



# REPLIES OF THE EUROPEAN COMMISSION

## TO THE EUROPEAN COURT OF AUDITORS' SPECIAL REPORT

SME internationalisation instruments: a large number of support actions but not fully coherent or coordinated

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This document presents the replies of the European Commission to observations of a Special Report of the European Court of Auditors, in line with Article 259 of the [Financial Regulation](#) and to be published together with the Special Report.

## EXECUTIVE SUMMARY (Paragraphs I-IX)

### Commission replies:

**III.** Cohesion policy has been supporting SMEs including their internationalization during the 2014-2020 programming period through the ERDF which accounted among the largest share of the EU budget (EUR 40 billion) devoted to SMEs competitiveness, as well as to SMEs innovation, digitalization and the shift towards a low-carbon economy. **VI.** The Commission agrees that the 2011 strategy correctly identified the main obstacles and considers that many actions included in the strategy have been successfully implemented.

The Commission also agrees that the need identified by ECA for an up-to-date inventory of all relevant actions in this field (which could identify gaps, overlaps and potential synergies among actions), is only partially addressed by the Commission's "Overview of EU instruments contributing to internationalisation of European Business", published in 2015 and updated in 2017, 2019 and 2020.

**VII.** Whilst it is not possible to measure the full impact on the internationalisation of SMEs, the 2017 interim evaluation of the COSME programme made it clear that the EEN was effective. The Commission and EISMEA are looking to strengthen the impact in the renewed EEN. They are also looking to further improve the coordination between the EEN and other internationalisation instruments at EU, national and regional level.

**VIII** Although there is no specific designated coordination body, Start-up Europe Summits and other regular internal and external meetings contribute as of March 2020 to the strategic coordination of the initiative towards its overall objectives by highlighting start-ups contribution to growth, producing specific policy recommendations and enabling cooperation between projects.

The Commission will develop additional indicators and targets to measure the initiative's overall effectiveness.

**IX.** First indent: the Commission and EISMEA accept this recommendation.

Second indent: The Commission and EISMEA accept this recommendation.

Third indent: The Commission accepts the recommendations.

## INTRODUCTION (Paragraphs 1-19)

### Commission replies:

**05.** It is important to emphasize that the main purpose of the Small Business act was to lay down guiding principles for the conception and implementation of policies both at

EU and Member State level.

**13.** The Commission notes that there are other highly relevant initiatives to SME internationalisation such as on clusters.

**15.** The core budget for the EEN for 2015-21 came from the COSME programme. However, under the SME Instrument under Horizon 2020, additional funding was provided for specific innovation services to help beneficiaries of that Instrument and to improve innovation management capacities in innovative European SMEs. EU funding comes on top of services already provided at local, regional and national level by EEN members and is designed to add European value.

## AUDIT SCOPE AND APPROACH (Paragraphs 20-23)

No Commission replies. (when there are no replies in the whole section) Style “normal”

## OBSERVATIONS (Paragraphs 24-77)

### Commission replies:

**24.** First indent: The majority of the EU projects take into account the objective of dissemination of the information, not only to the companies participating on the projects, but also to business organizations and other national platforms.

Second indent: EU projects with an international dimension are often implemented by EU Delegations. When headquarters leads the implementation, EU Delegations are involved from the initial phase and they also inform/involve Member States in related third countries.

Third indent: The majority of projects have followed initial mapping exercises in third countries as well as fact finding missions. Extensive consultations in third countries systematically involved Member States and business organizations present in the country. The activities referred to made it possible to carry out a better analysis of European companies in targeted third countries and to reinforce cooperation among stakeholders.

**26.** Coherent and coordinated support to SMEs is a legitimate goal. But it is a fact that globalisation and growing markets in third countries are pushing public authorities to increase the number of instruments supporting EU companies in these markets abroad.

**27.** Taking into account the high number of actors in this field, it is difficult to obtain the full picture, partially because the projects are responding to targets that are moving in a changing economic global scene.

**28.** The described Overview is an internal EU exercise that is limited to the EU instruments dedicated to internationalisation. It does not cover Member States actions, precisely due to the enormous amount of actions developed at Member State level.

**30.** Following the recent reorganisation of DG GROW, the Commission has now a dedicated unit covering both SME internationalisation and internationalisation more widely. Key support networks such as EEN and clusters networks are also centralized in a single unit. There is close cooperation

between these units, and also with the SME Unit. In addition, the mandatory Inter-Service Consultations ensure coordination among the Commission's services.

**31.** Some actions such as those to increase awareness of FTA benefits (see paragraph 35) and the "Overview of EU instruments contributing to internationalisation of European Business" partially address this need and provide valuable information for entering new markets.

**34.** See Commission reply to paragraph 35..

**35.** The Commission has taken numerous actions to address the insufficient practical information on how to use the FTAs. From October 2020, with the rolling out of the Access2Market tool and its integrated ROSA (Rules of Origin Self-Assessment tool) and Access2Procurement, the Commission has made significant progress in this direction. Access2Markets is set to expand on services in 2022, as well as ROSA's coverage of all agreements by the end of 2022.

The launch of Access2Markets in October 2020 was accompanied by an awareness-raising campaign stressing the benefits of FTAs. Since its launch, the usage of the tool was close to 1.9m visitors in 2021, indicating that awareness raising campaigns were effective. Training events for key multipliers (such as EEN, TPOs, EU Delegations, business associations) who can then spread the knowledge were also held.

**36.** Raising awareness is a continuous process and the Commission will continue its efforts in this direction. SMEs need help in accessing the benefits of our FTAs and effective communication is key to unlocking their potential. This is why the Commission continues to strengthen communication and outreach efforts to SMEs, which are steered by the Chief Trade Enforcement Officer (CTEO) appointed in July 2020. Within the first year of his appointment, some important milestones have been achieved, such as building a strong chain of information sources (comprehensible guidance and explanations of the trade agreements in simplified language for SMEs), outreach and promotion campaigns, as well as building an enhanced partnership with stakeholders in the EU and third countries.

**37.** The Commission recognizes that the networks have taken time to establish the necessary connections. Nevertheless, they have delivered valuable support to SMEs right from the start. Clearly, the more widely known and visible they are, the more impact they will be able to achieve.

**38.** The 2011 SME internationalisation strategy stated that "the aim should be for services to be self-financed to as large an extent as feasible in the longer term in order to mitigate the risk of unwarranted squeezing out of the market of private service providers". By their very nature and their relatively limited funding, their services cannot be as deep, as specialised and detailed as those paid services offered by consultants or specialised companies.

**40** The Commission acknowledges the financial discontinuity which was in part due to the lack of self-sufficiency. In the case of the ELAN project, it was also due to the change in the applicable regulation: ELAN was financed under the ICI+ instrument that was terminated end-2013 and the new instrument (Development Cooperation Instrument) did not allow the financing of interventions primarily serving EU interests. While the design of ICI+ projects in South East Asia included a plan to become financially sustainable after the end of project, this was not possible due to, among others, limitations linked to the legal status in some countries and the difficulties in increasing membership bases. Despite these challenges, there are still some lasting effects arising from the networks created by ELAN and from ICI+ project activities continued by project partners.

## Box 5 The sustainability of a number of EU co-funded projects launched during 2014-2020 was not achieved

The Commission refers to its reply to paragraph 40 concerning ELAN and ICI+ projects.

In addition, although a specific impact assessment was not carried out for ICI+ projects in South East Asia, the Commission conducted consultations in the targeted countries with Member States and with the EU Delegations. The projects were also subject to a Results Oriented Monitoring (ROM), which led to the reorientation of some project activities and better coordination between ICI+ SEA projects of the targeted countries.

**42.** See comments in point 81.

**43.** While there was no evaluation of the implementation of the SME internationalisation strategy, a systematic evaluation of projects was undertaken on regular basis, as part of the programmes of the respective services.

**44.** Dedicating more space for the evaluation of SME internationalisation in the next Annual Single Market Report will be seriously explored.

**46.** The Commission agrees and will work with EISMEA to carry out a new assessment of awareness of the EEN among SMEs.

**47.** Performance variations between countries and even between consortia established in the same country are normal due to the factors correctly identified in the audit, as well as political and economic factors, which can differ from country to country, region to region, and by economic sector. This is a risk common to all consortia awarded through a competitive call for proposals.

**49.** The figure quoted for SME awareness of the EEN dates from 2015, over six years ago. Even for the 2015 figure, visibility was assessed among all SMEs, while the Network's target group of SMEs is more limited and covers only those who want to innovate and grow internationally.

In order to highlight the significance of awareness raising, strong requirements in relation to it were required of the applicants to the new EEN call<sup>1</sup>.

**50.** The Guide for Applicants identified in the Audit refers to the 2014 call for proposals. Additional guidance was provided during the implementation period. All consortia are required to setup a national website (particularly important in countries with more than one consortium), where mappings of funding opportunities are made available. The Commission and EISMEA have taken measures to improve this situation in the new EEN. It has also encouraged the cooperation with other networks or partners, such as Clusters organizations, providing specific instructions for the direct cooperation<sup>2</sup>.

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<sup>1</sup> Call for proposals SMP-COSME-2021-EEN Enterprise Europe Network of June 2021.

<sup>2</sup> See sections 2.3.5; 2.4.1.2; of the Call for proposals SMP-COSME-2021-EEN Enterprise Europe Network of June 2021

**51.** The Commission and EISMEA agree that there is a need for “stronger integration of the EEN into national and regional organisations”.

The Commission agrees that cooperation with other EU national entities in third countries is important. This is already happening in several countries, and the Commission and EISMEA continuously improves this cooperation where possible.

**52.** Under the May 2021 call, the formal associate membership concept has been replaced with a flexible approach by which the Commission and EISMEA can conclude bilateral agreements with relevant organisations. Regional and national consortia can set up cooperation agreements at their level. Specific memorandums of understanding are not the only tools for cooperation and may be unnecessary or inappropriate<sup>3</sup>.

**53.** In the new EEN, the Commission and EISMEA will decide on a case by case basis how cooperation can best be ensured.

EIB has participated at Commission and EISMEA training seminars to inform EEN members of its role and advisory support services and continue to give training as requested by the Network through Commission and EISMEA.

**54.** Moreover, BCCs, or as of 2022, EEN International Network Partners are required to maintain a quality standard, in addition to demonstrate their EEN related activities (via KPIs). Failing to do so can result in losing their EEN status.

**56.** The EEN coverage in non-COSME countries is based on qualitative applications received for the published calls to become a BCC. The Commission and EISMEA will continue filtering out applications which do not meet the quality standards of EEN. The Commission and EISMEA have widely publicised this call including a publicly accessible info day, but also via the EU delegations in key partner countries.

Priority will be given to applications from countries and/or trade blocs with which the EU: concluded comprehensive FTAs, economic partnership agreements and/or investment agreements; established thriving research and innovation partnerships; or already has in place a good business and SME-support infrastructure and is willing to invest in expanding it.<sup>4</sup>

**57.** The Commission acknowledges the possibility of differences in the service quality of different consortia in countries and/or regions.

The Commission, with EISMEA, is continuously monitoring the performance of the EEN network in third countries, to keep a certain standard, at the same time, by nature; it is not possible to have a uniform quality in so many and so diverse geographies. Under the Call, a special emphasis has been placed on ensuring a common high level of service.

**58.** The Commission and EISMEA have carried out considerable training on access to finance and has also worked closely to support EU SMEs in taking advantage of free trade agreements. In the new EEN, the Commission and EISMEA will work closely with EEN members and notably the Access to Finance and Internationalisation Thematic Groups to identify and address further training needs.

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<sup>3</sup> In the Call, a number of different options and means of cooperation are provided

<sup>4</sup> EEN International Network Partners Call of July 2021. p6.

**59.** The Commission and EISMEA recognise that the online visibility and accessibility of this information varies considerably between EEN members. The Commission and EISMEA have committed to continuously improving and harmonising the accessibility and visibility of this information in the EEN, as well as in the EIAH and the Commission portals.

**60.** The Commission and EISMEA would like to stress that the EEN has a specific Thematic Group (TG) dedicated to this subject of Access to Finance, in particular by SMEs, with regular meetings and exchanges. Please see also the Commission's reply under paragraph 58.

**61.** Under the new EEN, permanent FTA contact points are being put in place.

Notwithstanding the pandemic, the Commission still managed to hold a virtual train-the-trainers session in 2021 for the EEN to introduce the Access2Markets portal.<sup>5</sup> To date, the Commission has held training seminars in 22 out of the 24 EU languages and successfully reached participants from each Member State in our virtual training events

**62.** EISMEA has developed and upgraded the platform to the EEN Community – Networking, Learning & Sharing in the beginning of 2022. This upgrade should provide an easier access to the tools required for the EEN to provide a better service throughout the client journey.

**63.** Each year a centralised indicative training calendar is defined and fine-tuned throughout the year.

As part of that, the Commission and EISMEA will assess the potential need for further training on access to finance and FTAs and respond by developing suitable training programmes including, as appropriate, elements delivered by EIB/EIF.

**68.** From Startup Europe projects, some partners continue their collaboration on their activities, albeit under a different name.

**71.** The Commission, established the number of start-ups and the technology sectors that received support, as well as the number of Member States and associated countries covered by the projects. However, at the level of the whole initiative further efforts to define additional measures of progress are needed.

**72.** Although there is no specific designated coordination body, Start-up Europe Summits and other regular internal and external meetings contribute to the strategic coordination of the initiative towards its overall objectives by highlighting start-ups contribution to growth, producing specific policy recommendations and enabling cooperation between projects.

**73.** Since 2019, Startup Europe is considerably strengthening the coordination with EEN. In addition, Startup Europe is, since 2021, part of the EIC Work Programme. Coordination with and among Member States initiatives has also been enhanced through the signature of the EU Startup Nations Standard of Excellence in March 2021<sup>6</sup>.

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<sup>6</sup> <https://digital-strategy.ec.europa.eu/en/news/24-eu-member-states-commit-digital-day-take-action-support-growth-eu-startups>

As regards coordination with national initiatives, biennial discussions with representatives of national programmes in the start-up field take place at the level of programme committees to agree on the work programme and to report on achievements.

Under the new EEN, a new “Start-ups & Scale-ups” Thematic Group of EEN members has been created. The Commission and EISMEA will work with the Group to ensure cooperation with Startup Europe.

Until 2019, the yearly Startup Europe Summit allowed projects to share data, experiences, discuss synergies and identify collaborations. Due to the pandemic these Summits did not take place in 2020 and 2021.

**75.** The Commission together with the Member States and Iceland signed the declaration on Start-ups Nations Standard of Excellence in 2021, to support start-ups across Europe in each stage of their development. The actions proposed will create more favourable conditions for start-ups at all phases of their life cycle and simplify the processes of setting up businesses, attracting talent and participating in public procurements. The Commission has also adopted a target of doubling the amount of unicorns in the EU by 2030 in the Digital Decade Communication of March 2021. The Commission Foreign Direct Investment Regulation and screening mechanism <sup>7</sup> is also there to mitigate risk with regard to acquisition of strategic assets.

## CONCLUSIONS AND RECOMMENDATIONS (Paragraphs 78-90)

### Commission replies:

**78.** The work for improving coherence and coordination is a medium-long term objective. The task is very complex because the number of involved actors (inside the EU and outside) and the multiplicity of projects.

**79.** Indeed, we agree on the fact that not all implemented actions have been successful. Nevertheless, lessons learned are also relevant. For example, the launch and operation of a multilingual on-line portal linking all EU & MS services in support of SME Internationalisation proved to be too complex and requesting big quantity of resources.

**80.** EU and MS coordination have been improved with regular meetings with the TPOs; and the recent creation of the European Network of TPOs.

EU Delegations involve and inform MS Embassies on the projects developed in the field, also the Market Access Committee (EU meetings with MS) provides regular information on the actions developed by the EU in third countries.

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<sup>7</sup> Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 establishing a framework for the screening of foreign direct investments into the Union; <https://eur-lex.europa.eu/eli/reg/2019/452/oj>

**81.** Initial planning steps are now being taken for the final evaluation of the COSME programme. Due to the long time frame foreseen for implementing certain types of actions supported by COSME, an earlier evaluation would not be able to capture fully the results of the programme.

The question of sustainability of some of the projects is complex, in the sense that many projects were not allowed to make profits.

**82.** The Commission and EISMEA note the caveats on the prioritisation of countries under the International Network Partners call noted above.

**83.** The Commission and EISMEA agree, noting the difficulties of ensuring uniformly high levels of achievement. Together, they will work to ensure that EEN members meet the visibility and communication requirements.

**84.** Whilst formal cooperation agreements may be necessary, these are only one of the tools available.

**85.** The Commission, with EISMEA, is continuously monitoring the performance of the EEN network in third countries and acting where necessary. They have actively promoted the new call but cannot guarantee or ensure applications from particular countries. Moreover, the applicants must meet the eligibility requirements and have to pass the evaluation process.

**86.** The Commission and EISMEA will look at further training and closer cooperation on the issues of access to finance and FTAs and will also look at ways of increasing the outreach and multiplier effect of training provided to the Network. They will continue to develop closer cooperation with the EIB/EIF<sup>8</sup>. New IT tools have been introduced in February 2022.

**87.** The Start-up Europe budget has been limited to 30 million Euro from 2014-20.

**88.** See reply to paragraphs 72 and 73.

**89.** See reply on point 71.

**90.** Accessing all potential markets and funding opportunities (including international markets) is crucial for European start-ups to grow and scale to become global leaders. The organisation of corporate-scale-up matchmaking events, in view of making long standing partnerships, even if it leads to acquisitions, is welcomed as long as it allows the start-ups to continue to operate and grow in the EU. Accessing all potential markets and funding opportunities (including international markets) is crucial for European start-ups to grow and scale to become global leaders. The organisation of corporate-scale-up matchmaking events, in view of making long standing partnerships, even if it leads to acquisitions, is welcomed as long as it allows the start-ups to continue to operate and grow in the EU.

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<sup>8</sup> In addition, EIB gave a presentation on EIB due diligence related to European Innovation Council to the EEN members at the training session organised by the Commission and EISMEA on 18-19 November 2021. EIB stands ready to participate in future events to present, among others, the recent IT tools developed, including the Green Checker.

## **Recommendation 1 - Increase awareness, coherence, and sustainability of the support to SME internationalisation**

**1.A.** The Commission accepts the recommendation.

The Commission commits to update its “Overview of EU instruments contributing to internationalisation of European Business” on regular basis and, in any case, before end of 2023.

The Commission would like to underline that under shared management, Article 49 of Regulation (EU) 2021/1060 provides for the obligation to publish information on co-funded projects by managing authorities.

**1.B.** The Commission accepts the recommendation.

The analysis and identification of gaps and overlaps is the initial step, it should be accomplished before providing solution to foster synergies.

**1.C.** The Commission accepts the recommendation

The new SMP (Single Market Programme) orientations take account of the I/A and the interim evaluation of the previous actions/programmes.

Evaluation and impact assessments (I/A) will be carried out mainly at SMP programme level. The services implementing activities under each specific objective are responsible for preparing, collecting and compiling data for suitable monitoring and evaluation of their own activities and prepare the needed reporting (ref. SME pillar objective 3.2.b of the SMP Basic Act).

The final evaluation of COSME (2023), and the interim evaluation of the SMP in year 4 of the programme will both provide information to justify future actions, including any actions on SME internationalisation. Specific evaluations are also foreseen for several major actions.

**1. D.** The Commission accepts the recommendation.

Assessing the effectiveness of the SME internationalization strategy will be a complex task, taking into account the impact of other policies (SME policy, Trade Policy, Industrial Policy, Regional Policy, Development policy).

## **Recommendation 2 – Increase the visibility of the Enterprise Europe Network, its cooperation with other similar programmes, its training activities and geographical coverage**

– **2.A.** The Commission and EISMEA accept the recommendation.

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– **2.B.** The Commission and EISMEA accept the recommendation.

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– **2.C.** The Commission and EISMEA accept the recommendation.

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- **2.D.** The Commission and EISMEA accept the recommendation.

## **Recommendation 3 – Improve the monitoring and long-term effectiveness of the Startup Europe initiative**

### **3.A** The Commission accepts the recommendation

The Commission encourages long term sustainability of the projects activities, but is however limited in “enforcing this” once the project is finished and the consortium dissolves. Individual project partners may however decide to continue some project activities after the project has ended.

### **3.B.** The Commission accepts the recommendation

### **3.C.** The Commission accepts the recommendation