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## REPORT

of the Committee on Regional Policy and Regional Planning

on the draft notice from the Commission to Member States laying down guidelines for operational programmes which Member States are invited to establish in the framework of a Community initiative concerning the preparation of businesses for the Single Market (PRISMA) (SEC(90) 1610 final - C3-0285/90)

Rapporteur: Mr Alex SMITH

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A Series: Reports - B Series: Motions for Resolutions, Oral Questions - C Series: Documents received from other Institutions (e.g. Consultations) Or. EN

*	= Consultation procedure requiring a single reading	**II	= Cooperation procedure (second reading) which requires the votes of a majority of the current Members of Parliament for rejection or amendment
**I	= Cooperation procedure (first reading)	***	= Parliamentary assent which requires the votes of a majority of the current Members of Parliament

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By letter of 2 August 1990 the Commission asked the European Parliament for its opinion on the draft notice from the Commission to Member States laying down guidelines for operational programmes which Member States are invited to establish in the framework of a Community initiative concerning: the preparation of businesses for the Single Market - PRISMA.

At the sitting of 10 September 1990 the President of Parliament announced that he had referred this draft notice to the Committee on Regional Policy and Regional Planning as the Committee responsible and to the Committee on Budgets and the Committee on Economic and Monetary Affairs and Industrial Policy for their opinions.

At its meeting of 29 June 1990 the committee decided to draw up a report and appointed Mr Alex Smith rapporteur.

At its meeting of 27 September 1990 the committee decided to include in its report the following motion for a resolution which had been referred to it:

- B3-1390/90; author: Mr Waechter; subject: a Community initiative programme, co-financed by the ERDF, to speed up the preparation of undertakings in regions covered by Objective No. 1 for the completion of the internal market; announced in plenary sitting: 8 October 1990; responsible: Committee on Regional Policy and Regional Planning; opinions: Committee on Budgets, Committee on Economic and Monetary Affairs and Industrial Policy.

At its meeting of 30 October 1990 the committee considered the draft report, and adopted the resolution by 16 votes to 1 with 1 abstention.

The following were present for the vote: Mr Waechter, Chairman; Mr Alexandre, Vice-Chairman; Mr H. F. Köhler, (deputizing for Mr A. Smith, rapporteur); Mr Calvo Ortega, Mr da Cunha Oliveira, Mr Cushnahan, Mr David, Mr Fitzgerald, Mrs Izquierdo Rojo, Mr Lucas Pires, Mrs Maibaum, Mr Moretti (deputizing for Mr Garaikoetxea Urriza), Mr Nicholson, Mrs Onur, Mr Ortiz Climent, Mr Rosmini, Mr Vandemeulebroucke (deputizing for Mr Melis) and Mr Welsh.

The opinions of the Committee on Budgets and the Committee on Economic and Monetary Affairs and Industrial Policy are attached.

The report was tabled on 31 October 1990.

The deadline for tabling amendments will appear on the draft agenda for the part-session at which the report is to be considered.

A

MOTION FOR A RESOLUTION

on the draft Notice from the Commission to Member States laying down guidelines for operational programmes which Member States are invited to establish in the framework of a Community initiative concerning the preparation of businesses for the Single Market (PRISMA)

The European Parliament,

- having regard to the consultation by the Commission on the draft Notice to Member States laying down guidelines for operational programmes in the framework of a Community initiative concerning the preparation of businesses for the Single Market - PRISMA (SEC(90) 1610 - C3-285/90),
  - having regard to the motion for a resolution by Mr WAECHTER on a Community programme to prepare undertakings for completion of the Internal Market (PRISMA) (Doc. B3-1390/90),
  - having regard to Council Regulation (EEC) No. 4253/88<sup>1</sup> laying down provisions for implementing Regulation (EEC) No. 2052/88<sup>2</sup>, and in particular Article 11 thereof,
  - having regard to the report of the Committee on Regional Policy and Regional Planning and the opinions of the Committee on Budgets and the Committee on Economic and Monetary Affairs and Industrial Policy, (Doc. A3-0263/90)
- A. having regard to the completion of the Internal Market which in particular concerns the abolition of restrictions on trade,
- B. having regard to the objectives of social and economic cohesion as enshrined in the Single European Act and in particular the aim of reducing disparities between regions by actions through the Structural Funds,
- C. having regard to the objectives of the Regional Development Fund and in particular the provisions for addressing regional development policies through financial assistance to operational programmes,
- D. whereas, although the SMEs in the regions covered by Objective 1 are the most vulnerable to the increased competition resulting from the establishment of the single market, their counterparts in the other disadvantaged regions of the Community will also have to make considerable efforts to adapt, and the Community should therefore act appropriately to meet their needs,
1. Welcomes the Commission's consultation of Parliament before it adopts the final Notice to Member States on the guidelines for a Community initiative;

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<sup>1</sup> OJ No. L 374 of 31.12.88, p. 1

<sup>2</sup> OJ No. L 185 of 15.7.88

2. Shares the Commission's main concern, namely preparing businesses for the Single Market;
3. Is aware that completion of the Single Market results in open borders, which for well consolidated businesses means access to a large market and therefore presents a market potential;
4. Recalls that a Single Market for small and medium-sized enterprises in Objective 1 regions will undoubtedly open up new possibilities, but will also create much tougher competition;
5. Agrees with the Commission therefore that in particular SMEs should be seen as the object for assistance;
6. Supports the initiative as one making available the necessary information to obtain technical quality structures but would advise that the necessary financial assistance be made available to achieve this objective;
7. Considers, in view of the importance of SMEs to the economy in the regions covered by Objective 1 and the scale of the measures provided for in the programme, that the indicative funding of 100 m ECU is inadequate, and calls on the Commission to remedy the under-utilization of the 15% of ERDF resources intended for Community initiatives (in accordance with the last paragraph of Article 3 of Regulation (EEC) No. 4254/88);
8. Finds that financial assistance to businesses taking the form of co-financing professional advice via an unprofit/public body in order to improve methods of production management so as to enable businesses to participate in public contracts is worthwhile, but points out that pure economic considerations should not be the single consideration for rendering a measure eligible;
9. Proposes that other measures directed at the needs of SMEs, which dominate the business life in Objective 1 regions, should be considered and included in eligible measures, e.g. to assist them financially in complying with current Community laws on waste products, pollution and environmental protection;
10. Suggests that in addition, measures to improve SMEs' awareness of public tenders and procedures to participate in them should be made available and made more user-friendly;
11. Advises that seed capital be made available for setting up marketing structures that could be used collectively by SMEs;
12. Proposes further that a clause for repayment of assistance given to SMEs in Objective 1 regions must apply should the assisted SME be fused or bought up by a larger firm, during the course of the PRISMA initiative;
13. Requests the Commission to examine the characteristics of the SMEs which will be affected by financial assistance, thus taking into consideration number of employees, type of production and its social and environmental acceptability, and type of long-term development planned for the region in such a way that regional development needs will be the decisive factor when taking decisions on intervention;

14. Requests that the Commission initiate a programme similar to PRISMA for Objective 2 and 5b regions which would enable the SMEs in the other disadvantaged regions of the Community to respond to the increased competition resulting from the establishment of the single market;
15. Calls for coherence over the full range of policies relating to regional economic activity, in order to provide an effective policy on SMEs in the Community;
16. Instructs its President to forward this resolution to the Council and the Commission of the European Communities and to the governments and parliaments of the Member States.

B  
EXPLANATORY STATEMENT

I. LEGAL PROCEDURES

1. By letter of 2 August 1990 the Commission formally informed Parliament that two new Community initiatives, 'PRISMA' and 'TELEMATIQUE' had been adopted on 25 July. Unlike the procedure followed for some other initiatives based on the provisions for Structural Funds, the Commission this time has formally asked the Parliament to give its opinion before the Communication to Member States is adopted. Adoption is expected to take place by the end of November.

2. The Committee on Regional Policy welcomes the Commission's consultation in as far as the previous lack of consultation for some equivalent initiatives was heavily criticised.

3. This report only considers the 'PRISMA' initiative, one of five initiatives in the second set, totalling 1.7 m ECU for the years 1991-1993. For PRISMA the budget has been estimated at 100 million ECU.

4. The Notice on guidelines is based on Article 11 of Regulation (EEC) No. 4253/88<sup>3</sup> i.e. that Member States may submit applications for assistance in respect of measures of significant interest to the Community. This is implementation of Regulation (EEC) No. 2052/88<sup>4</sup> on the tasks of the Structural Funds and their effectiveness and on coordination of their activities between themselves and with the operations of the EIB and other financial instruments.

II. 'PRISMA'  
CERTIFICATION AND STANDARDIZATION

5. For the business world the Single Market means open borders and therefore fiercer competition on the one hand, but also the possibility of having access to a larger market on the other hand. It is self-evident that some resources within the firms must be at hand should the opportunity of access to a larger market occur. SMEs in Objective 1 regions will probably, in many cases, see the Single Market maybe as an opportunity but which may also force more competition upon them.

6. Given the scarce financial resources, obviously not all aspects of the Single Market can be addressed by PRISMA. The Commission has chosen 1) the policy area for certification and standardization, 2) public procurement and 3) suppression of measures within the meaning of Article 115 (EEC).

7. A requirement for exploiting a larger market is meeting quality standards. Many firms - in the past as well as at present - have experienced how technical standards, or lack of specific standards of a given product, were used to prohibit market access.

8. Free movements of products necessitates applying a viable and verifiable certificate of the products specificities. A condition for obtaining a certificate is the availability of and access to test facilities. Testing is

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<sup>3</sup> OJ No. L 374 of 31.12.88, p.1

<sup>4</sup> OJ No. L 185 of 15.7.88, pp. 1-

undertaking measurements which again are based on calibration and metrology. In some areas measurements might differ by a factor of 100 or more! Therefore, having access to an acknowledged test facility and applying mutually recognized certificates and standards (from one country/or region to another) is vitally important, not least for goods produced in SMEs.

9. Testing infrastructures are often missing in Objective 1 regions and existing facilities located at such great geographical distance and right of use so expensive that both become an insurmountable hindrance for the SMEs.

10. This aspect of market access is addressed by PRISMA. The Committee on Regional Policy welcomes the Commission's initiative and fully supports the action.

### III. SMEs PARTICIPATION IN PUBLIC PROCUREMENT

11. A second aspect addressed by 'PRISMA' and connected with the completion of the Single Market is the participation by SMEs in public procurement. The importance of participation in 'public tenders' or public contracts is self-explanatory. For decades SMEs in the regions have had de facto captive markets but must now face up to more competition. A need to learn to compete by and in tenders is obvious.

12. To this end 'PRISMA' guidelines envisage assistance for the introduction of better methods for production management in view of public contracts and abolishment of the safeguards contained in Article 115 (EEC).

13. It is an initiative which can be supported without hesitation. The underlying principle for the Commission is however also the consideration of purely economic reasoning, addressing the problem of 'scale of economies', or in other words, to assist SMEs in producing and thereby offering a product which is competitively priced. To this end one measure could be to improve production management.

14. The rapporteur is not opposing assistance to address this aspect, but does recommend that other aspects be taken into consideration and requests that other criteria should apply and be considered for eligible measures.

### IV. SMEs AND PUBLIC TENDERS

15. It is well known that more SMEs would participate in tenders if there was a higher level of awareness of tenders being announced, presuming that few managers of SMEs have as their weekly reading publications, let alone the Official Journal of the EEC, which contain these announcements. Measures aimed at timely information on contract works on offer are important. Some channels for such assistance do exist, for instance through associations of local/regional Chambers for SMEs. Some tailored electronic up-to-date information packets and/or channels, which would have to be established, should be considered eligible for assistance and tailored in an easily accessible and user-friendly way.

16. Equally, standardized, uniform and uncomplicated formula for applying to public contracts could be developed. This would put SMEs on a more equal footing with more resourceful, larger firms. Any measures aimed at this particular aspect to be suggested by Member States on operational programmes should be considered eligible for financial assistance through 'PRISMA'.



17. SMEs participation in work offered under public contracts remains a problem in Objective 1 regions, whether the Single Market is completed or not. The bulk of such contracts is often decided on scarce public budgets and frequently therefore decided on the price of the offer rather than on the quality, often the trademark of SMEs. Equally, it is not unknown for there to be a certain lack of confidence as to the SMEs ability to meet targets set out in contracts (whether this is a real problem or not!). The insecurity could be exacerbated by geographical distance between place of contract work and the SME-supplier. Better methods for production management could clearly remedy some of the problem and can be supported.

#### V. DEFINITION OF A SME

18. The objectives of the Single and Internal Market are not always compatible with the objectives of economic and social cohesion, or not yet so. SMEs in Objective 1 regions, by pure definition, frequently are not in a position to reap the fruits of the Single Market and thus contribute to cohesion. That is why the rapporteur asks the Commission, when judging eligible measures under 'PRISMA', not to discriminate, but to differentiate so as to assist financially the real SMEs in regions, characterised by specific problems connected with development.

19. A SME is a wide description, in EC terms covering firms of up to some 500 employees. As a term of reference the rapporteur would ask the Commission to make a distinction between SMEs when considering operational programmes. As criteria for classification it would be useful to make a distinction, using one or more of the following parameters:

- number of employees,
- type of production and/or service
- importance of a given firm to the region, and
- type of development plan for the region (rural, industrial or other) and the SMEs' contribution to that end.

These parameters would take on different meanings varying with the characteristics of the regions.

20. In many other EC schemes, the Community has introduced conditions, which must be fulfilled, on termination of programmes with financial assistance. This means assistance is combined with a clause on repayment in certain cases. Should the provisions according to which assistance was given have changed, repayment could be considered. The rapporteur is specifically pointing to the not unknown feature of the market, where SMEs with market potential in practice are bought up (in whichever form chosen) by larger firms. Often, of course, such events are called something else like restructuring and/or rationalisation plans, which effectively mean that the SME is absorbed. To avoid this situation and therefore to ensure that EC assistance is given for the right reasons throughout, a clause on repayment should be introduced.

21. On the vexed question of additionality, it is understood that 'PRISMA' measures will be in addition to existing national programmes for regional development, directed at SMEs and that in specific cases not all eligible measures mentioned under 'PRISMA' will have to come into play.

13 August 1990

SERIES B

DOCUMENT B3-1390/90

MOTION FOR A RESOLUTION

by Mr WAECHTER

pursuant to Rule 63 of the Rules of Procedure

**on a Community initiative programme, co-financed by the ERDF, to speed up the preparation of undertakings in regions covered by Objective No. 1 for the completion of the internal market**

The European Parliament,

- A. having regard to the reform of the structural Funds and, in particular, the framework Council Regulation (EEC) No. 2052/88 of 24 June 1988 on the structural Funds, Council Regulation (EEC) No. 4253/88 of 19 December 1988 on the coordination of the activities of the structural Funds and Council Regulation (EEC) No. 4254/88 of 19 December 1988 laying down provisions for implementing the ERDF Regulation,
- B. whereas 15% of ERDF resources are earmarked for Community initiatives,
- C. having regard to the pressing need to take every measure possible to enable undertakings in regions covered by Objective No. 1 to improve their organization and skills in the run-up to the completion of the internal market,
1. Proposes to the Commission of the European Communities the speedy framing of a Community initiative programme to co-finance, mainly via the ERDF, measures to prepare undertakings in regions covered by Objective No. 1 for the completion of the internal market, in particular the establishment of centres for testing and certifying product quality and improved access for SMUs to public contracts.

OPINION

of the Committee on Budgets

Letter dated 19 October 1990 from Mr von der Vring, committee chairman, to Mr WAECHTER, chairman of the Committee on Regional Policy and Regional Planning

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Brussels, 19 October 1990

Subject: Opinion of the Committee on Budgets on the draft notice from the Commission to Member States laying down guidelines for operational programmes which Member States are invited to establish in the framework of a Community initiative concerning the preparation of businesses for the Single Market (PRISMA)  
(SEC(90) 1610 final - C3-0285/90)

Dear Mr Waechter,

At its meeting of 17 October 1990 the Committee on Budgets considered the draft notice.

It noted that this initiative involved budgetary expenditure of the order of 100 m ECU to be entered against the ERDF.

The Committee on Budgets delivered a favourable opinion on the draft notice.

(closing formula and signature)

The following were present: von der Vring, chairman; Cornelissen, second vice-chairman; Arias Canete, Cochet, Colom i Naval, Cot, Desama, Elles, Goedmakers, Holzfuß, Langes, Lo Giudice, Miranda da Silva, Onur (for Hory), Pasty, Samland and Wynn.

(DRAFT) OPINION

of the Committee on Economic and Monetary Affairs and Industrial Policy

Letter from the chairman of the committee to Mr WAECHTER, chairman of the Committee on Regional Policy and Regional Planning

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Brussels, 1990

Subject: Draft Notices from the Commission to Member States laying down guidelines for:

- a) operational programmes which Member States are invited to establish in the framework of a Community initiative concerning the preparation of business for the Single Market (PRISMA);
- b) operational programmes in the framework of a Community initiative for regional development concerning services and networks related to data communication (TELEMATIQUE).

SEC(90) 1610 final - C3-285/90

Dear Mr Waechter,

At its meeting of 29-30 October 1990, the Committee on Economic and Monetary Affairs and Industrial Policy considered the above subjects and wished to make the following observations.

The two initiatives: PRISMA and TELEMATIQUE should be considered as integral parts of Council Regulation (EEC) No. 4253/88<sup>1</sup> on the provisions for implementing Council Regulation (EEC) No. 2052/88<sup>2</sup> on the tasks of coordination of Structural Funds and other financial instruments; in fact the two notices on guidelines are based on Article 11 of the first regulation. In this respect the two notices should be seen as implementing an area in need of further action in completing the internal market taking into account of Parliament's position on opening-up of public procurement<sup>3</sup>, a policy for Community certification and standardization and the measures taken within the meaning of Article 115 of the Rome Treaty.

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17 October 1990

<sup>1</sup> OJ No. L 374, 31.12.1988, p. 1

<sup>2</sup> OJ No. L 185, 15.7.1988, p. 8

<sup>3</sup> See resolution of 22 November 1989 (OJ No. C 323, 27.12.1989) based on the BEUMER report (A3-59/89) and Resolution of 16.5.1990 (OJ No. C 149, 18.6.1990) based on the HERMAN report (A3-85/90)

As long as the implementation of the PRISMA initiative promotes the harmonization of technical standards or the creation of specific criteria in meeting quality standards and the TELEMATIQUE initiative enables the wider utilization and diffusion of data in Objective 1 regions, they would enable both the small and medium-sized enterprises in exploiting a larger market and, through the activities of SMEs, the integration of peripheral regions in a Single Market.

A second aspect, mainly of the PRISMA initiative but connected with the completion of the Single Market, is the participation by SMEs in public procurement. However the fact that SMEs are located in peripheral regions which suffer from an insufficient quality and availability of telecommunication services, creates less favourable conditions for inward investment in these regions.

The TELEMATIQUE initiative, in expanding the efforts pursued in the STAR programme, could give a fresh impetus to SMEs by linking the services of SMEs to advanced telecommunications systems while the latter are linked to a larger market and by this way, internationalization of economies of scale inherent in such markets would be realised. Introduction of data communication services in the public sector and the link of networks within the regions and between them or with the rest of the Community would create favourable conditions for enterprises since the cost of location would be minimized and remoteness would have no adverse effects on new investment initiatives.

The six months period allowed by both notices for the submission of detailed proposals eligible for Community financing is perhaps insufficient. The public administrations of Objective 1 regions could hardly be able, within six months of the date of publication of the operational measures, to submit appropriation projects. The 200 m ECU under TELEMATIQUE and the 100 m ECU under PRISMA drawn from the European Regional Fund might not be used up not because of lack of a need of such projects but because of lack of sufficient time to prepare eligible projects for the period 1991 to 1993.

The Committee on Economic and Monetary Affairs and Industrial Policy, subject to the above remarks, supports the two initiatives of the Commission.

Yours sincerely,

Bouke BEUMER

Members present:

