



**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 15 July 2013  
(OR. en)**

**12336/13  
ADD 2**

**RECH 350  
COMPET 568  
MI 643  
IND 210**

**COVER NOTE**

---

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	12 July 2013
To:	Mr Uwe CORSEPIUS, Secretary-General of the Council of the European Union

---

No. Cion doc.:	SWD(2013) 243 final
Subject:	COMMISSION STAFF WORKING DOCUMENT EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT Accompanying the document PROPOSAL FOR A DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the participation of the Union in a Research and Development Programme jointly undertaken by several Member States aimed at supporting research performing small and medium- sized enterprises

---

Delegations will find attached document SWD(2013) 243 final.

---

Encl.: SWD(2013) 243 final



Brussels, 10.7.2013  
SWD(2013) 243 final

**COMMISSION STAFF WORKING DOCUMENT**

**EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT**

*Accompanying the document*

**PROPOSAL FOR A DECISION OF THE EUROPEAN PARLIAMENT AND OF THE  
COUNCIL**

**on the participation of the Union in a Research and Development Programme jointly  
undertaken by several Member States aimed at supporting research performing small  
and medium-sized enterprises**

{COM(2013) 493 final}  
{SWD(2013) 242 final}

## COMMISSION STAFF WORKING DOCUMENT

### EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

#### *Accompanying the document*

#### **PROPOSAL FOR A DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

#### **on the participation of the Union in a Research and Development Programme jointly undertaken by several Member States aimed at supporting research performing small and medium-sized enterprises**

This Executive summary contains the main findings and conclusions of the Impact Assessment report accompanying the Commission Proposal for a Parliament and Council decision on the Eurostars-2 Joint Programme (hereinafter ‘Eurostars’) for the period 2014-20.

Eurostars was established in 2008 involving all EU Member States and six associated countries. The programme supports research performing SMEs involved in transnational collaborative R&D projects. The EU participates in the programme under Article 185 TFEU (formerly Article 169 EC), with an overall contribution of EUR 100 million, against EUR 300 million from the participating countries. The programme is built on Eureka<sup>1</sup>, and the Eureka secretariat is the dedicated implementation structure.

In June 2012, the Eureka Ministerial Conference, where all current Eurostars countries are represented, endorsed an official declaration (the Budapest document) affirming their commitment to support a strengthened version of the current Eurostars programme for the period 2014-20. The Union’s participation in Eurostars is considered fundamental for the success of the programme and the EU is invited to join the programme.

The current Eurostars-2 budget projections for contributions from Eurostars participating countries, is estimated at EUR 861 million. The projections at the time of preparing this Impact Assessment are based on commitments received by the Eurostars representatives of 21 countries (representing 88% of the budget), and estimation for 12 other countries.

#### **1. PROBLEM DEFINITION**

##### **1.1. European SMEs — problem definition and the need for intervention at EU level**

Economic growth and job creation in Europe crucially depend on the growth of innovative firms. It is essential to foster economic growth and job creation in the EU so that more European SMEs turn into growing innovative firms.

---

<sup>1</sup> Eureka is a European Intergovernmental network, established by a Conference of Ministers of 17 countries and Members of the Commission of the European Communities in 1985, with the aims to supporting industrial research collaboration. It currently counts 40 member countries and supports also Individual projects, Clusters and Umbrella besides Eurostars.

However, in Europe there is still considerable fragmentation and compartmentalisation of national research and innovation. Increasing technological complexity requires greater access to expertise which is not readily available inside national borders. Transnational R&D collaboration has a key role to play to give SMEs greater access to markets beyond their national borders. There is thus a clear case for EU intervention.

The EU's right to act in this area is set out in Article 185 TFEU. The value of public-public partnerships in contributing to the achievement of the European Research Area (ERA) is recognised, as they help align and synchronise national programmes. The Horizon 2020 Communication also states that: 'Partnership approaches on the basis of Articles 185 and 187 of the Treaty will also be continued'.

## **1.2. Lessons learned from the current Eurostars programme**

An interim evaluation was conducted in 2010. It concluded that: 'Eurostars is a good programme, which meets its objectives and adds value to European R&D performing SMEs.' A number of recommendations were also made to be implemented both in the short and long-term to improve the programme and its impact. The European Commission sent the results of the evaluation to the European Parliament and the Council in April 2011.

According to the latest data available the Eurostars Programme appears to be an attractive programme for R&D-performing SMEs and to generate considerable positive economic effects for the participating undertakings in terms of additional turnover, jobs created and new products, processes or services on the market.

## **1.3. Eurostars-2 in the context of research for SMEs and the European Research Area**

Since Eurostars was established in 2008, political support for schemes in favour of research performing SMEs and for instruments contributing to the ERA, has been growing.

The Innovation Union Communication (2011) highlights the importance of SMEs in creating economic growth and jobs, explicitly mentioning that further use should be made of partnerships with Member State agencies, building on the experience of the Eurostars initiative. In its Horizon 2020 proposal, the Commission therefore included support for a programme dedicated to research performing SMEs, implemented by an Article 185 TFEU initiative, building on Eurostars and refocusing it along the lines stated in the interim evaluation.

Together with other complementary initiatives, the Eurostars programme will form part of the Horizon 2020 integrated strategy to support SMEs. Complementarity between the other Horizon 2020 initiatives means that they will all aim to reach the same overall objective, but each has its own specific features and target groups.

Research performing SMEs participating in R&D driven projects can continue to participate in the more traditional collaborative projects under Horizon 2020, which is based on the intervention logic of societal challenges and/or specific focus areas.

SMEs participating in market opportunity driven projects and displaying high levels of technology readiness and at the last stage of innovation activities, can receive support from the new SME Instrument and, if in need of equity and loans to scale up their project results for commercial exploitation, from the financial instruments.

Eurostars-2, by specifically targeting the transnational collaboration of research performing SMEs in any field, is strategically positioned between the above mentioned measures.

The strategic positioning of these different instruments can be illustrated as follows:



Eurostars-2, in addition and differently from the other measures, contributes to the integration and harmonisation of national programmes.

## 2. ANALYSIS OF SUBSIDIARITY

The follow-up Eurostars programme will require a new co-decision by the European Parliament and the Council according under Article 185 TFEU.

The programme will respect the proportionality principle as the Member States will be responsible for implementation and for all operational aspects. The EU's role is limited to providing incentives for improved coordination of participating programmes and harmonisation of rules and regulations to benefit SMEs interested in transnational R&D activities, and to ensuring synergy with other complementary programmes under Horizon 2020.

## 3. OBJECTIVES

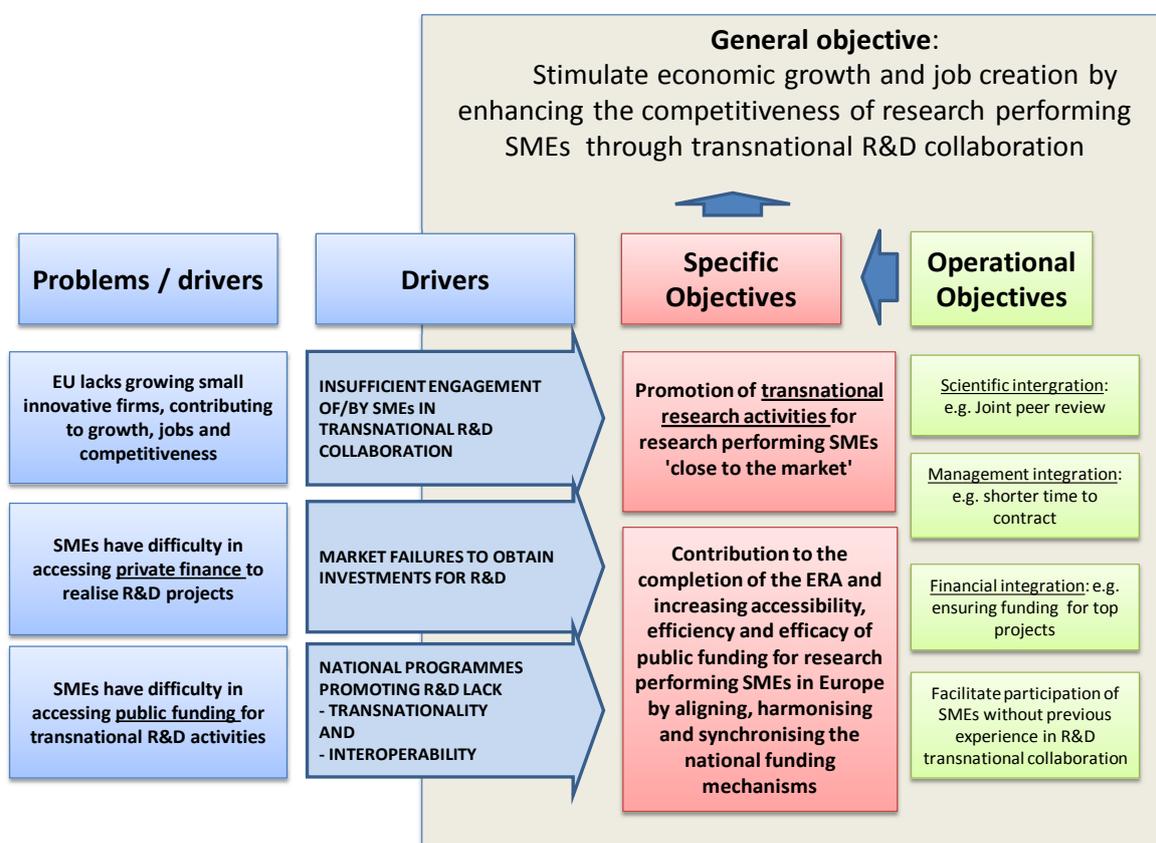
The general objective of the initiative is to stimulate economic growth and job creation by boosting the competitiveness of research performing SMEs through transnational R&D collaboration.

To achieve this general objective, two specific objectives have been set.

- To promote transnational research for research performing SMEs in any field, leading to the introduction of new or improved products, processes or services in the market by the participating SMEs.
- To contribute to the completion of the ERA and increase the accessibility, efficiency and efficacy of public funding for research performing SMEs in Europe by aligning, harmonising and synchronising the national funding mechanisms.

To reach the specific objectives above, five operational objectives have been identified (not mentioned here).

Below is a summary of the problems, general objective, specific objectives and operational objectives for Eurostars-2.



#### 4. POLICY OPTIONS

The following three options have been assessed in detail:

*Option 1* — The business as usual (BAU) option, i.e. continuing the current Eurostars Joint Programme over the next programming period (2014-20) in its current format, implementation modalities and overall budget.

*Option 2* — The zero option (Zero), i.e. no EU involvement in Eurostars 2.

*Option 3* — The reinforced partnership option.

Option 3 means that the current Eurostars Joint Programme would be continued in the next programming period as an Article 185 initiative in an improved format based on full implementation of the recommendations made in the interim evaluation, greater integration and an extended scale.

Strongly encouraged by the Commission services, Eureka Member States have started to make improvements to shorten the time to contract, align their rules and processes more, make their administration leaner and increase synchronisation and integration. To extend the

programme and support more research intensive SMEs with growth potential, Member States envisage increasing substantially the funding of the programme. Consequently, and in order to incentivise and support these improvements, the EU should increase its financial contribution accordingly.

## **5. ANALYSING THE IMPACTS**

### **5.1. Impact on administrative burden and simplification potential**

In principle, there is potential for simplification in all three options. However, alignment, harmonisation, and changing the administrative procedures come at an initial cost. National programmes need to analyse their systems and change them where necessary. Current rules, regulations and guidelines need to be changed. The benefit for SMEs is immediately obvious, but the benefit for the administrations comes only gradually over time. The likelihood and intensity of change increase with the increase of perceived incentives. In that sense it can be estimated that the decrease in administrative burden and the potential for simplification to the benefit of SMEs increases from Zero to BAU and is the greatest in the Reinforced partnership option.

### **5.2. Critical mass**

Although the BAU option would have the same impact in terms of critical mass, its current scope and scale is insufficient. Eureka Member States have already started to increase their financial contribution under the current programme, but incentives for national programmes to make further efficiency and effectiveness gains are lacking due to the Commission being unable to match those additional funds.

The Zero option is less likely to achieve a critical mass, but more importantly, the EU would not be able to sufficiently contribute to increase efficiency and effectiveness, as outlined above.

The Reinforced partnership option would contribute considerably more than BAU to achieve the critical mass needed for the programme to achieve the intended impacts. It would also do more to encourage success rates for potential beneficiaries.

### **5.3. Leverage effect**

#### *5.3.1. The BAU option*

If Eureka participating countries provided the same annual budget for the period 2014-20 as they did in 2008-13, around EUR 300 million national funds would be pooled, giving a total budget of public funding of EUR 400 million for the seven-year period 2014-20. The EU's contribution would amount to 25% of the total public funds, as in the original Eurostars 1 budget.

Under the BAU option, some 1 560 new products or improved products, processes or services would be on the market (three years after the end of each project). This is a rough estimate as there is not a direct link between the level of funding and results/impact of the project.

### 5.3.2. *The Zero option*

The impact on overall R&D investments would be lower than in the BAU option. Consequently, the potential impact in terms of economic growth, jobs and competitiveness would be modest, or possibly even non-existent.

### 5.3.3. *The Reinforced Partnership option*

As of mid-January 2013, Eureka Member States estimated their budget provisions for the period 2014-20 at EUR 861 million. If the Commission maintains its current contribution of 25% of the overall public funding, the EU contribution would be EUR 287 million<sup>2</sup>, leading to a total public funding for Eurostars 2 for 2014-2020 of EUR 1.147 billion.

The overall public funding invested in the Eurostars projects is expected to leverage private funding of some EUR 1.4 billion. Total funding (public and private) would be more than EUR 2.5 billion.

The impacts of the Reinforced partnership option, as compared to the BAU option, would be higher in two aspects:

- Impacts in terms of increased investment in R&D and in the number of new jobs and growth created in the participating SMEs.
- Impacts in terms of pooling Eurostars participating countries' funds, scientific, financial and management integration and synchronisation of national funding and thus their contribution to the ERA.

For indicative purposes, if there is the same link between funding and impact currently experienced in Eurostars 1, the turnover in participating SMEs could be expected to increase by some EUR 12 billion and around 30 000 new jobs (EUR 10 million of increased turnover and 25 new jobs for each EUR 1 million of public funding, three years after the end of each project). For both turnover and jobs, that is almost three times higher than under the BAU option. Furthermore, some 4 500 new or improved products, processes or services could be on the market (three years after the end of each project).

## 5.4. **Innovation impact**

All three options have an impact on innovation. A larger dedicated programme as described in option 3 would lead to more innovations and would have a greater economic impact, in particular with respect to the competitiveness of European SMEs.

## 5.5. **Economic impact**

Option 3 would generate substantial benefits for the European economy, such as strengthening the European industry on the global market, creating new jobs and helping to boost European GDP. In particular, technologies developed in the framework of the Eurostars programme would help the European industry to maintain its competitiveness.

---

<sup>2</sup> Since the final budget from Eurostars countries is not yet definitive, the EU contribution is indicated with reference to the information provided by Eurostars countries in January 2013.

## 5.6. Social impact

Social impacts mainly relate to employment and labour markets, in terms of the creation of high-skilled jobs, and making the public administration more efficient, in particular cutting the administrative burden for SMEs. In addition, the knowledge and innovative solutions that result from Eurostars projects are clearly helping to increase socioeconomic welfare. Again, option 3 is likely to generate the greatest impact.

## 6. COMPARING THE OPTIONS

### 6.1. Comparison of the options

Criteria \ Option	Business as Usual (Option 1) <i>Baseline</i>	Zero Option (Option 2)	Reinforced Partnership (Option 3)
<i>Effectiveness</i>			
Critical mass	=	-/=	+
Impact on SMEs	=	-/=	+
Leverage effect	=	-/=	+
Innovation impact	=	-/=	+
Economic impact	=	-/=	+
Social impact	=	=/-	+
Lesser administrative burden for SMEs	=	-/=	+
Best practice and mutual learning of national programmes	=	=/-	+

-

=

+

Disadvantage compared to reference

Same impact as reference

Benefit compared to reference

### 6.2. Preferred option

Based on this assessment, the Reinforced partnership option provides the best means to achieve the defined objectives. In addition, it would generate very positive synergy with other SME-related programmes under Horizon 2020 and could build on the achievements and experience gained in Eurostars 1.

Option 3 would generate a higher level of integration and harmonisation of national programmes with a clear added benefit in cutting administrative burden for SMEs, due to the

sharing of best practices and mutual learning. These would be explicit aspects embedded in the programme.

It would help to overcome the market failures SMEs face when they seek to innovate and enter or develop new markets.

It would help to move pre-competitive research closer to market by accelerating the market introduction of new technologies. Furthermore, the current economic and financial situation makes investment in technology even more necessary for growth and competitiveness.

This was the preferred option according to the results of the stakeholder consultations.

The current estimate is that Eureka Member States' contribution to Eurostars 2 would amount to EUR 861 million. The driving force behind this financial commitment, in particular in the current period of scarce public funds and cuts to various Member States' R&D spending, is unsurprisingly triggered by the expectation of a similarly ambitious intervention by the EU.

## **7. MONITORING AND EVALUATION**

The impact of Eurostars as a programme should be monitored by assessing the increase in total turnover for participating organisations three years after the end of the programme. Other output indicators concern job creation, market introduction of new products, processes and services and knowledge generation. Since these mainly focus on the impact after the end of the projects (usually three years after), these indicators will be collected systematically from the outset.

An interim evaluation of Eurostars-2 will be carried out by independent experts three years after the start of the programme. The evaluation will cover the criteria identified in the proposal for Horizon 2020 for assessing potential initiatives under Article 185. The Commission must send the conclusions of the evaluation, and its own observations, to the European Parliament and the Council.

An independent ex-post evaluation will be carried out at the end of the EU's participation in the programme, and no later than 2023, reviewing the performance, quality and impact of the Eurostars programme and of Eurostars projects.