

European financing

Towards the 2007-2013 programming period

Additional information to the *Guide des financements européens*, drafted by the Paris EIC.

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This document completes the French version of the book written by the Paris Euro Info Centre: ***Guide des financements européens pour les entreprises***. It is based on the structure of the book and gives additional information on European policies for the new 2007-2013 programming period.

In the first semester of 2007, a new edition of the ***Guide des financements européens pour les entreprises*** will be published, as well as a first English version. Fully updated, it will explain the objectives of these programs, the available budgets, the financing rules and the submission procedures.

This practical guide will present the existing European financing mechanisms, focusing on the initiatives dedicated to private companies, and more specifically, to small and medium-sized enterprises (SME). It provides them with useful information to achieve their project successfully .



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Introduction

In the context of the financial framework 2007-2013, the Commission has launched a global revision of its programmes and implementing procedures. It has finalised a range of proposals, which have to be submitted to the European Parliament and the Council. These proposals should be definitely adopted in the course of the year 2006, once the financial framework has been decided¹. Nevertheless, they should not be substantially modified. Therefore, the only missing important information concerns the budget allocated to each programme.

Two general trends emerge from the Commission's proposals:

The simplification of the programmes and their related financial mechanisms;

- The emphasis on competitiveness and innovation, growth and employment.

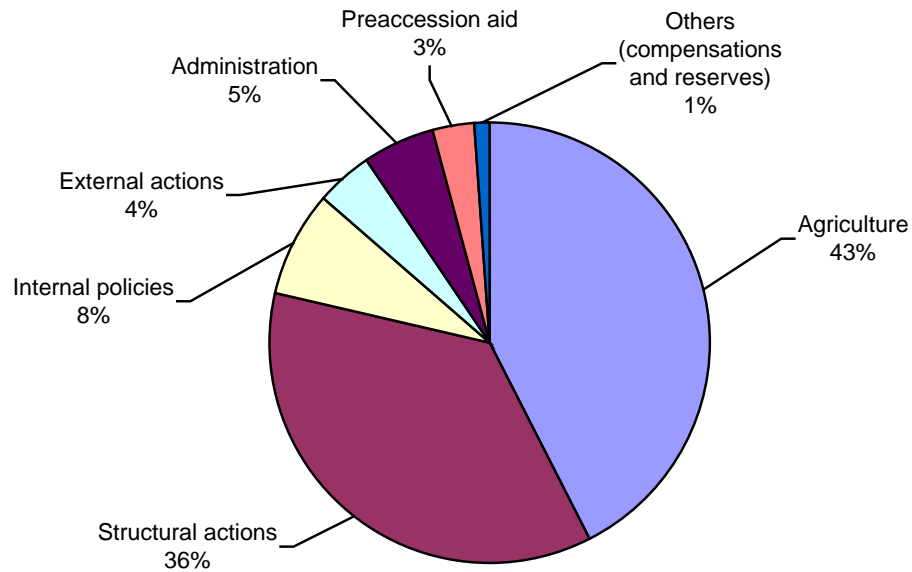
Screening the main chapters of the ***Guide des financements européens pour les entreprises*** drafted by the Paris EIC, this document gives an overview of the expected changes.

¹ Following the Commission's proposals, the Heads of State and Government have reached an agreement on the long-term financial framework 2007-2013 during the European Council meeting in December 2005. On the basis of a € 862,4 billion deal, the European Parliament and the Austrian Presidency have agreed on a 2 billion increase, setting the EU budget 2007-2013 at € 864,4 billion. In mid-April, the deal still required the green light of the Member States, but no major opposition was expected to delay the process. The budget should be voted in the parliament plenary by mid-May 2006. The Commission will then come up with renewed proposals taking into account the final allocated budget. These proposals will have to be adopted by the Council and the Parliament. The objective is to adopt the most important programmes by the end of the year 2006, so that they can be implemented by the 1st of January 2007.

The 2006 budget

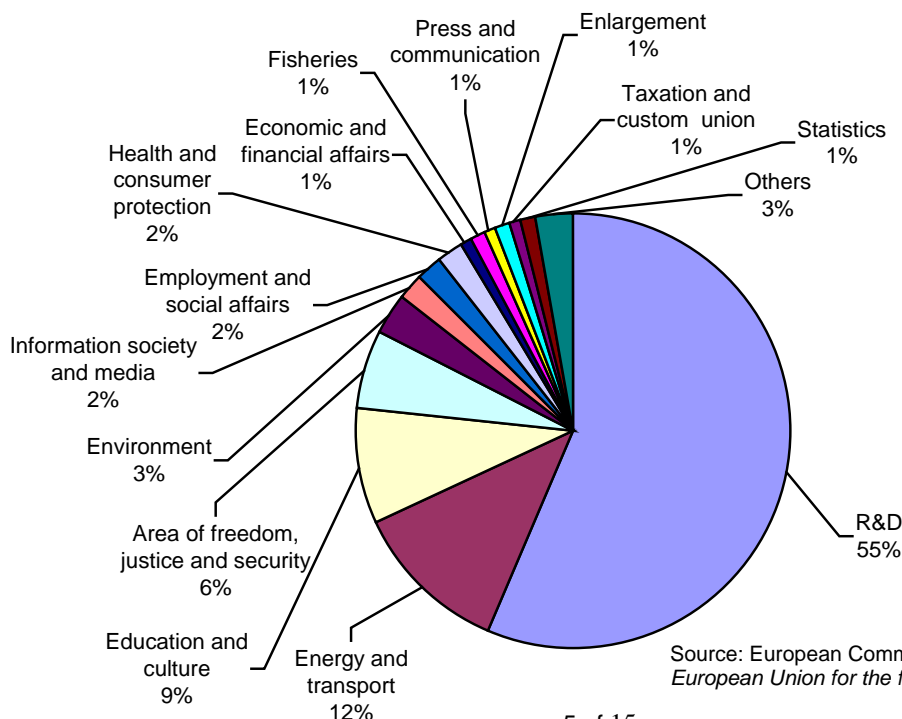
The 2006 budget allocated amounts to € 123 515 million (commitment appropriations).

The EU budget (2006)



Source: European Commission, *General budget of the European Union for the financial year 2006*, SEC(2006) 50

Budget allocation to EU internal policies (2006)



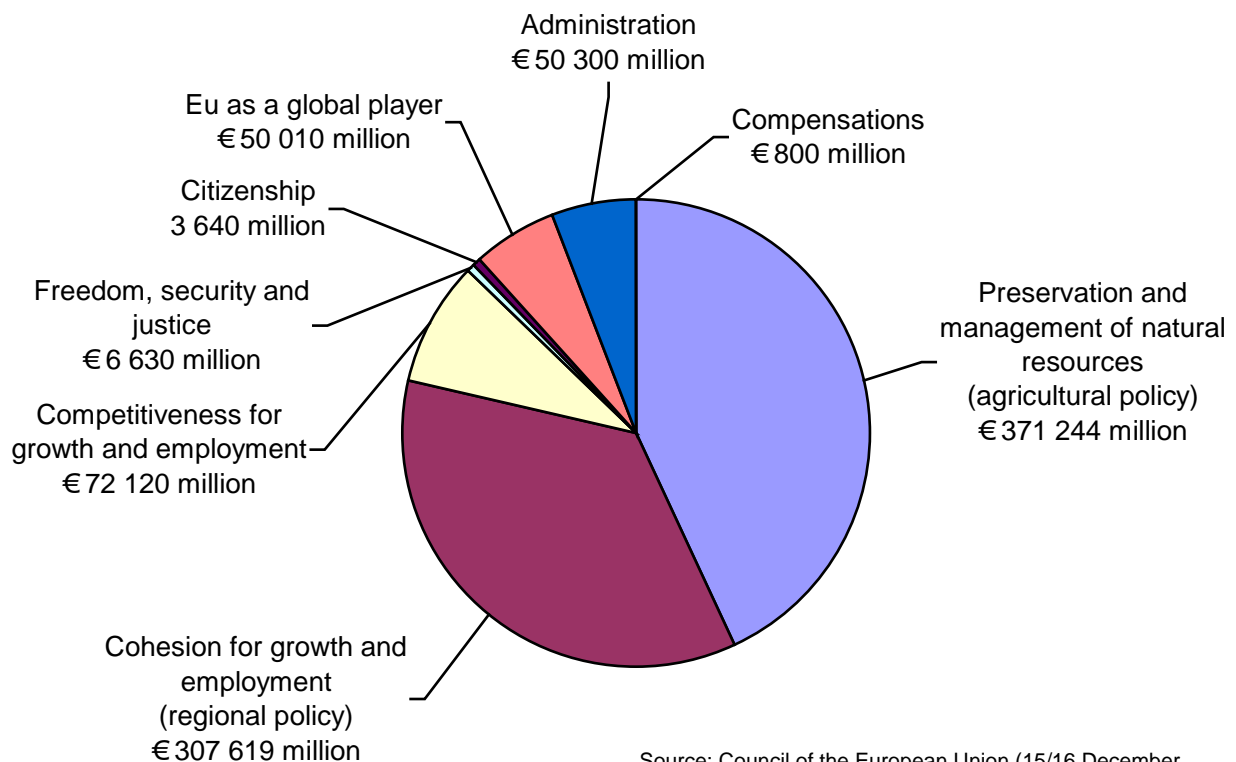
Source: European Commission, *General budget of the European Union for the financial year 2006*, SEC(2006) 50

The financial perspective 2007-2013

The financial perspective is based on the multiannual financial framework agreed upon by the three EU institutions for a duration of five to seven years. Proposed by the Commission, these financial perspectives are amended, adjusted and revised by the European Parliament and the Council. The following graph results from the agreement reached by the Member States at the European Council meeting held on December 2005, with a budget set at €862,4 billion for the 2007-2013 period.

The financial perspective is updated by the Commission on an annual basis, in order to take growth and inflation into account.

The financial perspective 2007-2013 (Proposal from the European Council Presidency, December 2005)



Source: Council of the European Union (15/16 December 2005), *Financial Perspective 2007-2013*, 15915/05)

Enterprises and financial mechanisms

The Multiannual Program for Enterprise and Entrepreneurship (MAP) was originally programmed for the 2000-2005 period. It has been extended to the year 2006 with a budget increase of € 88,50 million.

In 2007, MAP will be replaced by the Entrepreneurship and Innovation Programme, which constitutes the first part of the Competitiveness and Innovation Framework Programme (CIP). The latter is the Commission's comprehensive plan to meet the challenges of the Lisbon strategy in terms of competitiveness, growth and jobs. In addition to the current MAP, this new programme will include the current LIFE programme's activities related to environmental technologies and economic innovation.

1. Risk capital, seed, start-up and development capital

The Entrepreneurship and Innovation Programme introduces the High Growth and Innovative SME Facility (GIF), the community instrument that will support investment funds during the 2007-2013 period. Operated by the European Investment Fund (EIF) on behalf of the Commission, the GIF will consist of two windows: The first window (GIF 1) will cover early stage investments (seed and start-up) and the second window (GIF 2) will cover development stage investments.

The SME Guarantee Facility (SMEG) is an instrument providing loans guarantee, in order to facilitate access to finance for SME or newly created enterprises. It has been introduced by the previous programme and will be maintained. Nevertheless, besides the windows "debt financing via loans or leasing", "micro-credit financing" and "guarantees for equity or quasi-equity fund investments in SME" which already exist, the proposal presented by the Commission sets up a new window referred to as "securitization of SME debt finance portfolios". The latter should help SME, especially those under risk-sharing arrangements with financial institutions, to mobilise additional debt financing.

2. Other actions aiming at improving the financial environment for enterprises

The new Entrepreneurship and Innovation Programme creates a Capacity Building Scheme (CBS) that carries out two specific tasks: on the one hand, it aims at stimulating the supply of capital-risk to SME, by improving the expertise of investment funds; on the other hand, it aims at stimulating the

supply of credit to SME, by enhancing the credit appraisal procedures of financial intermediaries for SME loans.

Intra-community programmes

1. Research and development

The 7th framework programme for research, technological development and demonstration activities (FP 7) will replace the 6th framework programme in 2007. There is a continuity between these two programmes. Nevertheless, the 7th version shows an effort of simplification, which leads to a complete reorganisation of the financing mechanisms. The FP 7 will be organised in four specific programmes corresponding to the four major objectives of the European research policy. Each programme will be granted a specific budget line.

Co-operation: support to the whole range of research activities carried out in transnational co-operation, in the fields identified by the Commission ;

- *Ideas:* support to "frontier research" carried out in all scientific and technological fields by teams of researchers competing at a European level ;
- *People:* reinforcement of human capital in the fields of research and technology in Europe ;
- *Capacities:* support to key aspects of research and innovation capacities in Europe, including infrastructures.

As for the financial instruments, the existing tools will be renewed and included in the Commission's proposal. However, to echo a need of flexibility, these instruments will no longer be used in an exclusive way. Indeed, different categories of actors will be entitled to benefit from different funding schemes, and to combine these schemes. The funding schemes proposed correspond to collaborative projects, networks of excellence, co-ordination and support actions, individual projects, support for training and career development of researchers, research for specific groups (in particular SME).

In the framework of the "Co-operation" part, a specific budget should be allocated to the benefit of SME in order to support research.

2. Information society

- *The i2010 action plan*

"i2010: A European Information Society for growth and employment" has replaced "eEUROPE 2005" for the 2006-2010 period. As a strategic framework, it is a policy instrument introduced in the context of the renewed Lisbon strategy for growth and employment. More specifically, it is designed to achieve a single European information area, to reinforce innovation and investment in research on ICT, and to extend participation in the information society.

- *eTEN*

In the short term, the eTEN programme will be maintained. It aims at supporting the deployment of e-services for public interest, with a trans-European dimension. As an indication, its 2006 budget stands at € 48,5 million.

- *IDABC*

The IDABC programme (Interoperable Delivery of European eGovernment Services to public Administrations, Businesses and Citizens) has succeeded to the IDA programmes for the 2005-2009 period. It is designed to issue recommendations, develop solutions and provide services that enable national and European administrations to communicate with electronic means, while offering modern public services to European businesses and citizens. To do so, it benefits from a € 148,7 million budget allocated for a five-year period.

- *The CIP and the Information and Communication Technologies*

From 2007, the ICT part of the Competitiveness and Innovation Framework Programme (CIP) will constitute one of the means to support the actions identified by the new i2010 initiative. The ICT Policy Support Programme will be the continuation of existing programmes and, at the same time, will improve the synergies between them. It will encourage implementation, pilot and market replication projects, as well as best practice actions and thematic networks.

- *The FP 7 and the Information and Communication Technologies*

In the FP 7, ICT constitute one of the priority fields covered by the "Co-operation" part.

3. Environment

In 2007, LIFE+ will replace the existing LIFE programme, which has been extended to the year 2006. The total budget for LIFE has been increased to € 957,20 million for the 2000-2006 period .

LIFE+ will ensure the continuation of LIFE. Nevertheless, LIFE+ is not a mere extension of the LIFE programme since it has been designed to be the single community instrument for environment, integrating most of the existing programmes and mechanisms. Furthermore, a number of programmes and expenses will cease to be covered by the programme. In fact, the "Third Countries" strand will be funded by the new external assistance instruments, and the activities related to environmental technologies and eco innovation (LIFE environment), will be transferred to the Competitiveness and Innovation Framework Programme (CIP).

Finally, the actions under the LIFE+ programme will be organised into two parts : "Implementation and Governance", aimed at supporting the community policies, and "Information and Communication".

4. Energy and transport

a) Energy

- *Intelligent Energy for Europe*

Since 2003, "Intelligent Energy - Europe" has been the Commission's multiannual programme for actions in the field of energy. It will be maintained and even extended within the CIP framework for the 2007-2013 period , in accordance with the new priorities defined by the EU. The international dimension of the Intelligent Energy Programme (COOPENER) will continue to exist through the new external assistance instruments.

Trans-European energy network

The objective of TEN-Energy is to develop energy networks for gas and electricity, by co-financing projects of common-interest. TEN-E will be maintained throughout the 2007-2013 period .

b) Transport

- *Trans-European transport network*

TEN-Transport will be also be sustained during the 2007-2013 period . It will bring co-financing to projects, and contribute to a better co-ordination and integration at a European level in terms of road, railway and waterway networks.

- *Transport and environment*

The MARCO POLO programme, designed for shifting the balance between the different modes of transport will be sustained during the 2007-2013 period under the name of MARCO POLO II. In addition to the instruments provided by the current programme, the Commission has proposed two new types of actions: "Motorways of the Sea" (logistics services based on short sea shipping transport) and "Traffic Avoidance Actions" (reduction of distribution and road transport costs through rationalisation).

5. Employment and social affairs

Regarding the employment and social affairs policy programmed for the 2007-2013 period, the Commission proposes to structure its activity in two major strands: the first one consists in an integrated programme for employment and social solidarity, known as PROGRESS, covering the existing specific community action programmes; the second one, entitled "Sustaining Social Dialogue, free movement of workers and studies and special reports in the social field" will cover projects related to existing regulations and autonomous powers conferred to the Commission in the fields of employment and social affairs.

6. Education and vocational training

- *The integrated action programme*

The Commission has proposed to set up an integrated action programme in the field of lifelong learning for the 2007-2013 period. This integrated programme will cover four specific programmes: COMENIUS for general education activities concerning schools up to the end of the upper secondary level ; ERASMUS for education and advanced training activities at a higher education level; LEONARDO DA VINCI for all other aspects of vocational education and training; GRUNDTVIG for adult education.

- *The transversal programme*

In addition to the integrated action programme, the Commission will establish a "transversal" programme incorporating four key activities: policy co-operation in lifelong learning within the Community; promotion of language learning; development of innovative ICT-based content, services, pedagogy and practice for lifelong learning; exchange of good practices.

7. Other fields

- *Audio-visual sector*

The European programme MEDIA, originally set up for the 2001-2005 period, has been extended until 2006. The budget allocated to the programme has been increased by € 103,6 million for the MEDIA Plus part (development, distribution and promotion of European audio-visual works) and €9,4 million for the MEDIA Training part.

In order to bring simplification, the new programme MEDIA 2007 will not distinguish between these two parts that will be integrated. Nevertheless, the objectives pursued will remain similar in terms of acquisition and improvement of skills, development of production from independent SME, distribution and promotion of work. The programme will also better address the necessity to strengthen the production structures of SME.

- *Culture*

The programme CULTURE 2000 has been extended until 2006, with a budget increase of € 69,5 million for two years. In 2007, it will be replaced by the programme CULTURE 2007.

The regional European Funds

In 2007, the cohesion policy will be significantly reformed. The main objective is to meet the challenge of enlargement and of the accelerated economic restructuring. Consequently, reducing the economic and social development disparities between European regions, remains the objective of the cohesion policy, but the reform aims at targeting the structural actions on the EU strategic priorities in terms of competitiveness, employment and growth (Lisbon Strategy, towards "the most competitive and dynamic knowledge-driven economy").

The new cohesion policy will be organised along three new objectives:

- *Convergence*: Speed up the economic convergence of the less developed regions (those for which the per capita gross domestic product is inferior to 75 % of the EU average, and/or the Member States whose per capita gross domestic product appears below 75 % of the EU average. The 'convergence' objective replaces the former objective 1 (development of the least favoured regions).

- *Regional competitiveness and employment:* Strengthen regional competitiveness and attractiveness and help workers and companies to adapt themselves to economic changes (for all the regions not covered by the convergence objective, according to the priorities defined by each Member State). The 'regional competitiveness and employment' objective covers the former objective 2 (conversion of regions facing difficulties) and objective 3 (modernisation of training systems and development of job markets).
- *European territorial co-operation:* Strengthen cross-border, transnational and interregional co-operation. This objective replaces the INTERREG initiative.

The fields of action of the URBAN (regeneration of urban areas) and EQUAL (struggle against inequality and discrimination in access to the job market) community initiatives, and of the innovative actions, will be included among the priorities of the operational programmes of the Member States and regions. The rural development (LEADER+ community initiative) and fisheries initiatives, will no longer be covered by the cohesion policy, but, respectively, by the Common Agricultural Policy and the Common Fisheries Policy.

Only three financial instruments will remain part of the cohesion policy : the Cohesion Fund, the ERDF (European Regional Development Fund) and the ESF (European Social Fund). The Cohesion Fund and the ERDF will be co-ordinated by national and regional authorities during the programming period. A National Strategic Reference Framework (NSRF) will set out the priorities at a national level.

Programmes dedicated to third countries

The European policy dedicated to third countries has been significantly simplified and rationalised for the 2007-2013 programming period . In fact, the Commission defines three geographic areas that correspond to three new external assistance instruments for third countries:

- *The Instrument for Pre-Accession Assistance (IPA)* for candidate countries or potential candidate countries ;
- *The European Neighbourhood and Partnership Instrument (ENPI)* for countries sharing land borders or facing a common sea basin ;
- *The financing instrument for development co-operation and economic co-operation* for any other third countries not eligible for the two previous instruments.

These different instruments will offer opportunities to enterprises wishing to develop their activity in the EU partner countries.

1. The Instrument for Pre-Accession Assistance (IPA)

The countries eligible under this instrument are the candidate countries – Croatia, Former Yugoslav Republic of Macedonia and Turkey – and the potential candidates for membership of the EU – Albania, Bosnia and Herzegovina, and Serbia and Montenegro.

The IPA will be a single instrument that will replace and cover the scope of the PHARE, SAPARD, ISPA and CARDS programmes. The potential candidate countries will receive assistance for institution building and democratisation, economic and social development, regional and cross-border co-operation and some alignment with the *acquis communautaire* of mutual interest. Moreover, candidate countries will receive assistance in preparing the full implementation of the *acquis communautaire* and the implementation of structural and rural development funds.

2. The European Neighbourhood and Partnership Instrument (ENPI)

The countries entitled to benefit from this instrument are Eastern European countries (Armenia, Belarus, Moldova, Russian Federation and Ukraine), Caucasus countries (Azerbaijan et Georgia) and Mediterranean countries (Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestinian Authority of the West Bank and Gaza Strip, Syria and Tunisia).

The ENPI will replace the MEDA and TACIS programmes. Its objectives will be to strengthen economic co-operation and integration between the EU and its partner countries, by supporting the development of a market economy, external trade and foreign investment, participation into community research activities, etc. On the basis of strategy papers and multiannual indicative programmes covering the 2007-2013 period, the Commission and its partner countries will adopt annual action programmes. These could be multicountry, thematic and cross-border co-operation programmes. These programmes will then lead to tenders and calls for proposals.

3. The financing instrument for development co-operation and economic co-operation

The countries eligible under this instrument are those not covered by the two previous instruments i.e. sub-saharian Africa, Carribean and Pacific countries (ACP), Latin America, Asia and Central Asia, as well as OECD countries.

The financing of actions will be implemented through geographic or thematic programmes, or through the participation to global partnerships. The Commission will adopt, normally on an annual basis, action programmes drawn up on the basis of pluriannual indicative programmes. These indicative programmes will be designed within the framework of strategy documents



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adopted by the EU and its partner countries or regions. The Commission has proposed seven thematic programmes (instead of fifteen): rights and democracy, investments in human resources, environment and sustainable management of natural resources, including energy, food security, non-state actors in development, migration and asylum and co-operation with industrialised countries.