneurs).

This indicator, of course, does not capture the intensity of the interaction with SMEs. This is better reflected in the indicators shown in the sub-sections below.

Table 25: CEA – number of SMEs reached/supported

Action	#	Indicator	CEA*
Support to access finance - LGF	[1a]	Number of SMEs supported (so far) through COSME financing, per €1 million invested	225
Support to access finance - LGF	[1b]	Number of SMEs (expected to be) supported through COSME financing, per €1 million invested	470
Business management capacity - EEN	[2]	Number of SMEs reached and supported, per €1 million invested	991
Internationalisation - Cluster Go International	[3]	Number of SMEs supported by Cluster, per €1 million invested	3,798
Entrepreneurship - EYE	[4]	Number of new entrepreneurs supported, per €1 million invested**	98

Source: Technopolis Group (2017) - * Cost includes budget committed, administrative costs and additional budget committed by ESFI (in the case of LGF) and beneficiaries. **This indicator includes the host and young entrepreneurs. In the case of young entrepreneurs, EYE has reached out to 82 young entrepreneurs per €1 million invested.

Increase in turnover and employment, per €1 million invested

Another comparable metric across actions is the turnover and employment linked to COSME actions. This indicator is relevant to three actions, LGF, EEN and EYE, and results are shown in Table 26.

We first look at the **increment in turnover generated** by client SMEs in the period 2014-2016. Taking into account the **additionality** of the programme, i.e. including estimates of the proportion of the change that can be attributed to the COSME programme, we estimate that

- *Each €1 million invested in the EEN has led to a total increase of €45m in turnover for client SMEs.*

The EEN has supported companies that have had a total increase of €146.1b in turnover in three years (between 2014 and 2016). This is based on estimations of average increase in turnover between 2014-2016 as reported in our survey (€696k in three years) and the estimated number of SMEs supported by the Network (circa 210,000). We estimated that €45K of the €696k average increase in turnover is directly attributable to EEN.

We then compare the grossed-up number with the COSME committed budget of €154.50m (including €9.6m in administrative fees to EASME) and co-funding from partnership organisations, estimated at €57.8m for the period 2014-2016.

- *Each €1m invested in the LGF has led to a total increase of €11m in turnover from client SMEs.*

Without accounting for the programme additionality, we estimate that each €1m invested in the LGF contributed to a total increase of €17m in turnover from client SMEs. Furthermore, it is expected that the total budget envelope for the period 2014-2016 will contribute to a total increase of €35m in turnover from client SMEs, again per €1 million invested. These calculations make use of the estimations made by the EIF in the 'Employment and Growth Report' (2015) concerning growth in turnover among supported companies.

- *Each €1 million invested in EYE has led to a €3m increase in turnover for SMEs (Hosts and New Entrepreneurs).*

This is a very positive result; however, it implies that EEN and LGF are more cost-effective than EYE in terms of supporting turnover generation.

Given the total numbers of companies supported through the actions, the absolute increase in value of turnover is considerably higher among EEN client SMEs, compared to LFG or EYE. However, we also find that the levels of **additionality** are different.

Additionality of the EYE programme seems to be highest, i.e. a higher percentage of that increase is attributable to the programme in contrast with the LGF or EEN, given that EYE entails a more intense interaction with the beneficiaries, in this case, New Entrepreneurs and SMEs (Hosts). A relatively higher share of the benefits experienced by EYE participants can therefore be attributed to the programme.

Nevertheless, even after additionality is considered (63% for LFG⁹⁴, 53%-73% for EYE⁹⁵ and 6.5% for EEN⁹⁶ - as shown in the second part of Table 26), EEN still appears as the most cost-effective measure, followed by LGF. This relative position stands even after considering the number of SMEs expected to be reached by LGF in the near future.

Further sensitivity analysis shows that EYE is more cost-effective only if we assume an additionality of 0.5% for EEN, which is unrealistic (i.e. that EEN can only claim 0.5% of the total increase in turnover among SME clients which seems an underestimate given that we have shown that these companies have grown at least 6.5 percentage points more than a benchmark group). (Figures not shown).

The table below presents the indicators before and after additionality is taken into account.

Table 26: CEA – Turnover

Action	#	Indicator	CEA*
Business management capacity - EEN	[6]	Increase in turnover <u>linked to services provided by EEN</u> (in €), per €1 million invested	690
Access to finance - LGF	[5a]	Increase in turnover <u>by companies that had access to LGF</u> (in €), per €1 million invested	17
Access to finance - LGF	[5b]	Expected increase in turnover <u>by companies that had access to LGF</u> (in €), per €1 million invested	35
Entrepreneurship - EYE	[7]	Increase in turnover <u>linked to EYE</u> (in €), per €1 million invested	5

After accounting for additionality

⁹⁴ 63% of SMEs that stated that the financing supported by a EU-COSME guarantee was the only option available or that other options were available but did not cover the full amount.

⁹⁵ 58% of HE that agree that NEs contributed to growth in companies' turnover, while 73% of NEs that agree that EYE has helped them to establish a new business. We use these parameters and assume that in 58% of the cases attribution for growth is 100% while in 47% attribution is 0%. A similar assumption is applied to NEs.

⁹⁶ This is based on the calculations presented in the Network section in the Effectiveness chapter, where we show that turnover among EEN SME clients has grown 6.5 percentage points more than a benchmark group. This estimate excludes outliers and takes into account failure rates.

Action	#	Indicator	CEA*
Business management capacity - EEN	[9]	Increase in turnover <u>linked to services provided by EEN</u> , per €1 million invested (attributable to the programme)	45
Access to finance - LGF	[8a]	Increase in turnover <u>by companies that had access to LGF</u> (in €), per €1 million invested (attributable to the programme)	11
Access to finance - LGF	[8b]	Expected increase in turnover <u>by companies that had access to LGF</u> (in €), per €1 million invested (attributable to the programme)	22
Entrepreneurship - EYE	[10]	Increase in turnover <u>linked to EYE</u> , per €1 million invested (attributable to the programme)	3

Source: Technopolis (2017) - * Cost includes on budget committed, administrative costs and additional budget committed by EFSI (in the case of LGF) and beneficiaries.

In terms of **employment**, we find that

- *Each €1 million invested in the EEN has led to an increase in employment of circa 377 people among client SMEs.* This is based on an increase of 2 employees per company in the period 2014-2016 (calculated from our SME client survey), the total number of companies supported (210,000), and the additionality factor.
- *Each €1 million invested in LGF has led to an increase in employment of circa 235 people among client SMEs.* Furthermore, it is expected that LGF will contribute to a total increase in employment of circa a total 491 people per €1 million invested.
- *Each €1 million invested in EYE has led to an increase in employment of 33 people among SMEs (Hosts) and New Entrepreneurs.* Again, this a very positive result; however, it implies that EEN and LGF are more cost-effective than EYE in terms of supporting job creation.

Similarly to what we described in the section on turnover, these measures account for additionality, i.e. the extent to which the increase in employment can be attributed to the action (63% for LGF, 41%-73% for EYE⁹⁷ and 9.5% for EEN).

The table below presents the indicators before and after additionality is taken into account.

Table 27 CEA – Employment

Action	#	Indicator	CEA*
Access to finance - LGF	[11a]	Increase in employment by companies that had access to LGF, per €1 million invested	372
Access to finance - LGF	[11b]	Expected increase in employment by companies that had access to LGF, per €1 million invested	779
Business management capacity - EEN	[12]	Increase in employment linked to services provided by EEN, per €1 million invested	1,983
Entrepreneurship - EYE	[13]	Increase in employment linked to EYE, per €1 million invested	58
After accounting for additionality			
Access to finance - LGF	[14a]	Increase in employment by companies that had access to LGF, per €1 million invested (attributable to the programme)	235
Access to finance - LGF	[14b]	Expected increase in employment by companies that had access to LGF, per €1 million invested (attributable to the programme)	491
Business management capacity - EEN	[15]	Increase in employment linked to services provided by EEN, per €1 million invested (attributable to the programme)	377
Entrepreneurship - EYE	[16]	Increase in employment linked to EYE, per €1 million invested (attributable to the programme)	33

Source: Technopolis Group (2017) - *Cost includes budget committed, administrative costs, and additional budget committed by EFSI (in the case of LGF) and beneficiaries.

⁹⁷ 41% of HEs that agree that NEs contributed to growth in companies' employment. In the case of NEs we use the same measure for turnover. We use these parameters and assume that in 41% of the cases attribution for growth is 100% while in 59% attribution is 0%. A similar assumption is applied to NEs.

Cost-effectiveness analysis of other action-specific outputs and outcomes

Table 28 presents a series of action-specific metrics. It should be noted that these metrics do not allow for direct comparison across actions, as they are action-specific. Based on this analysis we find that:

- Each €1 million invested in LFG has so far contributed to leveraging at least €9 million in value of credits. This is based on a total of €5.5 billion of principal amount in credits provided to SMEs supported by an EU-COSME guarantee so far (based on monitoring data). Furthermore, it is expected that LFG will contribute to leveraging a total of €30 million in value of credits within the same budget envelope.
- Additionally, each €1 million invested in LFG has so far contributed to at least €2 million in additional private investments. This is based on a total of €1.25 billion of private investment among 143,344 SMEs (based on survey results and monitoring data). Furthermore, if we consider the 300,000 SMEs that are expected to be supported within the same budget envelope we estimate that each €1 million invested in LFG will contribute to at least €4 million in additional private investments
- Each €1 million invested in Cluster Go International supports 31 cluster organisations. As mentioned above, this in turn leads to circa 3,800 SMEs supported per €1 million invested
- Each €1 million invested in EYE contributes to the creation of 6 additional businesses (set up by 241 New Entrepreneurs)
- Each €1 million invested in EYE leads to 26 New Entrepreneurs engaging in at least one business cooperation agreement (including client-buyer relationships, licence agreements, and joint ventures)

Table 28: CEA – Action specific outcomes

Action / instrument	#	CEA*
Support to access finance - LGF		
Number of SMEs supported through COSME financing (that would not have had access to other sources of funding), per € million invested	[17a]	142
Expected number of SMEs supported through COSME financing (that would not have had access to other sources of funding), per € million invested	[17b]	296
Value of credits leverage, per € million invested	[18a]	9
Expected value of credits leverage, per € million invested	[18b]	30
Value of private funds leverage, per € million invested	[19a]	2
Expected value of private funds leverage, per € million invested	[19b]	4
Internationalisation - Cluster internationalisation		
Number of clusters supported, per €1 million invested	[20]	31
Entrepreneurship - EYE		
Number of New Entrepreneurs who have created their own business (thanks in part to their participation in EYE), per €1 million invested	[21]	6
Number of entrepreneurs engaging in at least one business cooperation agreement, per €1 million invested	[22]	26

Source: Technopolis Group (2017) - *Cost includes budget committed, administrative costs, and additional budget committed by EFSI (in the case of LGF) and beneficiaries.

4.3.3 Efficiency in the programme implementation

This section reports on our findings related to the efficiency of the operational implementation of COSME. We first consider the cost-efficiency of EASME as the executive agency for COSME, considering the efficiency of the agency management practices in general, its important role for the functioning of the EEN, and one of its core activities, ie the management of the open calls for proposal.

Subsequently, we analyse the success rates of these proposals, as an indication of the efficiency in the programme design and budget allocation. The adequacy of the budget distribution in the programme overall is the topic of the next sub-section. We close this

section off with our considerations related to the COSME efficiency in the management of data and the monitoring and evaluation activities.

EASME's contribution to an efficient roll-out of the programme

Cost-efficiency

The analysis of the cost-efficiency of EASME's activities suggests a lower-than-expected cost-efficiency when compared to the 2013 CBA, as well as a lower efficiency in the use of resources for the management of COSME compared to the EASME management of the SME Instrument programme. The latter is highly influenced by the fragmentation in the COSME portfolio.

In this analysis we compare the key data on the EASME costs for COSME with the expectations set out in the 2013 Cost Benefit Analysis of EC Executive Agencies (CBA).⁹⁸ For the data on number and budget per FTE, a comparison is made also with the data for the EASME support to the SME Instruments programme.

The 2013 CBA projected the future costs of the agency, based on information collected for the COSME programme from EACI, the legal predecessor of EASME. The COSME programme budget for 2014-2016 was projected to be €352.7m (excluding the access to finance actions); the total agency budget for COSME was predicted to be €283.5m, including €15.2m for administrative costs (Table 29, below).

The actual data for 2014-2016 show a total programme budget of €327m (slightly lower than the projected one), a total agency budget for COSME of €321.4m (more than projected), and an agency administrative budget of €21.7m (instead of €15.2m).

A common measure of efficiency is to compare the **agency administrative budget** as a share of the total programme budget. In the case of COSME, the data show that the administrative budget represents 6.6% of the total programme budget, which is higher than expected in the 2013 CBA. Given the shared responsibilities agreement between DG GROW and EASME, and therefore a lower total programme budget to consider, the proportion would be slightly higher. This suggests a *lower-than-expected level of efficiency*. Also when comparing the agency administrative budget with the total agency budget, EASME appears to be performing *lower than expected in terms of efficiency in administration*: the administrative budget represents 6.7% of the total budget, compared to the 5.4% expected.

Table 29: EASME versus EACI-CBA budget (in €m)

	EASME (2014-2016) (in €m)	EACI (CBA estimates) (2014-2016) (in €m) – EASME calculations
Total COSME programme budget (excl. financial instruments)	€327.2m	€352.7m
Total agency budget for COSME	€321.4m	€283.5m
Agency operational budget for COSME	€299.7m	€268.3m
Agency administrative budget for COSME	€21.7m	€15.2m
Compared to the total programme budget	6.6%	4.3%
Compared to the total Agency budget for COSME	6.7%	5.4%

Source: EASME 2016 Annual Activity Report and Annexes; Final Report on the Cost Benefit Analysis for the delegation of certain tasks regarding the implementation of Union Programmes 2014-2020 to the Executive Agencies, dated 19 August 2013.

⁹⁸ Final Report on the Cost Benefit Analysis for the delegation of certain tasks regarding the implementation of Union Programmes 2014-2020 to the Executive Agencies, dated 19 August 2013.

In terms of **number and budget per FTE**, in 2016 a total of 61.3 FTE worked in the management and administrative support for COSME (Table 30, below). This equates to a €1.8m budget per FTE for COSME. Compared to the estimates made in the 2013 CBA exercise, in 2016 there was less FTE staff and less total agency budget for COSME in EASME, but the budget per FTE was considerably higher (€1.8m versus €0.9m estimated). In other words, EASME appears to be administrating its resources *in a more efficient manner than expected*.

Table 30: EASME versus EACI-CBA budget (in millions) (FTEs)

	EASME (2016)	EACI (CBA estimates for 2016)
Total FTEs	61.3	108
Total agency budget for COSME	€109.7m	€95.9m
Budget per FTE for COSME	€1.8m	€0.9m

Source: EASME 2016 Annual Activity Report and Annexes; Final Report on the Cost Benefit Analysis for the delegation of certain tasks regarding the implementation of Union Programmes 2014-2020 to the Executive Agencies, dated 19 August 2013.

In 2016, a total of 261.9 staff (posts) were allocated to the management and administrative support for H2020 at EASME, equating to €3.2m in terms of (the agency's) budget per capita. In the same year, a total of 91.3 staff worked in the management and administrative support for the SME Instrument at EASME, equating to €5.8m in terms of (the agency's) budget per capita (based on EC funding provided in signed Grant Agreements and H2020 administrative costs). The figures are shown in Table 31.

It should be noted that the COSME is composed of many different large and small actions with a variety of implementation modes (calls for proposals, calls for tender, ad hoc grants). In contrast, the SME instrument only has one implementation mode (calls for proposals), which allows managing a larger portfolio across relatively less people.

Table 31: EASME staff, across COSME and SME instrument (staff)

	COSME (2016)	H2020 (2016)	SME Instrument (2016)
Total staff (posts)	95.8	261.9	91.3
Total budget	€109.7m	€831.1m	€532.9m*
Budget per capita (€m per post)	1.1	3.2	5.8

Source: EASME 2016 Annual Activity Report and Annexes. *Estimate based on EC funding provided in signed Grant Agreements (€519.3m) plus 3% in administrative budget based on information for H2020

The relationship with EEN

EASME plays a very important role for the functioning of the Network, including training staff of the EEN member organisations. The interviews indicated that EASME is quite efficient in the tasks they run thanks to the experience built up during the CIP programming. The transition to the COSME programme did not have a significant impact on their tasks, in which efficiency was preserved. The availability of EASME to respond to questions from the Network members was highly praised by the interviewees.

Time-to-grant in the open calls

The time-to-grant, ie the time elapsed between proposal and contract, is a measure of efficiency that is particularly important to SMEs. The data show that on average, EASME performed particularly well against this measure, better than the target set in EASME and at equal levels as the demanding target set for H2020 (8 months).

The time to grant is measured as the number of months between the deadline for submission of proposals and the signature of grants for successful proposals. In its Annual Work Programme 2017, EASME sets its time-to-grant for COSME funded projects in 2017 at nine months (274 days).

According to the available data, the time-to-grant for the COSME actions is on average eight months (considering a month consisting of 30 days as is set out in the 2017 EASME WP) (Table 32). The longest time period required was for the Tourism programme open calls.

Table 32: Time to grant in the calls for proposals (grants only)

Themes	Action lines	Average Time to grant in days	Average of Time to grant in months
Business mgt capacity	EEN Administration & services	234.8	7.8
Entrepreneurship	EYE	218.6	7.3
Internationalisation	Cluster internationalisation	222.6	7.4
Sectoral competitiveness	Clusters Excellence	181.5	6.0
	Design-based consumer goods	235.4	7.8
	Tourism	250	8.3
Grand Total		232.8	7.8

Notes: * assumption month=30 days. Source: Technopolis Group (2017), own elaboration based on raw data provided by EASME (July 2017)

Success rates in open calls for grants

For this analysis, we have taken account only of the actions with open calls (grants) for which at least 50 proposals were submitted to ensure robustness of the analysis. The data are provided making a distinction between calls targeting intermediaries and calls targeting final beneficiaries.

The success rate of the proposals for the COSME open calls in Table 33 is calculated as the ratio between the eligible proposals that received funding, reflecting the approach taken in H2020 for these calculations⁹⁹. The '**eligible proposals success rate**' gives an indication of the level of competition for the funding.

Equally in line with the data provided in the H2020 Monitoring Reports, we calculated also the share of '**high quality proposals funded**', ie proposals that reached scores above the threshold that reached funding. Data on the share of high-quality proposals funded indicate the adequacy of the funding budget that was foreseen for the call(s) in comparison to the interest (and need for funding) in the stakeholder communities. A factor that plays a role here is also the number of low quality proposals, ie proposals that did not reach the threshold.

The analysis shows a significant difference between the two 'flagship' actions targeting the intermediaries (EEN and EYE) and the other actions, in terms of level of competition as well as budget availability. In comparison, competition was high for all the other actions, but especially for the Clusters Go International action and the Migrants entrepreneurship support schemes; for the latter, also the available budget was particularly inadequate.

Table 33 shows that while the competition for the EEN grants is close to nihil, in 2014-16 the success rates of eligible proposals for the EYE programme (25%) as well as share of high quality proposals funded (50%) was considerably higher than those for the other actions. An exception to the rule appears to be the Design-based consumer goods actions; however, in this case the high rate of quality proposals funded is explained by

⁹⁹ "Success rate is equal to the number of retained proposals divided by the number of eligible proposals" Source: Second H2020 Annual Monitoring report

the particularly low share of high-quality proposals for this action (13 out of 51 proposals, or 25% - compared to 50% in the EYE and 60% in average for the other actions).

In addition,

- The relatively high share of low quality proposals in the EYE, Migrant Entrepreneurship and Design-based consumer goods calls suggests a need for an improved call description in the Work Programme (49%, 57% and 75% of the eligible proposals, respectively)¹⁰⁰
- The relatively high share of ineligible proposals for the Clusters excellence and Tourism grants calls suggests a need for an improved description of the eligibility criteria

Table 33: Success rate by action line (2014-16)

	Total no. proposals submitted	Share ineligible proposals	Eligible proposals success rate	Share of High Quality Proposal funded	Total no. proposals funded
Intermediaries					
EEN Administration & services	370	4%	92%	97%	329
EYE	242	18%	25%	50%	50
Migrants entrepreneurship support schemes	53	8%	8%	19%	4
Average success rates			42%	55%	
Direct beneficiaries					
Clusters Go International	113	12%	13%	n.a*	15
Clusters excellence programme	115	24%	18%	29%	11
Tourism grants	458	23%	19%	33%	67
Design-based consumer goods	53	4%	18%	69%	9
Average success rates			17%	44%	

Notes: *the data for the Clusters Go International call were incomplete; for 33 non-funded proposals, no information was given whether these proposals reached a score above or below threshold. Source: Technopolis Group (2015) - own elaboration based on raw data provided by EASME

Appropriate distribution of the budget

The pattern of funding distribution indicates a **strong fragmentation** of the funding available. The programme has two main types of action lines: 'mature' action lines that received a stable funding throughout the three years, and action lines that were funded only once or twice over the years. The 13 'mature' actions in the 'non-financial' TAs accounted for 80% of the committed budget; the remaining 20% of the budget was thinly spread over 38 actions.

Examples of 'mature' actions are the EEN, EYE, Tourism, Cluster internationalisation, the EU-Japan Centre, the Your Europe Business portal, and obviously, the financial instruments. In the 'non-financial' TAs, these 13 actions account for 80% of the budget committed. The remaining 20% of the budget is divided over 38 actions (ie 75% of the actions in the non-financial TAs) that have an average budget of €1.6m. As mentioned in Section 2.2.1, above, the thematic areas where COSME funds a particularly large number of small action lines are the Entrepreneurship, Internationalisation, Sectoral competitiveness, and Framework Conditions TAs.

¹⁰⁰ See the Methodology report – Annex D to this report (separate report)

In addition to the actions structured in the SOs and included in the Work Programmes, COSME also funded 131 support measures, which we grouped under the four categories shown in Table 34, below. The 70 actions grouped under 'industry sectors' cover 28 industry sectors; thematically, they belong to the Sectoral Competitiveness TA. The average budget for these support measures is €0.15m.

Table 34 Breakdown of the support measures

	No. support measures	Budget (in €m)
Industry sectors	70	9.8
Policy / COSME topics	32	7.3
Other conferences, meetings & dissemination	23	1.3
Other studies & impact assessments	6	1.5
Grand Total	131	19.9

Source: Technopolis Group, based on data provided by COSME

Most important, we note a seeming lack of **strategic direction** and **coordination** for the funding and management of these smaller actions.

The considerable number of DG GROW units involved in COSME (see Figure 34, above), each responsible for one or more actions, accentuates this pattern. For example, there does not seem to be a centralising effort within DG GROW to take a common approach to supporting sectoral competitiveness. Each sector has been treated separately by a different unit. The issue of a more pronounced and formal sub-programme management or coordination structure as a factor to enhance effectiveness was raised also for the actions focused on entrepreneurship (see Section 4.2.3, above). The lack of such a structure or approach means that the balance of effort and funding across the portfolio (and whether this is optimised) does not seem to receive sufficient consideration. There is no obvious mechanism to consider whether the current portfolio of actions, or the prioritisation between them, is the most appropriate to address the broad set of needs and issues that have been identified in relation to entrepreneurship. The lack of such a formal management structure may hinder the learning benefits that policy officers can receive from the experience gained in the different actions.

Efficiency in data management, monitoring and evaluation

One of the most prominent challenges for the COSME efficiency in the programme implementation is the **data management**, needed to ensure an efficient management of the programme and monitoring of the programme results.

There is a general lack of data availability, ranging from data on the actual budget spent for specific actions, calls launched and implemented or cancelled, and the number and profile of the organisations applying for and effectively involved in these actions, to data on outputs, number and profile of SMEs reached, and especially, outcomes reached.

The reasons can be found in the sheer volume of different action lines funded and the different types of policy instruments used, including many actions funded through calls for tenders, communication campaigns or studies. No doubt, however, also the distribution of the responsibility for the actual management and implementation of the programme over multiple actors, ie EIF, EASME and DG GROW - and multiple units within DG GROW, plays a crucial role.

The lack of a single database where all data on the programme is collected from the various institutions involved in the programme implementation, allowing for a centralised management of the COSME data, constitutes a major barrier to efficient management of the programme.

The lack of data also influences the COSME programme efficiency in monitoring the outcomes of its activities. Considerable efforts need to be made to collect the required information for the annual monitoring reports. In addition, the variety in information provided, both in format and focus, implies an impossibility to aggregate the information at the programme level to enable an assessment of the programme design and implementation choices. In the current situation, the picture remains fragmented at the level of specific actions.

In other words, besides a more centralised management, also the development of a more standardised monitoring system would be beneficial. Such a system would set minimum requirements for reporting along commonly defined criteria and using common definitions of, for example, the industry sectors of activity for the SMEs involved. At the very least, this should allow for a complete overview of the profile of the stakeholders applying for and succeeding in reaching support from the COSME programme, and facilitate a regular analysis of the same.

Our analysis of the **KPIs defined** for the COSME actions and the information available in relation to the KPIs defined for 2017 in the 2011 proposal for the Regulation sets the background for these observations.

The COSME Regulations adopted in 2013 defines a set of KPIs for the COSME programme and its specific objectives. The indicators are defined in order to assess the impacts of the programme; their focus is longer-term, and includes in most cases indicators that can be assessed only through macro-economic analyses and/or surveys providing a view on performance improvements in the entire SME ecosystem (eg 'changes in the proportion of Union citizens who wish to be self-employed'). These indicators explicitly define targets for the year 2020. We considered the KPIs included in the 2011 proposal for the Regulations¹⁰¹, setting out specific medium-term targets for 2017, to be of particular interest in the context of this interim evaluation.

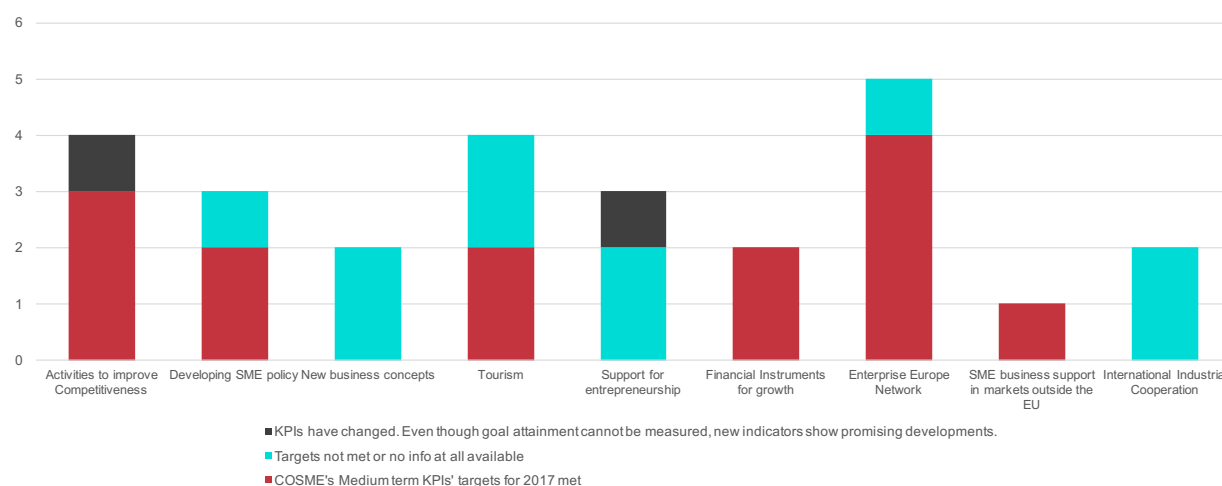
Our analysis shows a need for more attention to the ongoing assessment of progress towards the achievement of the expected results.

In Figure 36, below, we provide an overview of the extent to which these KPIs are realised and the extent to which information was available.¹⁰² The chart shows that for the 26 medium-term KPIs defined, targets are met in more than half of the cases (54%, 14); in 10 cases, the targets have not been met, or no information could be found. In two cases, measuring goal attainment was not possible as the action line was abandoned.

¹⁰¹ COM(2011) 834 final

¹⁰² We present the details and explain figures and sources in the Methodology Report – Annex D to this report (separate report).

Figure 36: Monitoring of the COSME programme related to the 2011 KPIs



Source: Technopolis, based on data provided in the Monitoring Reports and additional analyses

In terms of the **quality of the KPIs**, we observe that the KPIs, both in the 2011 proposal and the 2013 final Regulations, include a mix of output- and impact-oriented indicators. While KPIs related to outputs and outcomes reached (eg 'Number of firms receiving loan (credit) guarantees and value of lending' and 'Number of simplification measures adopted') can be monitored in a fairly straightforward manner, KPIs such as 'Level of adoption by companies of European sustainable production and product tools, including EMAS, eco-label, and eco-design' or 'SME growth in terms of added-value and employees' require specifically targeted evaluation exercises, with due attention to attribution.

The KPIs defined for the different actions show considerable variations in the balance between assessing outputs and setting the basis for the investigation of longer-term outcomes and results.

KPIs used in the COSME programme are (1) large in number for most parts of the programme, (2) focus primarily on outputs and short-term outcomes for all parts of the programme, (3) measure quantities of outputs, and generally not the quality of the outputs delivered, (4) often omit the profile of the SMEs reached, and (5) differ in quality. Often, these KPIs seem at least partly designed to manage complex relationships with intermediaries at arm's-length (EIF, EASME, Network members). As an illustration,

- All KPIs related to the financial instruments are in fact outputs and outcome indicators.
- We see a similar approach for the KPIs used in the Enterprise Europe Network. The KPIs used also do not completely cover the Network activities nor are all of them well defined for measurement. The new impact surveys were introduced to allow for a deeper measurement of impact indicators; while this initiative is laudable and the exercise should add a lot of value, we nevertheless consider the indicators not to reflect sufficiently the goals of the Network.
- The KPIs used in the Entrepreneurship parts of the COSME programme also focus on the implementation of the programme (e.g. immediate activities and outputs such as registrations and matches), rather than the longer-term ambitions of the schemes (its objectives and expected results / outcomes). In addition, there is no information given on the intended means of measuring progress against these indicators (eg the

tools to be deployed and how, for instance, programme attribution will be addressed in relation to jobs and start-up creation).¹⁰³

- Similar outputs-only KPIs can be noted also for the IPR Helpdesks, the EU-Japan Centre, and the Tourism actions (eg number of inquiries, number of visits and hits on the website, number of participants, number of events organised, etc.).

4.4 Coherence

The criterion of coherence refers to the level of coherence that exists within COSME (the 'internal' coherence) and between COSME and other EU and national/regional actions (the 'external' coherence). The internal coherence section (Section 6.1) investigates the extent to which the actions in COSME form part of a 'holistic' approach, are in synergy and complement each other. The sections dedicated to external coherence assess the synergies, complementarities and/or overlaps with actions funded under other EU programmes (Section 4.4.2) and/or programmes at the national/regional level (Section 4.4.3) that have similar objectives.

4.4.1 Internal coherence of the COSME programme

In this section, we first focus on the coherence among the COSME actions and the extent to which the actions have been coordinated among each other to maximise the effects of the Programme. In Section 6.1.2 we consider the coherence between the communication instruments developed under COSME, specifically the Your Europe Business portal, the SME internationalisation portal and the EEN.

Coherence among the COSME actions

In the sub-sections below, we report more in detail on our findings related to the Internationalisation, Entrepreneurship and Framework Conditions in the Single Market TAs. In the preceding Section 4.3.3, we identified these actions as the ones where the budget fragmentation was particularly pronounced, showing also an apparent lack in strategic direction and coordination.

In relation to the fourth Thematic Area where fragmentation was a prominent issue, the Sectoral Competitiveness TA, we considered that synergies or complementarity with other TAs cannot be created because of the nature of the actions and their targeted focus on one specific industry sector only. The Access to Finance and SME Policy TA are rather stand-alone in their focus and target beneficiaries, and no interaction with other COSME actions or specific challenges could be identified - except for EEN. The EEN offers various services to SMEs, including advice on EU funding, which may include the COSME financial instruments.

Our analysis shows that overall, the COSME programme shows a good level of internal coherence in terms of avoiding overlaps; increasingly, efforts are made to create synergies. High attention is dedicated to the optimisation of complementarities among the different actions especially in the field of internationalisation. Collaboration with the EEN is an often-mentioned focus for the enhancement of the internal coherence.

Nevertheless, there is room for an improved design and implementation of the COSME programme by taking a more integrated, cross-thematic approach. A strengthened cross-thematic coordination structure may also create learning opportunities from the implementation of similar actions in other parts of the programme.

The 'policy mix' of the **internationalisation** actions consists mainly of the cluster internationalisation programme (Clusters Go International and ECCP platform), the EU-

¹⁰³ The 'Statistical analysis of the Erasmus for Young Entrepreneurs Programme' (Technopolis, June 2014) looked at this issue further and set out various ideas for improving the long-term monitoring and measurement of indicators relating to the achievements of the programme.

Japan Centre and the three IPR Helpdesks for China, South-East Asia, and Latin America. There is a strong strategic focus on working through intermediaries, knowledge sharing, capacity building and networking, and on geographical areas and countries that are important trade partners of the EU.

Efforts are made to strengthen and exploit the complementarity of these actions as well as creating complementarities with actions in the other TAs. The EU-Japan Centre and the IPR Helpdesks are both engaged in the EEN, collaboration between the Clusters Internationalisation programme and the EU-Japan Centre allowed for support to the cluster partnerships in their efforts for internationalisation, and the ECCP has been advised to cooperate with EEN when organising brokerage events, or when promoting EU initiatives. IPR Helpdesk and EEN Network experts are encouraged to get involved in the ECCP events as well. An issue raised in an interview with an EEN member organisation is the readiness of EEN partners to network with ECCP / clusters, especially for matchmaking events. Network partners seem to perceive clusters as adding another burden or coordinating layer.

A more 'holistic' integrated approach to supporting cluster internationalisation as part of the COSME Programme would be beneficial, though. For example, interviewees mentioned the need to coordinate the approach to cluster internationalisation with the new COSME cluster support actions targeting the strengthening of value chains for smart specialisation. The interviewees raised questions on why the actions aimed at strengthening value chains were not also targeting internationalisation. Interviewees and survey respondents also commented that there's sometimes a "missing link between the primary cluster mission of supporting business and innovation for their members and internationalisation activities supported by COSME".

In relation to the **Entrepreneurship** TA, the document review and interviews carried out with the Commission officials and EASME project officers allowed us to conclude that the portfolio is coherent. The different actions contribute (to differing extents) to the three main sub-objectives for COSME entrepreneurship, as well as to the overarching objective of promoting entrepreneurship and an entrepreneurial culture, further ensuring coherence across the portfolio.

Survey respondents and interviewees did not point at specific overlaps between individual COSME entrepreneurship actions and the analysis of the EYE EP members' profiles showed that overall, the overlap between stakeholders across the portfolio was minimal, since most actions call for the engagement of a specific group of partners with specialist fields of expertise. There is no obvious duplication as the similar instruments used across the portfolio are strongly focused and tailored to a specific target group or situation.

As such, there also are few synergies to be realised between these actions. One could argue that there are crossovers between the specific groups being targeted by different actions (eg senior entrepreneurs may be female, new entrepreneurs may be migrants etc). Even though the distinct intentions and activities of the different actions suggest that there is no incoherence or unnecessary overlap between the actions, these crossovers present an area where greater synergies could be realised. The learning and experiences from implementation in one area (e.g. of the development of a good practice dossier) might benefit future implementation of a similar tool in another. It is not clear that there is sufficient interaction between the oversight and management structures of the different actions to fully realise such learning benefits at present.

The actions of the thematic area **Framework Conditions in the Single Market** are not overlapping with each other: each action is addressing different aspects of the Single Market. Consequently, also the complementarity and synergy between these actions are generally quite low. These actions do not seem to be particularly designed to supplement other COSME actions, even if the link to other COSME actions (eg to the Enterprise Europe Network) is often included to some extent.

Based on the design of the actions, the Your Europe Business portal action fits particularly well within a 'holistic' approach to COSME, as it addresses a specific barrier for SMEs which in turn will make other support actions more effective. Also the Points of Single Contact (PSCs) fit well into the overall landscape of enabling SMEs to reap the benefits from the Single Market, as they should allow SMEs to take care of administrative formalities online. However, the related COSME action is focused only on raising awareness of these portals and the PSCs.

Coherence of the communication instruments

Our assessment of the coherence among the COSME communication instruments is to an extent negative when considering the financial instruments and the entrepreneurship actions, but positive in relation to the complementarities and synergies created between the Your Europe Business portal and the EEN services, and between the SME Internationalisation portal and other COSME activities geared towards internationalisation.

There is a general tendency to create ever more information portals at the European level, leading to several calls at the policy level for more systematic and effective information provision to businesses (and citizens) at the European level, as pointed out in the Explanatory Memorandum of the Commission Proposal for a Single Digital Gateway.¹⁰⁴ The proliferation of portals is a phenomenon also within the COSME portfolio. It should be noted, though, that the COSME portals listed here are all separate and different.

- At the EU level, there are several portals providing very similar information on the COSME **financial instruments**. While the EU main portal is the Access to EU finance portal hosted under the Your Europe Business Portal, the EIF website displays information about the COSME instruments and all the instruments under its mandate. All European-wide networks for financial intermediaries and SMEs also provide similar information on their websites. While duplicating information sources can be a mean to ensure that SMEs have access to it, the abundance of information can lead to confusion, as mentioned by interviewees and surveyed intermediaries.
- There are several **entrepreneurship** actions that can be considered communication instruments, or include such elements within the main tools deployed. These include the women's entrepreneurship e-platform (WEgate) and the digital entrepreneurship awareness-raising campaign (events, digital media, etc.) and monitoring tools (online portal of statistics, initiatives, reports, etc.). Links to these various online portals and information can all be found through the DG Grow 'promoting entrepreneurship' webpages. However, there is no obvious interaction between the different communication instruments themselves. There would appear to be scope for greater cross-referencing by the different communication activities (eg promotion and awareness-raising of other actions or the entrepreneurship portfolio as a whole).
- The **Your Europe Business (YEB) Portal** provides information to European businesses that are interested in cross-border activities within the EU. The YEB Portal was intended to be the main public reference portal for businesses interested in doing business in other EU countries. It also features high on the list of websites consulted by COSME beneficiaries across all Thematic Areas
- The **SME Internationalisation Portal** provided information to businesses that are interested in doing business *outside* the European Union. Moreover, it had a specific focus on SMEs. A central component of the SME Internationalisation Portal was the database, which connects the Market Access Database, the Export Helpdesk and the

¹⁰⁴ Explanatory Memorandum of the EC Proposal for a Regulation of the European Parliament and of the Council on establishing a single digital gateway to provide information, procedures, assistance, and problem solving services. COM(2017) 256 final. Brussels, 2 May 2017.

European Customs Information Portal. Access to this database was free of charge and open, and around 1200 support services were offered.

- A **web portal on the Regulation on 'Facilitating Access to Light Remotely Piloted Aircraft Systems'** (RPAS) is being set up. This portal is being developed to offer free and practical information, guidance, and training tools on the operation of this Regulation. It aims at providing information to SMEs, and thereby raising general awareness on the regulatory context as well as facilitating access to the RPAS regulations and associated processes. It should be noted that this action is still in its implementation phase, and the portal is not yet online. Monitoring reports of EASME show that there is still substantial work to be done on the portal before it can be launched.

Our analysis also showed that the Your Europe Business portal services are complementary to the other main information service in COSME, ie the EEN. Desk research and interviews showed a high level of synergy with the Network by allowing SMEs to send out questions from the portal to the Network members. The monitoring reports of the portal, based on Network member input, show that more than 80% of the Network partners receive requests via the portal. Most Network members receive no more than five requests every month and around 70% of the requests were relevant to the Network services. Furthermore, the Your Europe Business portal can help SMEs deal with 'simple' issues by themselves, freeing up time for the Enterprise Europe Network members to help SMEs with more complicated challenges.

Our findings are positive in relation to the coherence of the SME Internationalisation portal with other actions. The portal was closed down in 2016, but could have served well as a first source of information for SMEs seeking to enter into or expand in third-country markets, after which different other services, such as the IPR Helpdesks or BCCs could be consulted. About 40% of the cluster managers consulted through the survey said they were using the SME Internationalisation portal.

4.4.2 External coherence – Other EU initiatives and programmes

In this section, we first report on our findings related to the coherence with other EU programmes and initiatives of the measures in the Access to Finance, the Business Management Capacity (EEN), Internationalisation and Entrepreneurship TAs. In the last sub-section, we consider the processes that allow for such coordination and bring forward the example of the cross-EC coordination related to the Digital Skills Agenda.

An overall conclusion of this section is that also in this case, there are no substantial overlaps – except for the LGF where overlaps with the ESIF can occur when addressing similar SMEs in the regions. The thin dividing line between H2020 and COSME is duly managed, but there is room for the creation of more synergy and complementarities, especially for the SME internationalisation activities.

Access to Finance

Similar to the proliferation in information portals, there is an increasing number of EU financing initiatives for SMEs, each with its own specific characteristics, target groups, and conditions. Currently, these initiatives include the SME Initiative and InnovFin – EU Finance for Innovators, the European Fund for Strategic Investments (EFSI), the European Structural and Investments Funds (ESIF), the EU programme for Employment and Social Innovation (EaSI), the Creative Europe Programme, and the Securitisation Initiative (ENSI). Except for the ESIF, these initiatives are all managed by the EIF.¹⁰⁵ In addition to these EU initiatives, the EIB and EIF are also offering loans for SMEs and

¹⁰⁵ We refer to the **Thematic Area report on Access to Finance** (Annex A to this report – separate report) for a detailed description of these initiatives as well as for a more detailed reporting on the assessment of coherence.

MidCaps through financial intermediaries duly authorised to carry out lending activities at conditions that can be flexible in terms of size, duration, and structure. The EIB also provides portfolio guarantees/counter-guarantees and credit enhancement/securitisation.

The COSME financial instruments intervene in the same market gaps as the other instruments supported at the EU level. In Table 35, below, we list some key characteristics that distinguish the different instruments.

Table 35: Key differentiating characteristics of the EU financing for SMEs initiatives

Instruments	Differences and similarities
COSME/InnovFin/EFSI versus ESIF	COSME, InnovFin and EFSI instruments are on demand (non-competitive process), while Structural Funds (ESIF) instruments respond to a selection process
LGF versus Innovfin SMEG	<p>The LGF provides access to finance to SMEs that face particular difficulties in accessing finance, either due to their perceived high risk or their lack of sufficient available collateral. The InnovFin SMEG specifically provides financing to innovative SMEs.</p> <p>The LGF sets a threshold of €150K¹⁰⁶ to ensure coherence with Innovfin SMEG without imposing too much burden on the financial intermediaries for loans under €150K.</p> <p>However, the LGF threshold implies a high administrative burden for intermediaries and SMEs in case of transactions that are slightly higher than the LGF threshold of €150,000</p>
EFG versus InnovFin Equity	<p>The EFG and InnovFin Equity are oriented to providing capital to different type of funds: EFG invests in risk capital funds investing in SMEs in expansion and growth stage" that focus on companies in their expansion and growth phase</p> <p>InnovFin Equity invests in VC funds that focus on early stage companies (pre-seed, seed, start-up phase), that operate in sectors related to the Horizon 2020 objectives (e.g. ICT, life sciences, clean energy, high-tech)</p>

Source: Technopolis Group (2017)

Based on our analysis, we can conclude that there are both synergies and overlaps among the EU financial instruments. There is a clear crowding out of the EFG by the EFSI SWEW (as intended by the Commission when creating the EFSI SWEW in 2016), while there are overlaps between ESIF and the COSME LGF in those regions where managing authorities designed a guarantee facility that addresses SME financing transactions with comparable risk levels.

There is overall coherence between the COSME and **Horizon 2020 financial instruments**; the design of both instruments has undergone a thorough scrutiny for complementarity. The 2016 evaluation of the Investment Plan¹⁰⁷ also concluded that EFSI, COSME and Horizon 2020 Innovfin complement each other well, particularly as the EFSI enables COSME to be frontloaded efficiently.

In relation to **EFSI**, so far there is clear evidence of synergy between the COSME LGF and the EFSI SMEW since this EFSI intervention is channelled through the LGF. The COSME EFG and the EFSI SMEW are clearly overlapping, instead, as EFSI created its own equity instrument; beneficiaries indicated that the EFSI is more attractive than other instruments because it is cheaper and support has a longer tenure.¹⁰⁸

In relation to **ESIF**, in principle, synergies and complementarities between European Structural and Investment Funds (ESIF) and all other EU funding sources are ensured through the Common Strategic Framework and the process of negotiation and adoption of the Partnership Agreement and operational programmes.

¹⁰⁶ Above which financial intermediaries must determine to which of Innovfin SMEG or LGF the SME's qualify.

¹⁰⁷ https://ec.europa.eu/commission/publications/independent-evaluation-investment-plan_en

¹⁰⁸ "DRAFT REPORT on the implementation of the EFSI", European Parliament (<http://www.europarl.europa.eu/sides/getDoc.do?type=COMPARL&reference=PE-597.724&format=PDF&language=EN&secondRef=01>)

- There is no apparent overlap between the EFG and ESIF, notably as the types of VC funds and investments targeted (cross border) as well as the size of the ticket to be invested (up to €30 million) is unprecedented at regional or national level. Nevertheless, the absence of deal allocation policy could potentially result in a situation that EU funded schemes still compete with VC on equivalent participations and at the level of SME financing, potentially crowding-out private sector activity. So far, the little evidence collected (only four financial intermediaries responded to our survey) points to the fact that COSME interventions do not crowd-out private sector activity.
- Instead, there are reported overlaps between ESIF and the COSME LGF in those regions where managing authorities designed guarantee facilities that address SME financing transactions with comparable risk levels. Overall, there is a marked divergence in the economic approach of COSME LGF (on demand, untargeted in terms of geography, sectoral, SME type, and/or SME life cycle but targeted in terms of covering only higher risk transactions) and the ESIF instruments (competitive, targeted in terms of geography, sectoral, SME type, and/or SME life cycle, capped support by the State aid rules). Cohabitation of these two EU instruments in the same regions creates tensions and competition between the two instruments. Intermediaries will go for the (to them) most advantageous option. On the one hand, COSME LGF is broader in scope (eg. can cover working capital); on the other hand, ESIF instruments provide much higher guarantee rates (COSME LGF is 50%) and uncapped guarantees.

Business management capacity and internationalisation actions

Coherence with Horizon 2020

The coordination between the EEN activities in COSME and the H2020 programme constitutes a prime example of coherence with other EU initiatives. It is highly praised by many stakeholders and the integration of both instruments shows the level of commitment.

Both the qualitative findings from the interviews with the **Network** intermediaries and the survey results show that there is a high level of complementarity between the Network and H2020, and especially the SME Instrument where the Network acts as an intermediary between the SMEs and the coaching scheme. Almost half of the respondents mentioned examples of parts of the Horizon 2020 as being complementary to the Network. The INNOSUP calls of H2020 were also mentioned in the context of coherence of the Network. INNOSUP offers highly specialised support services that aim at complementing existing national and regional support initiatives. Some Network members are involved in a selection of INNOSUP calls that resonate well with the profile of the Network, specifically the calls on cluster projects and peer learning.

Also in relation to SME internationalisation, our analysis shows that there are no major overlaps between the COSME-funded activities and the activities funded under H2020. There is an untapped opportunity to create better synergies, though, especially for the clusters involved.

EC initiatives in the field of **SME internationalisation** are mainly allocated in COSME. Nevertheless, there are some significant programmes in different parts of H2020 that implicitly or indirectly can help SMEs internationalise and innovate. A prime example is the H2020-INNOSUP initiative which addresses the challenge to develop new cross-sectoral industrial value chains across the EU by building upon the innovation potential of SMEs. The INNOSUP 'Cluster-facilitated projects for new value chains' (S3 Clusters Value Chains action) uses clusters to channel funds to SMEs, as for each INNOSUP funded project at least 75% of the total proposed budget shall be allocated to support innovation in SMEs directly. Some of the COSME-funded clusters participate in these projects.

Overlaps between INNOSUP and COSME actions in support of cluster and their SMEs is avoided by the DG GROW unit in charge of support to clusters in both COSME and the INNOSUP initiative. There are substantial differences with the COSME-funded Clusters Go International (CGI) projects: INNOSUP supports clusters to engage in actual joint investment projects or demonstration pilots within the EU, while the CGI 2014-2015 calls fund partnerships to go beyond the EU, learning about internationalisation etc., but do not provide innovation support; even in the case of the CGI 2016-2017 call where funding for the development of products with partners from external markets is included, the main focus remains different. Interviewees considered that there is room for creating more synergies between the cluster internationalisation actions and the actions supporting cluster value chains for S3, though. They considered this would help them also overcoming the challenges they're facing due to the insufficient funding in the Clusters Go Internationalisation action (see Section 4.3.3, above)

Coherence with other EU initiatives

Table 36, below, maps out the most important EU initiatives that fund actions with similar objectives to the EEN services and the actions in the SME internationalisation TA funded under COSME, based on our analysis of the survey responses complemented with desk research and interviews. These EU initiatives include the ERDF INTERREG and operational programmes and the EU Gateway and Business Avenues initiative.

Our analysis does not show any substantial overlaps between the EEN services and the SME/Cluster internationalisation actions and the actions funded in these other EU initiatives. Where similarities exist, a close collaboration has been set up.

Table 36 Other EU initiatives in the field of internationalisation and the EEN services

	EEN	Internationalisation
ERDF / European Territorial Cooperation - INTERREG	Similarities with the Network are obvious; both focus on cross-border cooperation.	Implements projects specifically supporting clusters. <i>Difference from COSME:</i> <ul style="list-style-type: none"> usually target policy-makers and managing authorities for the exchange of best practices, methods of analysis and therefore do not fund clusters directly INTERREG funding is across macro-regions. The ESCPs are not built on the reasoning around macro-regions.
ERDF / general Operational Programmes	Many projects that are funded under the ERDF's Operational Programmes are on topics that are relevant to COSME. Many activities related to for example business and management support and internationalization and cluster initiatives appear frequently in project descriptions. <i>Difference from COSME:</i> ERDF support is mainly inward-looking at regional or national level (except for Interreg). The logic of the ERDF is based on territories The Network is by nature outward-looking, as its main aim is to build a cross-border network and to support collaboration between partners from different countries and regions.	Cross-border cooperation and SME Internationalisation are often identified as objectives. Generally, the sectoral focus is limited and defined in a Smart Specialisation Strategy (S3) around €2.34b of ERDF funds go to 'cluster support and business networks', or secretariats of the clusters in EU. ¹⁰⁹ <i>Difference from COSME:</i> ERDF is much more inward looking – meaning it focuses specifically on having impacts in the regions where the funded projects are implemented, while COSME funds projects or initiatives with an international perspective.
EU Gateway and Business Avenues initiative	Business support services (coaching, logistical and financial support) to help European companies to establish long-lasting business collaborations in Asia. Selected companies can participate in a one-week business mission focused on a specific sector in Korea, South East	Missions organised by EU Gateway are advertised on ECCP Platform

¹⁰⁹ See DG REGIO, Data for Research, Categorisation Data for European Structural and Investment Funds 2014-2020 http://ec.europa.eu/regional_policy/en/policy/evaluations/data-for-research/

	EEN	Internationalisation
	Asia, China and Japan. Various synergies between this initiative and the Network and regular collaborations	

Source: Technopolis Group (2017)

The **Network** services funded under COSME and the **ERDF Operational Programmes** are in most cases highly complementary thanks to the different natures of the two initiatives: while the ERDF is in general inward-oriented and focused on the regional environment, the EEN COSME services are outward-oriented and focus mainly on cross-border cooperation. Similarities with the Network are therefore more obvious in the case of the ERDF European Territorial Cooperation (INTERREG). The feedback from the interviews suggests that so far, Network members are not yet well represented in proposals to INTERREG programmes. Recently, there have been meetings between DG GROW and DG REGIO to discuss how to improve collaboration and to better engage local stakeholders to write high-quality proposals. INTERREG implements projects specifically supporting the cooperation and exchange of good practices between clusters. INTERREG-funded projects could potentially overlap aspects of COSME's Cluster Go International activities. Such an overlap could take shape at the level of individual projects that might share certain stakeholders, or try to help the same SMEs.

Another EU initiative that is relevant in the context of the Network and the COSME SME internationalisation activities in general is the **EU Gateway and Business Avenues** initiative. This initiative supports European companies to establish ongoing business collaborations in Asia and funds SMEs to go to Japan, Korea and South-East Asia. There are not only various synergies between this initiative and the Network, but also with other COSME actions aimed at the thematic area Internationalisation such as the EU-Japan Centre, the IPR Helpdesks and the SME Internationalisation Portal.

The evaluation showed that there are regular collaborations between the Network and the EU Gateway and Business Avenues. For example, the Network receives the calendar of business missions that are planned by the EU Gateway and Business Avenues. It also helps to disseminate this information to potential applicants (SMEs) whenever possible and relevant. Missions organised by the EU Gateway are also advertised on the ECCP Platform.

Entrepreneurship

The Commission's vision and many of its key initiatives to promote and support entrepreneurship are set out in its Entrepreneurship 2020 Action Plan. This includes various EU measures to develop entrepreneurial education and training, create the right business environment and reach out to specific groups of (potential) entrepreneurs (women, migrants, seniors, etc.). Many of these measures are funded through COSME, but there are other relevant actions being undertaken outside of this programme. The most relevant among those that have a similar focus as the initiatives under COSME are listed in Table 37.

While there is alignment of overall objectives and intentions with these actions, there are no evident issues of overlaps. Complementarity is reached predominantly by using different instruments.

Table 37: Other EU initiatives focusing on entrepreneurship

EU initiatives	Description
EC initiatives	The Commission supports several networks helping women to become entrepreneurs and run successful businesses. These include the European Community of Women Business Angels and women entrepreneurs, the European network to promote women's entrepreneurship (WES), the European network of female entrepreneurship ambassadors, and the European network of

EU initiatives	Description
	mentors for women entrepreneurs. It also supports the EU prize for Women Innovators, awarded to those who have recently founded a successful company
Erasmus+ programme	<p>Strong focus on innovation and entrepreneurship, particularly in Key Action 2 (cooperation for innovation and exchange of good practices) through strategic partnerships and transnational youth initiatives that aim in part to foster entrepreneurship among young people</p> <p>Difference from COSME:</p> <p>Stimulate entrepreneurship and entrepreneurial mindsets by enhancing long term cooperation between HEIs and enterprises (through e.g. field visits and exchanges of students/academic staff and company staff).</p> <p>Foster entrepreneurial spirit among young people through transnational initiatives (e.g. networks) involving groups of young people from different countries.</p>
EU Programme for Employment and Social Innovation (EaSI)	<p>Microfinance and Social Entrepreneurship provides microcredit and microloans to vulnerable groups (including migrants) and microenterprises wishing to set up their own business.¹¹⁰</p> <p>Difference from COSME:</p> <p>microcredit and microloans, while the COSME action seeks to bring together relevant players at national and regional levels into transnational networks, to work together and exchange experience on what is effective in terms of migrant entrepreneur support schemes.</p>
ESI Funds	The European Structural and Investment Funds provide a wide range of support to entrepreneurship, be it in the form of training, support to start-ups and scale-ups, development and implementation of new business models, provision of infrastructures, such as business parks, science parks, incubators, technology transfer offices, etc.

Processes aiming at coherence among EU programmes

There is significant attention, in COSME/DG GROW and the EC at large, to avoid overlaps and create synergies among the different actions funded at the EU level, thus maximising the programme efficiency and making the best use of the synergies between the actions funded.

Inter-service expert groups, as well as inter-service consultations and more ad-hoc collaborations and informal contacts are the most common tools for setting up these collaborations. In most cases, interviewees considered the collaboration between EC officials responsible for COSME and other EC officials to be positive. For example, it was explained that DG REGIO officials joined Network meetings on several occasions to explain (especially to newly appointed Network bodies) what the Structural Funds can offer to SMEs. In the case of the COSME KETs and e-skills actions, policy officers from DG RTD, DG CONNECT, DG REGIO and in some cases, also DG EAC and JRC, are involved in the studies funded from the very start. The only area where interviewed EC officers from other DGs indicated as having only few opportunities for input in the design of the actions was internationalisation.

The coordination of funding for the roll-out of the **Digital Skills Agenda** is an example of ensuring coherence and synergies between COSME and other EU funds based on long-term strategies.

As the e-skills actions are embedded in a long-standing EC strategy on e-skills established in 2007 and involving the cooperation of several DGs (GROW, CNECT, EMPL, EAC), the activities are coordinated between various DGs and units at this level. A very useful tool for coordination was the Grand Coalition for Digital Skills and Jobs, a multi-stakeholder initiative launched in 2013 which created a platform for activating European stakeholders at all levels to undertake concrete actions to reduce the digital skills gap in Europe. According to the interviewees, the existence of the platform was a crucial element in coordinating EU funding actions. It ensured continuity for the digital skills actions irrespective of staff in the DGs in charge or from the represented stakeholders,

¹¹⁰ <http://ec.europa.eu/social/main.jsp?catId=1084&langId=en>

and allowed for a more fluid communication across 'silos', from the EU level to national or local levels. Following-up on the results of the above-mentioned Grand Coalition, the Digital Skills and Jobs Coalition going beyond IT skills was launched in 2016, as part of the New Skills Agenda for Europe and the Blueprint for Sectoral Cooperation on Skills.¹¹¹ The coordination of the e-skills activities is achieved on the agenda setting level between the DGs (e.g. in the Digital Skills and Jobs Coalition), while each DG then can use different funding sources to implement the actions within the agreed policy framework. According to interview evidence, each DG brings slightly different foci into the overall e-skills activities and implements them based on the different funding programmes to which it has access. The focus of the funding shows a strengthened division of labour between DGs and funds, as well as clear synergies. For example, as part of the Digital Skills Agenda, a call for proposals was launched through Erasmus+ to fund seven pilots for sectoral cooperation on sectoral skills development ("Sector Skills Alliances")¹¹² in 2017. At the same time, the DG GROW unit working on e-skills actions also earmarked COSME funding to complement the above Erasmus+ actions with support for stakeholder cooperation for developing long-term skills strategies at the sectoral level.

4.4.3 External coherence – national/regional programmes and initiatives

The picture arising from our evaluation is that there is little attention in the COSME programme for the level of coherence and eventual overlaps with the initiatives at the national and regional level. To an extent this is understandable, given the high levels of disparity among the MS, making a comparison with the actions implemented at the EU level less relevant. Nevertheless, especially for actions where proximity to the SME communities is a strong enabling factor, more attention to this aspect may be useful. This is especially the case for the EEN services and the COSME actions supporting cluster organisations.

It should be noted also that several of the actions at the national/regional level listed below may have been co-funded under ESIF (see Section 4.4.2, above).

Coherence with initiatives at the national/regional levels is a topic of relevance especially for the **EEN services**. The Network builds on regional players that are embedded in the local environment. The survey with SME clients of the Network shows that most clients were unsure whether the Network services are complementary to, or overlap with, existing national or regional support in their own country; the findings from the survey with Network members showed similar results. During the interviews, the Network intermediaries explained that they actively seek this complementarity. For example, when prioritising their activities, they aim to focus only on those services that are not yet available in their region. Moreover, many intermediaries explained that they have a good collaboration with other stakeholders that provide services to SMEs in the region; they organise joint events or activities, and actively seek to coordinate their actions. These national and regional stakeholders include ministries, municipalities, chambers of commerce, EU info centres, specialists in IPR, lawyers, etc. By means of signposting, the Network intermediaries refer SMEs to other stakeholders in the field and vice versa when relevant.

In conclusion, while just over half of the Network clients and members feel that the Network services are complementary to services provided at national or regional level, there is scope for improvement.

In the context of the **Cluster internationalisation** programme, interviewees indicated that there is no clear coordination between EU-level and national level cluster policies, which is perceived as problematic especially in the context of the limited funding available for the cluster internationalisation actions in COSME (see Section 4.3.3, above).

¹¹¹ See http://ec.europa.eu/growth/tools-databases/newsroom/cf/itemdetail.cfm?item_id=8848

¹¹² See https://eacea.ec.europa.eu/erasmus-plus/funding/sector-skills-alliances-eacea-042017_en

The interviewees considered that the limited COSME funding for CGI may be considered as an incentive for clusters to co-invest also their own resources to achieve the desired results. They emphasised that this approach does not sufficiently take account of the diverging levels of funding for clusters in the EU Member States. According to these interviewees, this approach hinders a level playing field for cluster organisations in countries without direct cluster policies. They therefore emphasised the need for an improved coherence and creation of complementarity in the EU funding for cluster internationalisation with the availability of national level funding. In this context it is to be noted that only 3% of the CGI participating clusters are located in EU13 countries (see Section 2.2.3, above).

For the COSME **entrepreneurship actions**, instead, several examples of good practice regarding coherence within national programmes could be found. For example:

- There are many examples of national programmes that have been around for a relatively long time, for example initiatives fostering senior entrepreneurship. The Senior Entrepreneurship Good Practise Manual, which was the main output of the relevant COSME action, is a composite of such national practices.
- There is a vast range of programmes available at national level targeting students of all ages to develop their soft skills and entrepreneurial mindset. The COSME action tries to ensure coherence with selected national initiatives, using peer learning as a core part of its activities, combined with a working group on national policies.
- Peer learning, engaging national, regional and local administrations is also an important element of the action on migrant entrepreneurship. Such engagement helps to develop and implement a portfolio of activities with enhanced external coherence over time.
- Ensuring links with national programmes and initiatives is at the core of the actions on women's entrepreneurship, because the actions are aimed at creating a one-stop-shop for available entrepreneurship support and advice programmes at the national level in Europe.
- The action on the European network for early warning and for support to enterprises and second starters has very explicit links established with national initiatives. The Network is expected to be based around the existing practices of several initiatives from EU Member States, including the Danish Early Warning Scheme, Support services of BECI in Brussels, Tussenstap in Flanders, FADE in Asturias/Spain and Anonyme Insolvenzler in Germany.

4.5 EU Added value

The fifth evaluation criterion aims to assess the value resulting from EU intervention that is additional to the value that could result from interventions which would be carried out at regional or national levels. We report on our findings in Section 4.5.1.

The task specifications for this study also indicated a second question, ie to what extent and why the issues addressed by the programme continue to require action at the EU level. We cover this in Section 4.5.2, focusing on the three key Thematic Areas in COSME, ie Access to Finance, Business Management Capacity (EEN), and entrepreneurship. In this section, we report only on the main findings; a more detailed analysis is reported in the Thematic Area reports, appendices to this report.

At the overall programme level, COSME has a good level of European Added Value. The European dimension constitutes the very essence of the design of its actions and is crucial for their implementation and effectiveness. In most cases, the 'subsidiarity' of these actions, ie the benefit of their implementation at the European rather than national or regional levels, is therefore very high.

The need to continue funding at the EU level is closely related to the high relevance of the actions provided, both for the beneficiaries and the EU policy priorities. Nevertheless, options could be explored to reduce the EEN dependence on European funding – without damaging the Network.

4.5.1 *The value of an implementation at the European level*

The financial instruments

In terms of the additionality of the EU's role in providing financing, interviewed stakeholders and intermediaries generally agree that there are no private institutions nor national governments that can achieve the results that COSME has managed to achieve in terms of leverage effects and scope and risk profile of the SMEs involved.

This is true especially for the LGF, where intermediaries would not have been able to provide the same volume of financing to the same number of SMEs without the support of the COSME financial instrument. However, the added value of the LGF suffers from the non-targeted approach, which so far has implied that the support did not sufficiently reach the less mature financial markets.

The **EFG** intermediaries consulted in the context of this evaluation all agreed that the provision of equity financing is more efficient at the EU level and allows for realising a wider scope and range of support than national and regional programmes. Surveyed SMEs indicated that, in the hypothetical scenario that they did not receive EFG financing, they would have considered alternative sources of equity financing; however, without EFG financing they would expect a lower growth rate.

The survey responses by the beneficiary SMEs confirm the significant added value of the EU-COSME guarantee from this perspective: it enabled the financing of those that had previously struggled to receive funding for their projects and allowed projects to be conducted at a larger scale than would have been possible without the funding. Based on the survey results, we estimate that only a third (32%) of the benefits of the EU-COSME guarantee-supported programme for SMEs would have materialised without the LGF-enabled financing.

The key added value of the LGF lies in its capacity to offer 'better value for money' to the financial intermediaries, which is a key factor for the creation of the intended benefits for the SMEs. Most of the surveyed financial intermediaries indicated that the driver for applying to the LGF was the possibility to increase the scale of their activities in terms of volume of transactions with higher-risk SMEs, ie number of SMEs supported. The LGF enabled them to offer a guarantee instrument at more favourable conditions (lower interest rates and fees, lower collateral requests¹¹³) to a higher number of SMEs with poor collateral for loans with longer maturities.¹¹⁴

Most of the interviewed LGF intermediaries (13 out of 16) considered that it is important to have EU-level supported services such as the LGF as opposed to national-level support. They regarded public support at the EU level as decisive for the realised size of their investments and loans and felt that a European programme can achieve results that a national government would not be able to. Furthermore, national support programmes, especially in smaller markets, have higher leverage when combined with an EU-level programme. Depending on the national context, EU-level programmes may also involve less bureaucracy and decrease costs. In addition, in some countries, national level programmes that support access to finance for SMEs do not exist. For those countries

¹¹³ Some banks have accepted inventory and other movable goods as collateral

¹¹⁴ Interestingly, the possibility to finance farmers under the COSME programme plays an important role for some LGF intermediaries and it was mentioned by several intermediaries as a motive for applying to the LGF programme and as a way that the LGF instrument corresponds to intermediaries' needs.

that are not or poorly equipped in terms of national support programmes, an EU-level programme can be vital. The “EU trademark” helps to build up trust among potential beneficiaries.

In this context, it bears no surprise that especially the intermediaries active in less mature markets indicated a high added value of the LGF. However, so far, there has been an imbalanced coverage of the European markets by the LGF, to the disadvantage of precisely the less mature financial markets (see Section 4.2.3, above).

In this context, the non-targeted approach appears to be limiting the added value of the LGF, and the extent to which this can be adjusted is unclear. COSME did not foresee in its legal base any mechanism for the financial instruments to target proportionally those countries where the SMEs needed support the most. The legal base does not foresee any kind of targeting apart of the general concept of ‘risky’ SMEs, and the incentive mechanism for the EIF that was set out in the Commission Delegation Agreement, relates only to the involvement of ‘new’ countries, ie countries where no financial intermediary has been involved in the LGF yet.

Business Management Capacity / EEN services

The European dimension is at the core of the Enterprise Europe Network. It allows for the attainment of a scale and quality of the services, and in some cases, even the implementation of the service as such, that would otherwise not be possible.

The level of EU added value of the EEN services is strongly dependent on the type of services provided, though.

The European dimension is at the core of the EEN and its services. The Network members can provide effective cross-border support to their client SMEs thanks to their connection to the other intermediaries, the Network coverage of all countries and regions, and the uniformity of the types of services provided across those countries. One of the main benefits of the Network is that it allows both intermediaries and SMEs to reach out to every corner of the Single Market. In the survey responses, the overall majority of intermediaries (87%) indicated that EU level support was ‘very important’; in the interviews, the intermediaries clearly indicated that for all these ‘structural’ elements of the Network, the European dimension constitutes a pre-condition.

The European dimension is crucial especially for those services that have a cross-border element, which is an aspect of SME support that typically is not covered in support programmes at national/regional levels. It is less critical for the information services, the advisory services and the services that allow SMEs to become more environmental friendly and resource efficient. In principle, it should be possible to provide these types of services at the national/regional level. In practice, the national/regional financial contexts play a crucial role. Many interviewees indicated a shortage of funding in their countries or regions for this type of SME support; in this case, the additionality is therefore of a financial kind.

It should be noted, though, that according to the feedback from the interviews and surveys, the services of the Network are deemed to add a lot of value to the non-Network services of the intermediaries. The fit of the Network services within the overall service provision of the intermediaries was strongly emphasised by many Network members, underlining also the synergies within their own organisations and the opportunities the Network provides to support their client SMEs.

Entrepreneurship - EYE

The EYE programme has a strong EU cross-border remit and objectives. For instance, it seeks to enable mobility throughout Europe, matching young entrepreneurs with hosts that could not necessarily be found locally, and offering opportunities to learn about

other business settings and cultures, share ideas, and meet business contacts in other parts of the Single Market. It also does so at a scale that would be impossible to achieve at the national level, but that is necessary in order to make inroads into dealing with the relatively low levels of entrepreneurial capacity in Europe.

The EYE programme therefore has a clear added value in that it can more effectively address EU-level needs, issues and objectives.

At the national / local level there are many different types of interventions designed to promote entrepreneurship and early stage start-ups. This includes financial assistance, mentoring and advisory services, specialised support, incubators, and so on. However, it is an important feature of most of the smaller COSME-funded entrepreneurship actions that they aim to bring together the national stakeholders and initiatives that are engaged in the promotion of the relevant area of entrepreneurship (but where these efforts are often currently fragmented), thereby creating coherence between national and European level efforts. In newer, emerging areas (e.g. migrant entrepreneurship), COSME actions are taking a leading role in driving further (coherent) national efforts, while in more established areas (e.g. entrepreneurship education) COSME tries to ensure coherence with (and between) the well-developed national initiatives that are already in place.

The EU level actions therefore have not only been additional to, but also help in enhancing national, regional and local level efforts.

The other main COSME action lines

Also in the case of the other COSME action lines, the 'benefit of their implementation at the European rather than national or regional levels, is very high. This is especially the case for those actions where the European scale is of critical importance for the attainment of positive effects also at the national and regional levels. Examples of such actions are the ones implemented in relation to the eSkills, the Tourism actions bringing together actors in European value chains, the Clusters Go International programme fostering European partnerships among clusters in order jointly to develop and implement internationalisation strategies, and last but not least, the SME policy actions providing strategic information as well as network opportunities for national policy-makers, fostering improved SME policy-making throughout Europe as well as an enhanced convergence. The scale and depth of support that COSME offers goes well beyond the support that can be offered to European SMEs through national or regional initiatives.

4.5.2 The ongoing need for action at the EU level

The financial instruments

The enhanced added value for the Union of the proposed financial instruments lies *inter alia* in strengthening the internal market for venture capital and in developing a pan-European SME finance market as well as in addressing market failures that cannot be addressed by Member States.¹¹⁵ Funding at the supranational level in Europe allows the continent to match levels of funding seen in the United States. A discontinuation of the instruments would set at risk the current positive developments.

The added value of the financial instruments needs to be set against the context of the closing financing gap in Europe. In Section 4.1.1, above, we concluded on this topic that despite this positive trend, the objectives of the COSME financial instruments were still relevant. On the one hand, the financing gap is not (yet) closing in all EU member states nor is it closing for all types of SMEs and on the other hand, a 'collateral crunch' appears to be replacing the credit crunch.

¹¹⁵ REGULATION (EU) No 1287/2013

The **EFG** intermediaries considered action at the European level to be crucial for the European equity market to gain maturity. Equity markets in Europe are still relatively weak and only a few larger Member States can sustain their own equity markets. Eastern and Southern Europe were highlighted as regions where there is the perception that there is not a sufficient level of strategic prioritising at the national level to grant SMEs access to finance. Asked if the COSME programme should continue in the future, all stakeholder interviewees agreed that the equity market in Europe continues to require support. They argued for a continuation of the EFG instrument to create a favourable investment environment for growth-oriented SMEs. They saw a need for continuation of the EFG instrument especially in the context of a not-sufficiently developed private market for equity financing.

According to **LGF** intermediaries, if LGF support were no longer available, SMEs would face more difficulties in getting access to finance. It could be expected that fewer SMEs would get a loan or that interest rates and collateral requirements would rise. The effects would differ between countries. In countries like Germany with well-established national promotional programmes the effect would be smaller than in countries with a poorly-established promotional infrastructure. Nevertheless, most intermediaries would expect negative effects, including for Member States like Germany. The effect of a hypothetical termination of the LGF support on financial intermediaries would be a reduction of activities, both in terms of a lower volume of (counter) guarantees provided and in terms of a reduced number of products offered to higher risk SMEs. Consequently, LGF intermediaries uniformly support a continuation of the LGF instrument.

Business Management Capacity / EEN services

The EEN member organisations stated in the survey that the quality, the coverage and the variety of services in their own country or region would decrease or stop if the Commission would lower funding. Full regional coverage and the principle of reciprocity are essential for the effectiveness of the Network. Therefore, if even only a small number of regions would not be able to continue their support offer, it would have negative impacts on the service delivery in other parts of the Network as well.

Nevertheless, the Enterprise Europe Network is an action that has been funded since early 2008, and it has reached a high level of maturity. While there are more than sufficient arguments to keep on funding the Network, options could be examined to reduce the dependency on EU funds to the lowest possible level – without damaging the Network. This would require an in-depth examination, leading to a targeted funding only of those services that are most relevant, effective, efficient and add the most EU-level value. The cross-border cooperation services would be the first candidate. In any scenario, however, European funds are needed to maintain the Network and its services in all the regions.

Options to reduce the dependency on EU funds to the lowest possible level could be examined – without damaging the Network.

Entrepreneurship - EYE

The Commission has repeatedly highlighted the importance of entrepreneurship (e.g. in its 2003 Green paper¹¹⁶, the Small Business Act for Europe in 2008¹¹⁷, Thinking Big for Small Businesses 2011¹¹⁸, the 2012 communication on Rethinking Education¹¹⁹, the 2013 Entrepreneurial Action Plan 2020¹²⁰ and the 2016 New Skills Agenda for Europe¹²¹) for

¹¹⁶ Green Paper – Entrepreneurship in Europe. COM(2003) 27 final

¹¹⁷ European Commission, (2008), "Think Small First" A "Small Business Act" for Europe". COM(2008) 394 final

¹¹⁸ European Commission, (2011), "Thinking Big for Small Businesses – What the EU does for SMEs".

¹¹⁹ European Commission, (2012), "Rethinking Education: Investing in skills for better socio-economic outcomes". COM(2012) 669 final

¹²⁰ European Commission, (2013), "Entrepreneurship 2020 Action Plan - Reigniting the entrepreneurial spirit in Europe". COM(2012) 795 final

unlocking personal potential and supporting competitiveness, job creation and growth in Europe. However, there clearly remains substantial room for further improvement, with data persistently showing relatively low levels of entrepreneurial interest and activity, as well as high rates of failure and slow rates of growth amongst newly established firms.

The promotion of entrepreneurship was a main priority within the Small Business Act for Europe (2008), which called on the EU and the Member States to better foster entrepreneurial interest and talent amongst different groups (including the young, women and immigrants) by making people more aware of self-employment as an attractive career option, and by providing them with the necessary education and skills to turn their ambitions into successful ventures. It also called for greater cooperation and networking between entrepreneurs, as well as efforts to ensure that honest entrepreneurs get a second chance after bankruptcy.

Against this backdrop, the overarching aims for COSME entrepreneurship - to improve framework conditions, facilitate learning and exchanges of experience and to promote entrepreneurship and entrepreneurial culture – continue to be entirely appropriate.

¹²¹ European Commission, (2016), "A New Skills Agenda for Europe - Working together to strengthen human capital, employability and competitiveness". COM(2016) 381 final

5 CONCLUSIONS ON THE COSME PROGRAMME AND OUTLOOK

5.1 Conclusions

5.1.1 Relevance

The COSME programme is firmly embedded in the 2011 Small Business Act (SBA) Review and implements the Single Market Strategy (2015) and Start-up and Scale-up Initiative (2016). Its original objectives remain entirely relevant and its specific objectives continue to address the evolving challenges and the current needs of Europe's SMEs. A financing gap continues to exist in Europe, depending on the national context and size of SMEs, and information asymmetries, specifically those related to market opportunities in the European Single Market and the global market, continue to require policy intervention, creating opportunities for facilitating knowledge transfer and exchange as well as cross-border co-operation to strengthen the European ecosystem. By addressing the internationalisation challenge and the inclusion of SMEs in global and European value chains, the programme directly responds to the growing need for support in the field of gaining access to new markets, and thus new customers. A key asset of the COSME programme is its flexibility in launching new actions, including pilot actions, in response to emerging needs and changing policy priorities, for example in the area of entrepreneurship and the support to start-ups.

The relevance for the EU citizen is high, thanks to the focus on fostering economic growth and the creation of employment opportunities; it is more limited when considering areas beyond the economic sphere, eg those related to societal challenges, and some of the objectives defined in the EU2020 strategy such as the Inclusive and Sustainable Growth. COSME responds to these objectives mainly in an indirect manner.

COSME's great **strength** lies in its commitment to supporting *any or all of Europe's SMEs* in their pursuit of improved competitiveness and growth. Its universal 'non-targeted' offering addresses the basic needs of enterprises, facilitating access to finance and providing access to advice. This pragmatic approach is at the core of its relevance to aspiring small businesses. The strength of the programme lies in its focus on enhancing the SMEs' capacities for growth and in its attention to the SMEs' needs for concrete information and knowledge that are of immediate and practical use in their business practices. The programme also addresses in a direct and concrete manner the need of young entrepreneurs to strengthen their entrepreneurship skills.

COSME's **main weakness** is a corollary of this 'non-targeted' approach. Its two major actions, LGF and EEN, accounting for about 80% of the total budget committed, target all SMEs without making distinctions to reflect the programme's 'inclusive and sustainable growth' and 'global competitiveness' policy objectives. At best, these two major actions can therefore create only 'unintended' effects in those areas. As a result, the relevance of COSME for policy objectives such as gender mainstreaming or climate change is limited.

5.1.2 Effectiveness

COSME is performing reasonably effectively across each of its main strands, notably having helped around 140,000 SMEs obtain loans to finance their growth ambitions through the activities of the Loan Guarantee Facility (LGF), with a similar number of SMEs engaged in business development actions, cross-border partnerships, knowledge exchange activities etc. The results of these activities are only now beginning to emerge, as COSME moves into the second half of its current programming period. The limited evidence available at this point in time does however suggest that COSME will have a positive impact on its beneficiaries' growth and employment; it is more doubtful that

COSME will create a strong impact on the international competitiveness of the EU SMEs (beyond the EU).

The **strength** of COSME lies in particular in the use of intermediaries for the implementation of the programme. COSME exploits the proximity of these intermediaries to SMEs and facilitates the integration of services provided under the COSME framework with services provided by these intermediaries in their national and regional contexts. This approach allows COSME to maximise its potential for reaching the desired effects. EASME plays an important and much appreciated role in creating learning opportunities for the EEN members to enhance their capacities and better serve the SMEs in their local environments.

A major **weakness** of the programme is the lack of capacity to respond effectively to EU policy objectives related to sectoral competitiveness and SME internationalisation (beyond the EU). Due to their 'non-targeted' approach, the two key actions in the programme, the Access to Finance and Business Management Capacity (EEN) action, are not specifically directed towards fostering these effects. In addition, the actions that focus on sectoral competitiveness, internationalisation and/or the framework conditions in the Single Market, or actions aimed at enhancing entrepreneurship skills in specific communities, are many and therefore smaller in nature and budget, thus with a lower potential for impact. In the field of entrepreneurship, effectiveness is hampered also by the seeming lack of formal structure or process for the design of the portfolio as a whole.

This choice in programme design implies a reduced capacity of the programme to contribute effectively to policy objectives such as the enhancement of EU global competitiveness and the integration of EU SMEs in global value chains, as well as the reduction of regulatory and structural barriers. While for the latter other DGs and programmes in the EC carry responsibility, more direct support to SMEs as components of an EU ecosystem that integrates SMEs, large enterprises and other actors in the EU innovation system would help ensure a stronger contribution of the COSME programme to reinforcing EU economic competitiveness.

5.1.3 Efficiency

COSME is operating at a reasonable level of efficiency overall, with its principal components all being implemented in line with the specific objectives and timetables set out in the annual work programmes. The feedback from beneficiaries is generally positive with some exceptions. A substantial majority is reporting a good cost-benefit ratio for their individual participation.

Competition in some COSME calls can be quite high, especially for the smaller actions, which can be considered a direct consequence of the funding fragmentation. This places an additional burden on applicants, which can be particularly problematic for SMEs and may lead to a narrowing of the applicant base, both geographically and sectorally.

The **strongest constraints** on COSME are the configuration of its budget and the breadth in scope as defined in the regulations. This requires careful attention to the efficiency of COSME and a focus on actions where the programme can be most effective.

The **main strength** of COSME is the clarity of its work programme descriptions, leading to a relatively small share of ineligible proposals responding to the calls for grants. No major administrative bottlenecks were identified and the simplification measures that were introduced were overall considered as positive, even though the new IT system clearly had some teething problems.

A **major weakness** of the programme design is the unbalanced distribution and strong fragmentation of the budget available. As stipulated by the COSME regulation, the large majority of the COSME budget (80%) is used for the two key actions. The remaining 20% of the budget is spread over a large number of small actions. This fragmentation

influences negatively the potential for cost-efficiency in the programme implementation and accentuates the limits in strategic steering and coordination of the programme.

Another major weakness of the programme is the quality of data management. The lack in quality and especially completeness of the data on the beneficiaries of the programme constitutes a major hurdle for an efficient management of the programme implementation. The spread of the implementation responsibilities over the many actors involved (the EIF, EASME and in 2014-16, about 15 DG GROW units) creates a considerable challenge to efficient programme management and coordination, with a risk of weakened programme oversight. It also makes it very much harder to evaluate the programme. The various reporting systems' focus on activities and outputs is equally problematic. A stronger attention for the collection of data on the profile of the beneficiaries is needed to allow for a proper monitoring of the programme outcomes and progress towards reaching its objectives.

5.1.4 Coherence

Internal coherence

We note that efforts are increasingly being made to strengthen the coherence and complementarities among the actions funded under COSME. The EEN services are the most-often mentioned targets for these 'expansions', though. The risk is to overcharge the EEN with responsibilities to which the Network cannot respond. More synergies could be created by taking a more integrated, cross-thematic approach.

External coherence

Coherence with H2020 is based on a strict division of labour at the end of the previous MFF, ie actions focusing on technological innovation were 'transferred' to H2020, while actions focusing on the enhancement of competitiveness and growth by means of an improvement of skills, capacities, networking, entrepreneurship, etc. were 'transferred' to the COSME programme. We noted no significant overlaps between COSME and H2020 or other EU activities, even though overlaps between the COSME LGF and financial instruments established under ESIF may occur when addressing similar SMEs in the regions. Nevertheless, there is room for the creation of more synergy and complementarities, especially for the SME internationalisation activities.

The interplay between the EU, national and regional levels of support for SMEs is not always synergistic and complementary, even though no substantial overlaps were identified. Especially for actions where proximity to the SME communities is a strong enabling factor, better coordination with national and regional actions would further improve coherence. This is especially the case for the EEN services and the COSME actions supporting cluster organisations.

5.1.5 European added value

COSME has a good level of European added value. While many national and regional initiatives seek to strengthen the competitiveness of SMEs, the scale of support through COSME and its availability to financial and business support intermediaries in every EU Member State are quite distinct and highly additional. In several cases, the EU level actions have not only been additional to, but have also helped in enhancing national, regional and local level measures.

Indeed, COSME provides important financial leverage that allows national and regional intermediaries to offer support to a substantially bigger number of businesses than they might otherwise be able to service. Furthermore, national support programmes, especially in smaller markets, have higher leverage when combined with an EU-level programme. However, the added value of the LGF suffers from the non-targeted

approach, which so far has implied that the support did not sufficiently reach the less mature financial markets.

The European dimension is at the core of the Enterprise Europe Network. It allows for the attainment of a scale and quality of the services, and in some cases, even the implementation of the service as such, that would otherwise not be possible. The EEN's role as an intermediary, involving Chambers of Commerce and national/regional innovation agencies, provides the advantage of a gateway for reaching SMEs; its EU added value could be strengthened by focusing only on those services that build upon the transnational characteristics of the Network itself, i.e. the internationalisation and single market penetration. Options to ensure an appropriate level of co-financing and/or funding from EU funds could be examined.

5.2 Shortcomings addressed and to address

The Entrepreneurship and Innovation Programme (EIP) funded under the Competitiveness and Innovation Framework Programme (CIP) was the EU programme preceding COSME. It ran between 2007 and 2014 and comprised most of the actions funded under COSME, including the financing instruments, the European Enterprise Network, the EYE, and the cluster internationalisation programme.

The final evaluations of the EIP and the CIP overall identified a set of recommendations for the further development of the programme. Several of these recommendations were taken on board in COSME; examples are the discontinuation of one of the EIP financial instruments that proved to be unsuccessful and the development of indicators to assess the longer-term impact of the funded actions. However, we note the recurrence in COSME of issues that were identified already for the EIP. Specifically, these include:

- Both the CIP and EIP final evaluations raised the issue of **fragmentation** due to the financing of many small activities. The CIP evaluation saw a need to strengthen mechanisms for the **overall coordination** of actions (to avoid unnecessary proliferation and achieve greater synergies). Also the EIP evaluation saw the danger of having too many small activities funded and noted the absence of "a mechanism that could ensure greater coordination and synergies among the different activities". It proposed to establish an enhanced co-ordination function in the management of the programme that would have the SBA as a major reference point
- The creation of synergies and overall coherence equally was a topic in both evaluations. The CIP evaluation spotted issues in relation to the **coherence** of the programme, amongst which the coherence of the Financial Instruments with the support offered by the Structural Funds. The EIP final evaluation highlighted that there was some sort of competition between venture capital and loan guarantee schemes under the ERDF and under the EIP programme. The EIP evaluation proposed that the enhanced co-ordination function should focus on "an active exploitation of the potential **synergies**, both within the Programme and with external actions".
- The need to further develop and improve the monitoring system was a major finding in both evaluations. The CIP evaluation pointed out that in general, the **indicators** chosen to monitor the implementation and results of the actions were not all responding to the SMART criteria. The final EIP evaluation recommended the development of a clear overall monitoring system that would regularly provide data "in an easily accessible and standard format"
- Specifically in relation to the financial instruments, the EIP final evaluation considered that the demand-driven approach to the financial instruments could give way to one that is more **pro-active** and especially one that concentrates on promoting facilities in countries not yet covered.

5.3 Outlook

The following is a list of suggestions related to areas where we believe the Commission might consider taking initiatives in the coming months and years to improve the performance of the programme overall, and to help prepare for the successor programme.

The Commission should carefully consider its options for increasing the responsiveness of COSME (in its capacity of Europe's programme for small and medium enterprises) to EU objectives related to the **strengthening of EU global competitiveness** and **sustainable and inclusive growth**. As several policy studies and strategies highlight, SMEs are a critical factor in the attainment of these EU policy objectives.

- The COSME programme shows a limited use of support measures addressing systemic failures in the field of sectoral competitiveness. A more comprehensive approach would be beneficial to overcome the current fragmentation in the number and type of interventions. The less knowledge intensive or low- to medium-tech sectors that are currently supported, face intense global competition and have proven to be less resilient to shocks such as those experienced in the previous financial crisis.
- A mix of support measures, addressing common challenges and competitiveness barriers such as the lack of knowledge exchange and cross-border cooperation, underpinned by a *cross-sectoral* logic, might render results that are more scalable at the EU level. An in-depth investigation of the market failures and competitiveness challenges in the EU low-tech sectors should inform the design of these measures.
- Fostering the integration of SMEs into (increasingly global) value chains or promoting the uptake of innovation and technological tools are some of the needs addressed to a lesser extent by the COSME programme. The Commission should consider its options for taking a more systemic perspective and targeting value chains rather than individual SMEs, looking also to the involvement of multipliers (eg industry bodies) and the creation of spill-over effects (eg codes and standards) to maximise the potential reach of its interventions.
- We recommend the Commission consider how it might do more to support the sustainable elements of Europe's strategy for smart and sustainable growth. It could for example strengthen its promotion of the 'circular economy,' which affects all sectors. Transition towards the circular economy requires a systemic approach, with initiatives geared not only to technological/technical innovation or regulatory reforms, but also to supporting innovation in business models, co-design or co-creation with stakeholders and end-users.
- In the field of support for internationalisation, several of the EU's leading exporters are experimenting with providing financial support for, eg, demonstration projects, feasibility studies and knowledge-acquisition activities in non-EU markets. We recommend that COSME draw on its significant experience with financial support, as well as internationalisation support to review its options for hosting such an instrument, possibly working in partnership with Member States and other established 'internationalisation' intermediaries, in an effort to make such support available to a much broader cross section of interested SMEs across the EU (and thereby strengthening COSME's ability to promote international exports and EU competitiveness globally).
- We invite the Commission to consider its options for an enhanced use of the cluster infrastructure in Europe to effectively reach and support SMEs in parallel to the structure of the EEN.

An enhanced focus on industrial competitiveness would facilitate also a **strengthened embeddedness** of the COSME programme in the activities and policies of DG GROW overall.

- COSME has the potential to act as the programme through which DG GROW contributes to reinforcing EU industrial competitiveness.
- These efforts should be made in the context of an overarching strategic framework that ensures an improved balance in the funding of 'targeted' and 'non-targeted' actions, as well as between the financial and the other instruments.
- From a programme management perspective, we recommend developing a formal sub-programme management structure for *each* of the priority areas, complemented with an overarching programme coordination structure that ensures internal coherence and carries responsibility also for the activities in the H2020 Innovation in SMEs programme.

A clearer definition of the COSME priority areas and the boundaries of its responsibilities should enable the programme to reduce or even avoid the funding of individual standalone actions and ensure the integration of smaller actions within the overall programme portfolio.

We recommend the Commission consider its options for **strengthening the relative cost-effectiveness** of COSME which in simple terms are likely to revolve around one of three scenarios or a hybrid thereof: deploying its existing resources in a more focused / strategic manner; entering new strategic partnerships with other EU programmes or Directorate Generals which could increase or however sustain the range of activities despite the limited budget, for example by strategically sharing the responsibility for interventions in specific areas; and increasing its overall budget in order to allow it to run both its universal service and strategic programmes in parallel. We judge the smaller accompanying measures to be too few to constitute a meaningful fourth option, allowing some level of redistribution of funds to increase investment in core services.

The Commission needs to take a more centralised approach to **data management** to ensure higher efficiency in the COSME programme management and a strengthened capacity for a quality implementation of the monitoring and evaluation function.

The establishment of some key indicators for effectiveness that are common to all actions and relate not only to outputs reached, but also to the profile of the stakeholders involved, would allow DG GROW to gain a better overview of the relevance and effectiveness of its activities as well as enhance its capacity to identify and react to emerging gaps in its interventions in comparison to the needs of the SME communities and/or developments in policy priorities. In this context, a distinction needs to be made between measures providing access to finance, measures providing access to information, and measures that provide opportunities for an active knowledge exchange among stakeholders involved.

The Commission could further **strengthen the coherence** of COSME with other EU initiatives and **synergies / added value** with national and regional programmes and measures.. There has been a considerable increase in attention – and expansion of activities – both at EU and national/regional levels. DG GROW and COSME could provide much needed leadership on the strategic questions of coherence and additionality.

- In relation to the LGF, a more level playing field for SMEs in all COSME countries should be ensured through an enhanced effort by the EIF to reach financial intermediaries in those countries where, according to current studies, the needs among SMEs are highest. The Commission also could consider supporting capacity building of the financial intermediaries in the countries with difficulties in taking-up COSME / EU-backed complex financial products as a further adjacent action, also underpinning the Capital Markets Union goals. The Commission may want to consider the ongoing added value of the crowded-out EFG instrument, taking into consideration the restrictions on use of the COSME budget and the costs of involving the EIF.

- As for the EEN, options should be explored on how the Network consortia set-up can be improved. Given that consortia formation is not under the purview of the European Commission, this cannot be enforced; nevertheless, not all consortia are performance-driven. The promotion and support for training, peer-learning, knowledge exchange and relationship-building among the Network members is crucial in this context. We recommend that DG GROW starts exploring options to ensure an appropriate level of co-financing and/or funding from EU funds.

COSME is a programme that covers a broad range of actions to implement the objectives set out in the COSME regulation while having a limited budget to maximise the potential benefits for SMEs in Europe and for the European economy at large. DG GROW is the EC institution that has the needed knowledge and long-term expertise to effectively manage this programme, maximising the potential benefits for SMEs in Europe and for the European economy at large. We recommend that the Commission, within the limits of the legal base, steers the resources of the programme towards those areas for intervention where it is best placed to **make a difference**.

