EUROPEAN COMMISSION

Brussels, 30.11.2011
SEC(2011) 1453 final

COMMISSION STAFF WORKING PAPER

EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

establishing a Programme for the Competitiveness of enterprises and small and medium-sized enterprises (2014 to 2020)

{COM(2011) 834 final}
{SEC(2011) 1452 final}

1. INTRODUCTION

The purpose of this Impact Assessment Report is to assess the expected impacts of an EU Competitiveness and SME programme (2014-2020), as proposed by the Commission in its MFF Communication of 29 June 2011[1].

To prepare this initiative, the Commission consulted relevant stakeholders and sought external expertise. It commissioned an interim and a final evaluation of the current programme – the Entrepreneurship and Innovation Programme[2] – and a survey on administrative costs for beneficiaries. It also launched a public consultation.[3] Two external studies provided empirical data and analysis supporting the impact assessment.[4]

In view of the long-lasting effects of the economic crisis on the competitiveness and entrepreneurship potential of the European economy, in particular on SMEs, it is necessary to look at possible ways to tackle the underlying problems which constrain growth at the European level. The crisis and its consequences have demonstrated that uncoordinated national policy responses are of limited value, as they do not gather the critical mass to influence the performance and growth of European businesses in global markets, and they lack the necessary consistency over the long term.

2. PROBLEM DEFINITION

Market, institutional and policy failures undermine the competitiveness of European enterprises, including SMEs, and in particular their ability to become more sustainable as well as their possibilities of growth linked to access to finance and global markets.

A particular effort is needed in order to promote the interests of small and medium-sized enterprises and the sectors in which they are most represented. One of the main sources of economic growth and job creation in the EU are SMEs, which constitute 99% of European businesses, provide two out of three private sector jobs and contribute more than half of the total value-added created by businesses in the EU. In the past five years, 80% of new jobs in Europe have been created by SMEs.[5]

2.1. The specific problems related to competitiveness and sustainability

The business environment in Europe is characterised by cross-border regulatory fragmentation and the excessive administrative burdens in some Member States for starting a business. According to different surveys, between 70% and 88% of businesses regard administrative difficulties in other EU Member States as 'very important' or 'important' in deciding whether or not to engage in cross-border trade[6]. This runs counter to the general principle that businesses located in high cost locations, such as Europe, must be able to permanently adapt in order to remain competitive in the global market.

---

1 COM(2011)500 final
2 http://ec.europa.eu/cip/documents/implementation-reports/index_en.htm
3 http://ec.europa.eu/cip/public_consultation/index_en.htm
4 Study on the successor of the current programme and study on tourism, conducted by Economisti Associati
5 Structural Business Statistics Database (Eurostat) http://epp.eurostat.ec.europa.eu/portal/page/portal/european_business/data/database
6 European Business Test Panel, Commercial Disputes and Cross Border Debt Recovery, 14.07.2010–13.08.2010, http://ec.europa.eu/yourvoice/ebtp

2.2. The specific problems related to entrepreneurship, SME creation and growth

According to a 2009 EuroBarometer survey dedicated specifically to entrepreneurship, only 45% of European citizens would like to be self-employed, as compared to 55% in the United States and 71% in China.

2.3. The specific problems related to access to finance

In many Member States, SMEs have difficulties in obtaining a loan from bank institutions. According to the external study[7], between 400,000 and 700,000 SMEs are unable to obtain a loan from the formal financial system, with total foregone loans between € 40 and € 70 billion, because financial institutions require substantial collateral as well as extensive financial and business records. Moreover, compared to their US counterparts, European start-ups have less access to other financing such as venture capital, especially SMEs. As a result, many fast-growing European enterprises are looking to expand in the US instead of in Europe[8].

2.4. The specific problems related to access to markets

According to a 2010 ECB survey, the most pressing problem facing Euro-area SMEs is "finding customers" (28%). However, despite the existence of the Single Market, doing business across borders inside and outside Europe is still subject to significant barriers for SMEs. As a result, only 25% of SMEs in the EU export directly outside national markets and only 13% export beyond the EU[9]. This situation is a cause of concern, as the internationalisation of businesses plays an important role in the creation of jobs and growth.[10]

2.5. Need for action at EU level

- The case for action at the EU level relies on five main sources of European added value: the benefits associated with the ***strengthening of the Single Market***, by overcoming market fragmentation in areas such as venture capital investment, cross-border lending and credit enhancement, as well as informational and organizational constraints which prevent SMEs from taking advantage of the opportunities that the Single Market offers.

- the possibility of achieving significant ***demonstration and catalytic effects***, through the dissemination of industrial and policy best practices. Under the current programme, the best examples of promoting entrepreneurship and SMEs at national, regional and local level can be selected for the European Enterprise Awards competition.

- the achievement of ***economies of scale*** in areas where it would be difficult for individual Member States to achieve the required critical mass. For instance, in the field of support to SMEs abroad, European added value is created by the bundling of national efforts and by establishing services that would lack critical mass if provided at national level (for example, through support to IPR enforcement). The China IPR SMEs Helpdesk, funded

---

7 See footnote 3

8 Europe Innova, Meeting the challenge of Europe 2020, A report by the Expert Panel on Service Innovation in the EU, February 2011

9 EIM, Opportunities for the Internationalisation of SMEs, June 2011

10 Ibidem

by the current programme, offers advice which would be otherwise unavailable to SMEs from smaller Member States.[11]

- supporting ***coherence and consistency*** in national measures through the exchange of best practices at European level and benchmarking.[12] One of the best examples for the success of benchmarking exercises financed under the current programme is the action for simplification of start-up procedures.

- the ***unique expertise acquired by EU institutions:***

    - This is the case of the EU financial institutions, the European Investment Bank (EIB) and the European Investment Fund (EIF), whose experience in designing and implementing SME-friendly financing schemes is unparalleled. The experience gained by the EIF over more than 10 years constitutes a uniquely valuable asset.

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

Applying the principle of subsidiarity, the measures considered under the current or future programme aim not at replacing the existing national actions, but rather at complementing them. While there are many initiatives in place in the Member States to foster entrepreneurship and stimulate SMEs' competitiveness, there is a need for coordination and sharing of best practices. For most SME-related issues, the EU and the Member States each appear to have an important complementary role to play, as there is scope for spillovers and synergies. In particular, the EU plays a key role in activating all policy areas and levers in an integrated way.

In addition, and in order to take into account the current budgetary constraints, the measures considered were carefully selected as being those with the highest EU added value.

3. OBJECTIVES

The overall objective of the proposal is to contribute to the Europe 2020 goals by addressing the specific constraints to the growth of the European economy.

---

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

[12] EIM, June 2011

The twin general objectives of this proposal are to stimulate the potential for both competitiveness and entrepreneurship, particularly concerning the creation and growth of SMEs, within the European economy.

The specific objectives are to improve the framework conditions for the competitiveness and sustainability of EU business, to promote entrepreneurship, to improve access to finance and to improve access to markets.

4. POLICY OPTIONS

Under Option 1, **Business-as-Usual**, the new programme would cover the same competitiveness and SME-related elements as the EIP is expected to cover in 2013, and would have a budget of about € 213 million per year.

Option 2 would see the **Discontinuation** of all current financial interventions, leading to a budget saving equivalent to the amount indicated in Option 1.

Scenario 3a is based on the results of the external study and serves only as a reference point to assess the impacts of options 3b and 3c.[13]

Option 3b would maintain the current scope of intervention with a **balanced budgetary expansion**. Option 3c would constitute a **focused budgetary expansion**, where financial support is restricted to the financial instruments and the Enterprise Europe Network.

The options considered in this Impact Assessment Report are presented below.

Table 1 Summary of Options

	Option #1	Option #2	Option #3
	Business as Usual	**Discontinuation of EU intervention**	**Expansion of EU intervention**
Measures	€213 million/year	€0 million/year	**Option 3B:** €340 million/year **Option 3C:** €340 million/year
1 – Activities to improve European competitiveness	Improvement of the economic and regulatory environment through benchmarking, the exchange of best practices and sectoral initiatives (€11 million/year)	Discontinuation of all current activities	**Option 3B**: Baseline plus launch of a range of complementary actions in new areas (e.g. Corporate Social Responsibility) (€14 million/year); **Option 3C**: Discontinuation of all current activities
2 – Developing SME policy and promoting SMEs' competitiveness	Implementation of the SBA and its Review at European and national level (e.g. Promotion of the "Think Small First" principle) (€9 million/year)	Discontinuation of all current activities	**Option 3B**: Same as Baseline option **(**€9 million/year); **Option 3C**: Discontinuation of all current activities

[13] The budgetary assumptions of this study were not consistent with the Commission's final proposal for the next MFF as the study was commissioned already in 2010, but the quantitative analysis remains relevant. As a consequence, Scenario 3a is omitted in the following tables.

3 – New business concepts for sustainable, user-driven design-based consumer goods	Analysis related to design-based consumer goods and support measures in the areas of IPR or e-business (€1 million/year)	Discontinuation of all current activities	**Option 3B**: Use of instruments such as "market replication projects" in areas where SMEs face obstacles to the take-up of new eco-sustainable technologies and new user-driven business concepts (€ 12 million/year); **Option 3C**: Discontinuation of all current activities
4 – Tourism	Continuation of current initiatives in the field of tourism co-financed under CIP/EIP (e.g. follow-up to preparatory actions for sustainable tourism: EDEN, CALYPSO) (€5 million/year)	Discontinuation of all current activities	**Scenario 3B**: Expand the scope of intervention to new activities related to sustainability and targeting diversification of products and services (€18 million/year); **Option 3C**: Discontinuation of all current activities
5 – Activities to promote Entrepreneurship	Encouraging the development of entrepreneurial skills and attitudes, including exchange programmes for entrepreneurs (€11 million/year)	Discontinuation of all current activities	**Option 3B**: Same as Baseline option plus modest expansion of activities focused on the increase of number of exchanges (€12 million/year); **Option 3C**: Discontinuation of all current activities
6 – Financial instruments	Continuation of support to access to finance, mainly through provision of guarantees to SMEs and Venture Capital funds targeting firms in the growth stages (€113 million/year)	Discontinuation of all direct intervention in financial instruments, with EU action limited to elimination of regulatory barriers to cross border venture capital	**Option 3B**: Almost a doubling of resources with the same range of instruments funding both debt and equity (€200 million/year); **Option 3C**: Focused expansion of activities, reflecting an increase of risk sharing finance in venture and mezzanine capital (€280 million/year)
7 – Enterprise Europe Network	Maintain the Network's role and scope as it is (€60 million/year)	Discontinuation of all direct financial support to the regional Network consortia	**Option 3B**: Same as Baseline option (€60 million/year); **Option 3C**: Re-orient the Network as an entry point for equity financing (€60 million/year)
8 – SME support abroad	Continuation of current initiatives (i.e. limited financial support to selected initiatives such as China IPR SME Helpdesk) (€2 million/year)	Discontinuation of all forms of direct initiatives	**Option 3B**: Expansion of the range of instruments including: a) coordination and information dissemination activities; b) financial support to existing SME help structures in key third markets; c) possible establishment of EU support centres where appropriate (€12 million/year); **Option 3C**: Discontinuation of all forms of direct initiatives
9 – International industrial	Continuation of current initiatives focused on SME	Discontinuation of all	**Option 3B**: Expansion of the range of instruments including: a)

cooperation	and industrial policy co-operation with third countries in the "Near Europe" aiming to facilitate EU - third country convergence of industrial policy and regulatory frameworks (€1 million/year)	current activities	industrial and regulatory dialogues with third countries; b) business-to-business dialogues with third countries; c) SME industrial policy co-operation (€3 million/year); **Option 3C**: Discontinuation of all current activities

5. ASSESSMENT OF IMPACTS

As far as possible, a quantitative and qualitative assessment of impacts has been developed for all options. An effort was made to quantify the main impacts in terms of GDP (added value), value of lending/investment mobilised and employment, as well as the number of firms assisted. However, the quantification proved unfeasible in the case of indirect instruments, i.e. those aimed at creating or facilitating market conditions for SMEs, and whose ultimate impact would depend upon the behaviour of market participants and administrations. Therefore, the quantification exercise concerned Financial Instruments and, to a lesser extent, the Entreprise Europe Network.

Concerning the efficiency of the proposed options, the quantitative analysis covered two aspects: (i) the cost effectiveness of the proposed measures in terms of cost ratios linking budgetary outlays to the expected impacts in terms of marginal job cost and incremental impact to budget cost, and (ii) administrative expenses measured by the ratio of administrative personnel costs on the overall budget. Concerning the financial instruments, the analysis took into account the expenses for the management of various facilities, such as fees to the European Investment Fund and financial intermediaries.

Option 1: Business-as-Usual

The Business-as-Usual Option would meet the policy objectives of the proposed programme to a limited extent only. In view of the effects of the economic crisis on business, Option 1 would mean that initiatives that are currently operating below the optimum scale would remain under-developed, and areas where there is a clear need to expand EU action (such as the financial instruments) would suffer from the lack of a consistent, welfare-enhancing set of EU initiatives.

(a) Effectiveness: **Economic impacts** are nevertheless estimated to be significant, in terms of both direct and indirect support. Concerning the net impacts of financial instruments, these are expected to result in an increase of GDP of approximately €660 million and to generate about €1.8 billion in additional lending/equity investment facilitated. The activities of the Network are expected to generate an increase of €200 million of incremental turnover for assisted firms. Positive **social impacts** of financial instruments are expected in terms of generating and/or safeguarding more than 16,000 jobs in approximately 26,000 assisted firms**.** Moreover, the activities of the Network are expected to generate and/or safeguard 1,000 jobs, as well as developing 900 new products, services or processes per year. **Environmental impacts** are positive, due to environmental support provided through networking, funding and investing in resource-efficient and low-impact solutions through the Enterprise Europe Network. For instance, by 2011, Network partners are expected to deliver environment-related services to about 7,500 SMEs and sign cooperation agreements with more than 400 environmental service providers. Modest **synergies** among different components of the programme are expected, most prominently between the Financial Instruments and the

Enterprise Europe Network. Concerning other activities, the European Network of Female Entrepreneurship Ambassadors, inspired by Swedish and UK national programmes which provided promotion and support to women wanting or preparing to start up a new enterprise, will be complemented from 2011 onwards by the European Network of Mentors for Women Entrepreneurs, which will provide mentoring services to women entrepreneurs who have recently started a business.

(b) Efficiency: cost-effectiveness for the financial instruments (measured in terms of cost per job created and/or safeguarded) is estimated to be € 2735 per job. Concerning general administrative costs, the impact of staff costs across the total budget is 5.8% - mainly due to personnel costs.

(c) In terms of Coherence, the intervention logic of the current programme will be linked to other aspects of EU Competitiveness and SME policy, such as a reference to the relevant Flagship Initiatives of Europe 2020 or the priorities of the Small Business Act.

Option 2: Discontinuation

The Discontinuation Option does not achieve the policy objectives and its impacts are generally negative, both in social and environmental terms, compared to the baseline.

(a) Effectiveness: The only positive impact of this option would be in the area of cost savings.

(b) Efficiency: the discontinuation option would lead to significantly decreased efficiency in programme management by Member States due to the fragmentation of the management of individual national programmes, instead of the benefits of coordination under a pan-European programme.

(c) Coherence: the discontinuation option would have negative results in terms of the inconsistency of national approaches to competitiveness policy, as well as the absence of an EU dimension.

Option 3: Expansion

Different degrees of expansion of the current Programme were explored using the scenario envisaged by the external study as a benchmark, which is not considered to be a viable option.

Scenario 3a: Optimal Expansion

Scenario 3a would achieve the objectives of the programme to a considerable extent, but at an unrealistic cost.

(a) Effectiveness: There are positive direct **economic impacts** from the financial instruments, estimated at an increase in GDP of approximately €2.3 billion per year and €7.2 billion in additional lending/equity investment compared to the baseline scenario. The activities of the Network are not expected to have any additional result compared to the baseline scenario. The budget of the other activities would also increase considerably under this scenario and, in qualitative terms, activities to improve European competitiveness and entrepreneurship would lead to relevant policies based on best practices being implemented at EU and Member State level. There are also positive **social impacts** regarding employment: a major contribution is again expected to come from financial instruments, which are expected to contribute to the generation and/or preservation of more than 50,000 jobs by assisting approximately 65,000

more firms compared to the baseline option, as well as an additional 1750 jobs/year generated or safeguarded by the Network. Positive **environmental impacts** are expected to be significantly higher compared to the baseline, due to the scaling up of initiatives in support of eco-sustainable processes and products in targeted industrial sectors and tourism. The expansion of the Network would spread the EU environmental rules to additional third countries, generalising best practices.

(b) Efficiency: cost-effectiveness is estimated to be € 4732 per job. The incidence of staff costs over the total budget is expected to be 2.6%, mainly due to the significant increase in the budget for financial instruments.

(c) Coherence: this Scenario expands the current activities in order to reach out to other EU policies and programmes, so as to maximise the potential for added value of the EU-level intervention.

Sub-Option 3b: Balanced Expansion

The Balanced Expansion Option would achieve the policy objectives in a satisfactory manner by striking a balance and allocating the scarce budgetary resources accordingly.

(a) Effectiveness: **Economic impacts** of financial instruments are expected to result in an increase of GDP of approximately €500 million above baseline level and to generate about €1.7 billion in additional lending/equity investment. No additional impact is expected by the Network in comparison with the baseline option.

The budgetary allocation for other activities would be increased to achieve a more appropriate scale. A limited increase in the budget for support for European competitiveness would make it possible to implement some of the new actions included in the Europe 2020 flagship "An Integrated Industrial Policy for the Globalisation Era" as compared to the baseline option, such as initiatives relating to corporate social responsibility. As regards SME policy development, the same budget as under the baseline scenario would be maintained and the same impacts can be expected. As regards SME business support in markets outside the EU, a considerable scaling up of financial support would lead to an increased direct presence of SMEs in key global markets, as they would be able to rely on specialised support. Improved international cooperation would also have positive impacts on business internationalisation.

As regards **social impacts**, the financial instruments are expected to assist approximately 13,000 firms, thereby generating and/or safeguarding 11,000 more jobs than under the baseline option.

Other activities are expected to enhance cooperation between policy-makers at EU and national level, and a strong emphasis would be placed on identifying and disseminating best practices, with appreciable effects. In general, the envisaged measures are designed to be open to all groups of economic actors and therefore non-discriminatory. The activities envisaged to promote entrepreneurship are an exception, as these are designed to also target specific groups. Their aim is to promote and foster entrepreneurship across European societies, including social entrepreneurs, long-term unemployed, elderly workers, migrants and ethnic minorities. For instance, activities promoting entrepreneurship are expected to lead to a direct employment effect of 300-400 additional jobs, due to the internationalisation of beneficiary entrepreneurs.

Environmental impacts are not expected to be significantly higher than the baseline.

Aggregate impact due to **synergies** among the different components of the programme is expected to be significant compared to the baseline, as the reinforced financing of different measures is expected to enhance cooperation between policy-makers at EU and national level. Strong emphasis would be placed on identifying and disseminating best practices. The Network would be the centre-piece connector of different components, multiplying synergies between measures such as support to SMEs abroad and international industrial cooperation. Another example of expected synergies is the interplay between the Enterprise Europe Network and the financial instruments. The "use" of the Network for the promotion of the financial instruments will, for example, obviate the need for further promotional activities. Activities to improve European competitiveness, on the one hand, and the activities to develop SME policy and to promote entrepreneurship, on the other, will also be mutually reinforcing, as they are all intended to improve the framework conditions under which European businesses operate.

(b) Efficiency: cost-effectiveness is estimated to be €2824 per job. As regards general administrative costs, the impact of staff costs on the total budget is expected to be 4.1%.

(c) Coherence: this Sub-Option attempts to strike a viable balance between the different objectives in order to maximise the potential for added value of the EU-level intervention, in several fields related to the EU competitiveness and SME policy and identified in Europe 2020 flagship initiatives and other EU programmes.

Sub-Option 3c: Focused Expansion

Option 3c would partially achieve the policy objectives by focusing only on a specific subset of the competitiveness and entrepreneurship problems of the European economy.

(a) Effectiveness: Concerning **economic impacts,** positive quantifiable impacts are expected to flow from increased access to finance. Compared to the baseline, the concentration of resources mainly on the financial instruments would allow further reduction of the estimated market gaps for SME financing. The structural effects on the venture capital market would be limited. Compared to the baseline, however, financial instruments are expected to generate an increase in GDP of approximately €0.3 billion and €1.1 billion in the form of additional lending/equity investment facilitated.

Under this option, the focus of the financial instruments would be addressing the financial needs of growth-oriented enterprises and primarily those planning for internationalisation. The increase in resources would allow more young enterprises to benefit from loan guarantees and equity. More than half of the resources in this scenario would be allocated to equity instruments.

Some additional impacts compared to the baseline are expected by the Network due to the shift in priority, to become an "entry point" for helping SMEs access to finance. However, this effect is not quantifiable

The main economic costs under this option would concern the opportunity costs of not tapping the European added value which could be generated by the other, smaller-scale support activities proposed under the baseline option and Option 3b. It is not possible to quantify their economic impact as they are mostly indirect instruments.

This option would involve positive **social impacts** by the financial instruments, resulting in an additional 5,300 jobs per year compared to baseline. Nonetheless, this option would have a

negative impact in terms of missed opportunities of European added value resulting from the discontinuation of the smaller-scale activities of the baseline scenario. Without activities to support SMEs abroad, it is likely that European SMEs would be less successful in seizing the opportunities in emerging markets that recent studies have highlighted, which would mean negative economic and social impacts from this option.

Environmental impacts are expected to be positive, but not significantly higher than the baseline.

Aggregate impact due to **synergies** among different components of the proposed programme under this scenario is deemed to be inferior to the baseline scenario, as only synergies between Financial Instruments and the Network will be present.

(b) Efficiency: Cost-effectiveness is estimated to be €4385 per job. Concerning general administrative costs, the impact of staff costs over the total budget is expected to be 4,9%, mainly due to personnel costs.

(c) Coherence: This sub-option lacks substantial synergies and linkages to other EU objectives and programmes, as it focuses mainly on the access to finance of EU businesses.

6. COMPARISON OF OPTIONS

In view of the above considerations, the following tables assess the options in terms of impacts, taking the baseline as the benchmark against which the other options are compared (Table 2) and the criteria of effectiveness, efficiency and coherence (Table 3).

The effectiveness of each of the two expansion options considered for the financial instruments is sensitive to how the measure is composed. Option 3b has a larger share of the guarantee instrument than 3c and, therefore, due to the much higher leverage of guarantees, benefits many more enterprises and generates more employment, which leads to higher value added (GDP) per unit of budgetary resources. Option 3c is based on new product and service concepts financed by venture capital, which could generate higher value added and growth in the long term. Cross-border venture capital spending can also contribute to the development of the equity market and strengthen the entrepreneurial eco-system with longer-lasting impacts on the economy.

Table 2 Comparison of the options' impacts

	Budget	Economic	Social	Environmental
Option 1 (baseline)	€213 million/year	€660 million per year increase to GDP €1.8 billion in additional lending/equity investment €200 million incremental turnover per year	26,000 firms assisted 17,000 jobs created and/or safeguarded 900 new products, services or processes created per year	By 2011, involvement of at least 7,500 SMEs in more than 400 cooperation agreements signed with environmental service providers.

Option 2	€0 million/year	0	0	0
Option 3b - moderate expansion	€340 million/year	€500 million additional increase of GDP €1.7 billion in additional lending and equity investment	13,000 additional firms assisted 12,500 additional jobs created and/or safeguarded 200 additional start-up companies created	No change relative to baseline
Option 3c - focused expansion	€340 million/year	€300 million additional increase of GDP €1.1 billion in additional lending and equity investment	5,300 additional jobs created and/or safeguarded	No change relative to baseline

Table 3 Comparing the options according to three dimensions

	Budget	Effectiveness	Efficiency	Coherence
Option 1 (baseline)	€213 million/year	0	0	0
Option 2	€0 million/year	---	-	---
Option 3b - moderate expansion	€340 million/year	++	0	++
Option 3c - focused expansion	€340 million/year	-	+	--

Legend: (---) very negative, (--) negative, (-) slightly negative, (0) no change, (+) slightly positive, (++) positive, (+++) very positive

Option 2 clearly fails to address the underlying problems of competitiveness and entrepreneurship. Discontinuation of the programme would also remove the EU contribution to dealing with the effects of the economic crisis on small businesses.

The only realistic choice, other than maintaining the status quo of Option 1, is between Options 3b and 3c. Whereas Option 3c concentrates the budget on two measures only, Option 3b attempts to strike a balance between different initiatives, in order to maximise the potential for added value of EU-level intervention across a wider field of activity. It also entails striking a balance between the different financial instruments. Option 3b, therefore, performs better in terms of achieving the programme's objectives and of providing a coherent set of European support activities. Competitiveness means many things, and concentrating resources

on financial instruments and the Network alone would not do the job. However, a wider range of activities does not come without a price. It involves higher staffing levels and therefore higher administrative costs. Moreover, the public consultation of stakeholders showed well over 80% of respondents supporting all of the envisaged activities. As it offers the most comprehensive solution, Option 3b is the preferred option.

7. MONITORING AND EVALUATION

The system for the monitoring and evaluation of the future programme would build on a robust hierarchy of logically interdependent objectives with a corresponding set of relevant indicators, and would adopt a holistic approach to monitoring and assessing the performance of the activities envisaged. Compared to the current programme, the following improvements would be made to the data collection and analysis system, as well as to the evaluation and monitoring approach:

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

The monitoring system and the indicators used to assess the current programme have already been the subject of a specific external study and of the EIP final evaluation. The recommendations from these sources have been used to improve the monitoring of the current programme, which will run until 2013. Moreover, the recommendations of a recent IAS Performance Audit of the EIP will also be taken into account in the implementation of the current programme and in the design of the monitoring system and of the indicators for the next programme. To this end, a Performance Report of the current programme is currently being drawn up.

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

In the case of the Financial Instruments, the future monitoring and evaluation system will be based both on regular information about the beneficiaries collected by the financial intermediaries and intermittent sample-based surveys that will cover some elements in more detail. Additional analyses will be carried out in the context of evaluations of the programme. In particular, such evaluations will compare the development of the beneficiaries with groups of enterprises that do not use the instruments provided. The latter will require detailed analysis, since there are naturally a number of factors that influence the development of an individual enterprise which need to be distinguished from the impact of the programme. The

most important aspects to be assessed in such an exercise are actually the growth and employment foregone because a guarantee was denied or a venture capital application was turned down. The scope of the evaluations will also be extended by considering impacts on the internationalisation of enterprises. Data required for this purpose will be collected by means of surveys, on a sample basis, rather than through regular reporting, in order to avoid imposing a disproportionate burden on intermediaries and final beneficiaries.