SME support in Cohesion Policy and European Structural and Investment Funds

EESC public hearing on the improvement of EU policies for SMEs
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Structure

• Achievements & lessons learnt from past

• Overview of SME competitiveness support in ESIF

• EU policy context & outlook
Cohesion Policy + ESIF basics

1. Common Provisions Regulation

Based on EU Treaty Article 176: aiming at 'economic, social and territorial cohesion', 'reducing disparities' and 'structural adjustment of lagging regions and the conversion of declining industrial regions'

Shared Management:

456 national / regional programmes
+ 79 Interreg programmes
... almost as many Managing Authorities and Monitoring Committees

Different co-funding rates, spec.objectives, targets, delivery modes, etc (adjusted to region's / MS needs, priorities, overall context ...)

Funds mostly spent within a programme's territory

over €450 billion in 5 ESI Funds (ERDF (incl. "INTERREG"), ESF, Cohesion Fund, EAFRD, EMFF) + over €180 billion co-financing

Around 80% of Cohesion Policy funding goes to the less developed regions & countries

See Cohesion Policy Data: https://cohesiondata.ec.europa.eu
Structure

- Achievements & lessons learnt from past
- Overview of SME competitiveness support in ESIF
- EU policy context & outlook
2007-13: around €30 billion ESIF for SME support

- 65% - €17.7bn
- 14% - €3.7bn
- 12% - €3.2bn
- 9% - €2.5bn

NB: Numbers reflect initial programming for 2007-13 not re-programming.
SME support through CP: good practice examples (1)

- **Innovation Voucher Grant programme, Estonia**: launched in February 2010 with support from the ERDF encourages enterprises to co-operate with research institutes. SMEs can use the innovation voucher to buy in services from institutions of higher education, the Estonian Patent Office, the Estonian Patent Library, patent officials, and accredited testing laboratories. The innovation voucher can also be used to obtain assistance from institutions of professional higher education and competence centres. SMEs have so far received vouchers for 149 innovation projects.
  
  Total amount of grants financed from ERDF is around 8.75 million kroons.

- **JEREMIE Holding Fund, Andalucia, Spain**: The Innovation and Development Agency of Andalucia in Spain has put up a JEREMIE Holding Fund in 2009 with the aim to invest in Andalusian enterprises. The JEREMIE holding fund has a size of € 235m: 70% from the funding is coming from the European Regional Development Fund and 30% as a national contribution from the Ministry of Economy, Innovation and Science of Andalusia. It consists of a MULTI-INSTRUMENT FUND (€ 185m) and a VENTURE CAPITAL FUND (€ 50m). At the end of 2010 the fund had already invested € 68m in 22 enterprises. These investments leveraged a total of €220m of new investment in these companies based on an average co-investment rate of 78% and a multiplier of 4,6, resulting in 3,060 new jobs and supporting 2,500 existing jobs.

  ERDF contribution: € 164,5 million


SME support through CP: good practice examples (2)

Copenhagen Cleantech Cluster

- Launched in 2009 to ensure smart growth, innovation and cooperation among Danish clean-tech firms and knowledge institutions.
- Aim: creating superior value for the participating cluster companies and the scientific community by creating networks involving a wide range of participants, including knowledge institutions, industry promoters, leading clean-tech companies and public authorities.
- Through a focused effort, the project created 1096 jobs, supported 126 start-ups and facilitated many new cooperations and partnerships.
- After having merged with another Danish Lean Energy Cluster, the organisation now has over 170 members and holds the GOLD label in Cluster Management Excellence.
- Funding: EUR 19,477,000 (including EUR 9,738,500 from ERDF)
- Project duration: 09/2009 - 09/2014

- Video – click here
- More Information on the project
- Website - Copenhagen Cleantech Cluster
The project has been designed with a view to develop modern and pro-innovative services for young entrepreneurs and to support the implementation of innovative organizational, technological and IT solutions. The strategic objective of the project was to create favourable conditions to shape and develop entrepreneurship in Poland. The project focused on the modernization and development of the resources of the business environment in Poland in the area of providing pro-innovative start-up services. New and innovative businesses have been started and developing dynamically.

More info: Academic Business Incubators (ABI) http://przedsiebiorca.pl/
ERDF projects won European Enterprise Promotion Awards 2012

The Outset project, from the UK, was awarded the Grand Jury Prize and was selected for its unique approach to supporting start-ups by helping society’s most vulnerable groups to find work through self-employment and enterprise. The Outset service was developed in Cornwall through the ERDF Convergence commissioning approach, before being successfully replicated in the South West Competitiveness area and elsewhere in the UK. In the last three years alone, Outset has created over 1200 new businesses and 1400 new jobs, and enabled these disadvantaged and under-represented groups raise over £1m in finance. Many of these not for profit programmes have been funded by ERDF. The latest stats, success stories and evidence are here: www.outset.org


Campus i12 Visualisation Park won the Investment in Skills Category. It is located in Sweden an fosters knowledge transfer and digital visualisation. Campus i12 was created to foster a digital visualisation cluster and entrepreneurship in the small rural military town of Eksjö. Since its foundation in July 2009, the number of partner companies has more than doubled, to over 100 and most importantly, students’ are now more inclined to be entrepreneurs themselves. http://www.vispark.se/index.php?lang=sv

# Key Achievements of Cohesion Policy in 2007-13

## Creating jobs and growth & Investing in people
- Income has increased in the poorest EU regions with GDP per capita growing in these areas from 60.5% of the EU average in 2007 to 62.7% in 2010.
- About **940 000 new jobs** were created.
- **2.4 million** participants in ESF actions supporting access to employment found a job within 6 months (2007-2010).

## Supporting SMEs and start-ups
- An estimated total of **400 000 SMEs received support** including:
  - **254 800 SMEs** received direct investment aid.
  - More than **323 000 jobs** were created in SMEs.
  - **121 400 start-ups**

## Strengthening research and innovation
- **114 000 research projects**
- **35 500 R&I co-operation projects**
- **41 600 new long-term research jobs** created

## Improving the environment
- **Water supply** systems have been modernised, benefiting **5.9 million citizens**.
- More than **6.8 million citizens** covered by waste water projects.
- **1 100 Km² of Area rehabilitated**

## Modernising transport and energy production
- **3855 MW additional capacity of renewable energy production**
- **4 680 Km roads** built and 24 900 Km reconstructed.
- **287 Km railways** built & 3 940 Km reconstructed.

## More EU citizens were covered by broadband connectivity
- **8.2 million** more EU citizens were covered by broadband connectivity.

Evaluation results: 2007-13 ERDF support to SME and SME innovation

Key findings (1)

• **Conservative picture**: grants remained the most common form of support, but a beginning **shift from non-repayable to repayable aid**.

• Policy instruments were mainly oriented to **increasing main production factors** (capital, labour, R&D expenditure) and not so much to the final objectives and results (e.g. increasing exports, productivity or total sales ...).

• Large differences in the **size of projects** (€30 000 – 5 million).

• **Among SME beneficiaries**: 54% micro-enterprises, 30% small and 16% medium enterprises; 44% in the manufacturing sector, 16% in retail and wholesale trade.

• **13 different categories of policy instruments**, ranging from generic access to finance to more specific goals like support to eco-innovation: tackle all possible obstacles to SME growth and innovation, many open to the widest possible number and type of beneficiaries.

• Majority of instruments supported the **catching up or survival of SMEs in traditional sectors rather than promoting existing growth and innovation poles** (56% beneficiaries in low-tech sectors)

Evaluation results:
2007-13 ERDF support to SME and SME innovation

Key findings (2)

- **Beginning of an adjustment**: 22% of all instruments identified involved a combination of different modes of support (grants + technical assistance + consulting services + loans).

- **Intermediaries with knowledge of SME specificities and context** (e.g. regional development agencies, chambers of commerce, cluster managers, etc.) acting as implementing agency, fund manager, service provider, etc. were often key to the effectiveness. 37% of the policy instruments were delivered by them.

- **ERDF helped SMEs withstand the crisis**: The ERDF provided a significant source of funds which helped SMEs to cope with the crisis, in particular in those regions most severely affected. The ERDF enabled SMEs to survive or preserve pre-crisis levels of investment and employment.

- **Some more ambitious strategies focused on innovative SMEs with competitive calls** tailored to SMEs needs and a vision of the desired changes (e.g. employing researchers, or purchasing technologically more advanced equipment, or willingness to take risks and innovate).

Evaluation results: 2007-13 ERDF support to SME and SME innovation

Key findings (3)

Impacts:

- For some SMEs the contribution of the ERDF accelerated or anticipated investment plans sometimes increasing their magnitude.
- Selected evidence illustrates that the ERDF played a catalytic role in supporting the strategic investment plans of SMEs, helping to increase profitability and exports.
- The ERDF triggered changes in the way SMEs do business: Some were visible and measurable (e.g. technologic upgrade), others related to the entrepreneur’s mind-set. Behavioural changes were more evident in SMEs which already had longer experience with R&D projects where they stimulated deeper structural effects.
- When target SMEs were embedded into clusters or local production systems, there was evidence that positive effects spread to other enterprises.

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Novelties for SMEs in 2014-20
Cohesion Policy:

- **Concentration**: substantial share of funding can be earmarked for SME competitiveness (up to 60 / 44 % of ERDF)
- **Simplification**: e-cohesion, wider use of simplified cost models
- **Less audits**: Restriction of frequency of audits for small operations
- **Harmonisation** of eligibility rules across Structural Funds
- **Wider use of Financial Instruments**, simplification of their set-up (use of existing EU schemes, standard contracts …)
- Progress in **Small Business Act** implementation as precondition
How much ESIF support for SMEs?

Over € 90 billion for SME competitiveness:
- European Regional Development fund (ERDF): € 56 billion in 245 operational programmes, including 63 INTERREG
- European Agricultural Fund for Rural Development (EAFRD): € 27.5 billion
- European Maritime and Fisheries Fund (EMFF): € 2.6 billion
- European Social Fund (ESF): € 3.5 billion
+ over € 30 billion public national /regional co-financing

See: https://cohesiondata.ec.europa.eu/themes/3
How much ESIF support for SMEs?

Breakdown by country for 2014-2020

Targets:  
*Over 800 000 Firms to be supported:*
  - over 230 000 via grants
  - almost 180 000 via financial instrument support (loans, guarantees, etc.), leveraging private match funding of € 7 808 246 149
  - over 370 000 SME receiving advisory services:
  - over 140 000 Start-ups supported

*Research, Innovation:*
  - around 72 000 enterprises cooperating with research institutions
  - over 11 000 SME supported to introduce new to the market products:
  - over 30 000 SME supported to introduce new to the firm products

See: [https://cohesiondata.ec.europa.eu/themes/3](https://cohesiondata.ec.europa.eu/themes/3)
How much ESIF support for SMEs?

SME support allocations per million inhabitants (2014-2020, ERDF)
How much ESIF support for SMEs?

By field of support:

- Research and innovation
- Unspecified productive investment in SMEs
- SME business development, support to entrepreneurship and incubation (including support to spin offs and spin outs)
- Environment & Energy efficiency
- Advanced support services for SMEs and groups of SMEs (including management, marketing and design services)
- Human capital / vocational training (ESF)
- Business infrastructure for SMEs (including industrial parks and sites)
- Cluster support and business networks primarily benefiting SME
- Digital economy
- Tourism & Cultural sector
- Social economy

Types of ERDF support for SME

**Direct financial support for SMEs:**
- **70% Grants**: to individual recipients and consortia; often pre-allocated; some first-come-first-served; increasingly competitive calls for proposals.
- **30% Financial instruments** (loans, VC, guarantees, interest rate & guarantee subsidies). Only 8% FIs for R&I, as risk is higher. Delivered via:
  - **Individual schemes**
  - **Off-the-shelf instruments**
  - **SME initiative** (EIB Group): uncapped portfolio guarantee and securitisation instruments for selected financial intermediaries. They gain loss protection and potential capital relief at an advantageous cost. These financial intermediaries provide SME loans, leasing and/or guarantees at favourable terms (e.g. reduced interest rates and collateral requirements for the final recipients).

**State Aid rules apply to all ESIF support**
(SME Instrument via EIB is already cleared)

**Indirect support:**
- **Support services**, feasibility studies, platforms & networks, incubators, business parks, clusters, ...
- **Public procurement**
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EU policy context & outlook

• **SMEs in the current Commission priorities:**
  Digital Single Market, Energy Union, Circular Economy, Investment Plan, "Start-up and Scale-up Initiative", etc.

• **Different EU funding programmes:**
  Horizon2020, COSME (direct management) and ERDF, ESF, EAFRD, EMFF (shared management): Complementarity or alignment?

• **Linking funding programmes, strategies and framework conditions:** European Semester and ex ante conditionalities as solution?
Have your say on Smart Specialisation

Smart Specialisation means that countries and regions focus on their unique innovation strengths. Over 120 regions and countries have prepared "Smart Specialisation Strategies" since 2011.

**With this public consultation our aim is** to collect

- views on these strategies, their implementation and evolution, to better understand challenges, and to identify good practices and lessons learnt,
- information on projects and initiatives that follow the smart specialisation approach,
- suggestions for future Commission actions to help implement the smart specialisation strategies and to evolve the concept.

**Target group are stakeholders who make innovation happen in the EU**, especially businesses or business support organisations, national/regional/local public authorities, research and innovation organisations, etc.