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"MAXIMISING EUROPEAN SMEs' FULL POTENTIAL _
FOR EMPLOYMENT, GROWTH AND COMPETITIVENESS"

Proposal for a

COUNCIL DECISION

on a Third Multiannual Programme
for Small and Medium-sized Enterprises (SMEs)
in the European Union (1997 - 2000)

(presented by the Commission)

**"MAXIMISING EUROPEAN SMEs' FULL POTENTIAL
FOR EMPLOYMENT, GROWTH AND COMPETITIVENESS"**

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THE MULTIANNUAL SME PROGRAMME WITHIN THE GLOBAL FRAMEWORK OF THE COMMUNITY ACTIONS IN FAVOUR OF SMEs

*There is now widespread recognition that small and medium-sized enterprises (SMEs) are the key sector for generating employment opportunities and growth within the European Union. To help unlock SMEs' full potential to meet these objectives the Commission recently presented a report to the Madrid European Council calling for a more ambitious policy in favour of SMEs.¹ The conclusions of this Council endorsed this approach, inviting the Commission to put the objectives of the Madrid SME Policy Paper into practice as swiftly as possible.² Accordingly, the Commission announced that a four-year programme (1997-2000) would be launched as part of the **European Confidence Pact on Employment**. Clearly, a stronger and more direct focus on SME policy is necessary both at Member State and European Union level to safeguard existing jobs and to create new employment opportunities. Empirical evidence shows that targeted help to SMEs is a cost-effective way to support job creation.*

A. THE CONTRIBUTION OF SMEs TO GROWTH AND EMPLOYMENT

SMEs are the key sector for generating employment opportunities and growth. SMEs account for 99.8% of all companies, 66% of total employment and 65% of business turnover in the European Union.³ The employment growth rate of SMEs is greater than that of large enterprises.⁴

Moreover, the SME-dominated services sector has been a major source of jobs in recent years and continues to offer significant employment potential. Because of their flexibility and capacity to swiftly adapt to the evolution and specialisation of market demands, SMEs are a major instrument for promoting the competitiveness of European industry and its capacity to penetrate into third country markets. Especially important is the role SMEs play in less favoured regions and rural areas where they often represent the backbone of the local economy. At the same time, the growing trend towards contracting out of activities and downsizing of operations by large firms represents both a challenge and an opportunity for SMEs. The rapidly changing technological environment and the globalisation of the markets impacts on competitive conditions and creates new opportunities for SMEs. They have therefore a key role to play for increasing economic and social cohesion in the Union.⁵

B. WEAKNESSES IN SMEs' JOB CREATION AND GROWTH POTENTIAL

While SMEs are potentially a dynamic source of employment growth and wealth creation, it must also be recognised that they are inherently weaker and more vulnerable to failure, particularly in the early years. On average 50% of SMEs in the EU fail within the first five years of start-up.⁶

1 "SMEs: a dynamic source of employment, growth and competitiveness in the European Union", Report presented by the Commission to the Madrid European Council, CSE(95) 2087.

2 Conclusions of the Presidency, SI(95) 1000 of 16.12.1995, p. 14.

3 Enterprises in Europe, Third Report, 1994, pp. 42-43.

4 See Footnote 1 above, p.3.

5 Ibid.

6 Enterprises in Europe, Third Report, 1994, p.230.

The relative weakness and vulnerability of SMEs arises primarily from five sources:

- the increasingly complex legal, fiscal and administrative environment;
- difficulties in accessing research programmes and exploiting research results;
- structural weakness of their management capacity and ill-adapted training programmes;
- difficulties in obtaining finance at reasonable cost;
- barriers to accessing product and services markets.

C. REALISING SMEs' POTENTIAL TO CONTRIBUTE TO EMPLOYMENT AND GROWTH

To maximise SMEs' contribution to growth, competitiveness and employment, it is essential that Member States and the European Union reinforce and co-ordinate their policies in favour of SMEs, to take into account the new challenges facing European businesses.⁷

Most measures for SMEs need to be taken at Member States level, as close as possible to the business itself. As highlighted in the Commission's SME Policy Paper for the Madrid European Council⁸, all Member States (in particular Germany, France, United Kingdom, Spain and Belgium) have recently strengthened their policies for SMEs and there is now a considerable degree of convergence between these policies.⁹

In this area, the European Union can play a vital and complementary role while fully respecting the principle of subsidiarity.

D. THE COMMUNITY'S SME POLICY

In line with the objectives of Article 130 of the Treaty, the White Paper on Growth, Competitiveness and Employment and the Integrated Programme in favour of SMEs and the Craft Sector, the Community's SME Policy aims at:

- encouraging an environment favourable for the development of SMEs throughout the EU;
- improving the competitiveness of European SMEs and encouraging their Europeanisation and internationalisation.

To achieve the above objectives the Community's SME Policy is based on two interrelated programmes : the Integrated Programme in favour of SMEs and the Multiannual SME Programme. The **synoptic table** on the next page sets out the various Community actions in favour of SMEs.

⁷ Commission White Paper on Growth, Competitiveness and Employment, p. 92.

⁸ See Footnote 1 above.

⁹ See Footnote 1 above, section 1, p.2 and Annex 1.

TABLE I : COMMUNITY'S ACTIONS IN FAVOUR OF SMEs

Madrid priorities	Concerted actions with Member States (exchange of best practices)	Actions under other Community policies of interest to SMEs (*)	Complementary actions (Multiannual SME Programme)
1. Administrative simplification	<ul style="list-style-type: none"> - Committee on improving and simplifying the business environment - Follow-up Single Report on Employment (non wage labour costs, flexible & simpler labour regulations) 	<ul style="list-style-type: none"> - Guidelines for regulatory policy - Simple VAT definitive system 	<ul style="list-style-type: none"> - Business impact assessment system - Cost/benefit analyses - Transfer of businesses
2. Information	<ul style="list-style-type: none"> - Concerted actions on business support measures and stimulating demand 	Community networks such as EC-BIC, Craft Focal Points, Innovation Relay Centres, Multimedia Information Demonstration and Support Network, EURES, Rural Carrefours, European Crossborder Consumer Information Centres ...	<ul style="list-style-type: none"> - EICs as first-stop-shops for other Community networks
Training	<ul style="list-style-type: none"> - Follow-up Single Report on employment (training in SMEs) - Follow-up White Paper on education (business culture and entrepreneurship) 	ESF (Community Support Frameworks) ADAPT (ECU 1.57 billion) EMPLOYMENT NOW(460 MECU) LEONARDO (620 MECU)	<ul style="list-style-type: none"> - SME pilots (management training) - actions for promoting business culture - Women & young entrepreneurs
- R&TD - Innovation - Information Society	<ul style="list-style-type: none"> - Follow-up Green Paper on innovation - Information Society Forum and G7-pilots 	4th R&TD framework (12,3 billion ECU including 700 MECU specific SME) INFO 2000 ERDF	<ul style="list-style-type: none"> - SME pilots (e.g.NTBFs, COMMERCE 2000)
Environment		LIFE : 450 MECU (96-99) Environment & Growth Initiative	<ul style="list-style-type: none"> - EIC information on environment - impact environmental legislation on SMEs - craft: environmental management
3. Europeanisation and Internationalisation	<ul style="list-style-type: none"> - Concerted actions on business support measures and stimulating demand 	Competition policy (including State Aid) Cross-border public procurement Cross-border economic areas JOP (CEEC+CIS 50 MECU 96-99); ECIP (250 MECU 95-99), MED INVEST (no budget approved for 96); AL INVEST(41 MECU 95-2000); ASIA INVEST (to be defined)	<ul style="list-style-type: none"> - Partner search networks (BC-Net/ BRE) - Direct partnerships (Europartenariat - Interprise) - Subcontracting - SME pilots - internationalisation - Actions for craft & small enterprises - Actions for commerce & distribution - Legal environment (retention of title, dispute settlement, legal structures)
4. Financial environment	<ul style="list-style-type: none"> - Concerted actions on business support measures 	<ul style="list-style-type: none"> - Access to structural funds (ERDF, ESF) - Community Initiative for SMEs (ECU 1 billion) - EIB global loans for SMEs - EIF loan guarantees - Follow-up Communication on SME tax treatment 	<ul style="list-style-type: none"> - Late payment - Access to loan financing (e.g. Round Table) - EASDAQ - Factoring & Credit insurance - NTBF pilot
5. Consultation and Policy making			<ul style="list-style-type: none"> - Consultation of businesses - Statistics & SME Observatory - Promotion

(*) For more details see Report on the co-ordination of activities in favour of SMEs and the Craft Sector, COM(95) 362 final of 8.9.1995.

1. The Integrated Programme in favour of SMEs and the Craft Sector

The Integrated Programme, which was adopted by the Commission on 3 June 1994¹⁰, sets out the overall framework of Community Enterprise Policy. It is not intended to substitute for various actions taken at a national or Community level, nor to interfere in the decision making process of the different actions. Its objective is to pull together various initiatives into an overall framework to ensure their coherence and visibility, and to propose a closer partnership between all parties concerned with the development of SMEs - at Community, national and regional levels - with a view to enhancing the convergence and effectiveness of these measures.

The Integrated Programme distinguishes between two types of measures which are set out in the following table:

Integrated Programme in favour of SMEs	
Concerted actions with Member States¹¹	Contributions from the European Union¹²
measures to promote mutual consultation between Member States and joint co-ordination, where necessary, concerning actions in favour of SMEs and the Craft Sector in the fields of: <ul style="list-style-type: none"> ▪ improving and simplifying the SME business environment; ▪ stimulating and improving support measures for SMEs. 	measures for SMEs developed: <ul style="list-style-type: none"> ▪ either within the framework of the Community's specific SME Policy (i.e. the Multiannual SME Programme); ▪ or under the other Community policies, for instance, international co-operation programmes; EIB and EIF instruments; Structural Funds Programmes, e.g. Community initiative for SMEs

In the context of the Integrated Programme the Commission will put forward new proposals in favour of SMEs, in particular a loan guarantee instrument with a high leverage effect on growth and employment.

The Integrated Programme predominantly focuses on enterprises within the European Union. However, in view of the Commission's commitment to gradually open most of the Union's activities to SMEs from associated countries, a number of actions outlined in this Third Multiannual Programme (e.g. partnership actions) could be made accessible to SMEs from these countries mainly by using funds from other EU programmes, notably PHARE, TACIS, JOP, MED-INVEST, AL-INVEST and ASIA-INVEST.

2. The Multiannual Programme for SMEs

The Multiannual SME Programme fits into the framework of the Integrated Programme as an important part of the EU contribution. It provides the legal and budgetary basis for the Community's specific SME Policy actions. The current Multiannual Programme expires on 31 December 1996.¹³ The Third Multiannual Programme will cover the period 1997-2000. This Proposal is unanimously welcomed and supported by the European business organisations representing SMEs,¹⁴ which were consulted by the Commission on 20 February 1996.

¹⁰ Integrated Programme in favour of SMEs and the Craft Sector, COM(94) 207 final of 3.6.1994.

¹¹ See Article 130 § 2 of the Treaty.

¹² i.e. contributions through policies and activities the Community pursues in the framework of the Treaty, as well as through specific measures in support of action taken in Member States (Article 130 § 3 of the Treaty).

¹³ Council Decision 93/379/EEC of 14.6.1993, OJ N° L 161 of 2.7.1993, p. 68.

¹⁴ CCACC, CECOP, CEDI, EMSU, EUROCHAMBRES, EUROCOMMERCE, EUROPMI, UEAPME, UNICE and YES for Europe.

The added value and complementary nature of the Multiannual Programme are evidenced in particular by the following :

Added value of the Multiannual Programme
<ul style="list-style-type: none"> ▪ the Multiannual Programme aims at a number of specific objectives which are not covered by other Community policies (e.g. the improvement of the SME business environment and the Europeanisation of business strategies of SMEs through the provision of information and support services providing transnational co-operation opportunities); ▪ the Multiannual Programme also plays a useful role by testing innovative methods of support. Such actions will for instance complement the activities undertaken under the Community research, innovation and regional policies. The actions proposed will help to increase the awareness and effectiveness of, the other Community policies of interest to SMEs; ▪ it has a horizontal scope (i.e. it applies irrespective of economic sectors) and covers the population of SMEs within the entire European Union; ▪ a series of measures and methodologies within the Multiannual Programme (e.g. the networking of intermediaries with an important leverage effect) are developed in close co-operation and co-ordination with other Community policies, in particular Structural Funds, Innovation, Research and international co-operation in order to maximise their effect for enterprises.

Compared to the Integrated Programme the actions in the Multiannual Programme are complementary to other actions in favour of SMEs, thus avoiding duplication. On the contrary, the Multiannual Programme stresses complementarities and synergies with other Community policies and Member State actions in favour of SMEs.

Compared to the Second Multiannual Programme, the Third Multiannual Programme will ensure the continuity of the Community's Enterprise Policy, whilst at the same time strengthening a number of existing actions and introducing a series of new initiatives in the key areas identified in the Commission's recent SME Policy Paper.¹⁵ The new elements are highlighted in the following box:

New elements in the Third Multiannual Programme
<ul style="list-style-type: none"> ▪ facilitating access to all Community Programmes of interest to SMEs by developing the Euro-Info-Centres (EICs) as "first-stop-shops"; ▪ strengthening the efforts on administrative simplification, in particular by introducing the cost-benefit aspect into the business impact assessment system; ▪ ensuring better involvement of SME Organisations in the decision-formation process; ▪ encouraging and supporting SMEs to trade in international markets, in particular by improved networking facilities and improving access to market information; ▪ identifying novel ways to better promote the technological adjustment of SMEs and their access to entrepreneurial training; ▪ developing concrete actions for craft and small enterprises taking into account their specific characteristics; ▪ improving the financial environment for SMEs (access to loans, secondary markets for SMEs, late payment, factoring and credit insurance); ▪ encouraging women and young entrepreneurs and businesses owned by minority groups; ▪ encouraging a new spirit of entrepreneurship; ▪ integrating the environment and sustainable development into the Community's Enterprise Policy (Art. 130r of the Treaty).

¹⁵ See Footnote 1 above.

The Third Multiannual Programme is presented alongside an external evaluation report on the current Multiannual Programme (1993-1996).¹⁶ This independent evaluation report has made a number of suggestions which are being implemented or commented in the Explanatory Memorandum, while a separate Commission Communication completes this analysis. The following table highlights some major recommendations of the report which have been taken into account in this Proposal:

Major recommendations from the external evaluation report	
<ul style="list-style-type: none"> ▪ strengthening co-ordination efforts to ensure the consideration of SMEs into the various Community policies, and reinforcing the effectiveness of the evaluation of the impact of legislative proposals on SMEs; ▪ qualitative improvement in the EIC network and promoting a greater co-ordination between Community networks, including alternative ways of organisation; ▪ reinforcing the partnership programmes through improved follow-up services and assistance to the participating enterprises; ▪ continuing the "laboratory approach" of working with pilot projects to "test by doing" innovative measures for SMEs in key areas; ▪ strengthening the promotional efforts for actions of interest to SMEs; ▪ greater use of information technologies in the networks and the dissemination of information. 	

Participation by SME representative bodies in devising policy actions must be sought in order to increase their efficiency. In line with the Madrid Report on SMEs, the Commission will improve "the consultation of SME organisations when preparing policies of relevance to them, and encourage their full involvement" both at national and Community level.¹⁷

E. THE MULTIANNUAL SME PROGRAMME AS PART OF THE EUROPEAN CONFIDENCE PACT FOR EMPLOYMENT

This Third Multiannual SME Programme is the cornerstone of the Community's SME Policy. As such it forms an **integral part of the Commission's Confidence Pact on Employment**. This Programme provides for concrete actions producing rapid effects and which help to exploit SMEs' full potential for job creation, in particular by helping to increase the number of SMEs participating in the Internal Market and promote their internationalisation. When consistently implemented, the entire range of actions of this Third Multiannual SME Programme will produce a significant leverage and mass effect throughout the Union.

¹⁶ See the Commission Communication on the External Evaluation Report concerning the implementation of Council Decision 93/379/EEC of 14 June 1993, OJ N° L 161 of 2.7.1993, p. 68.

¹⁷ See Footnote 1 above, p.17.

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THIRD MULTIANNUAL PROGRAMME FOR SMEs
EXPLANATORY MEMORANDUM

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III. POLICY DEVELOPMENT

SECTION I SCOPE

This Third Multiannual Programme is the cornerstone of the Community's SME policy. It provides the basis for actions which aim at raising the awareness of significant number of SMEs to the challenges of a business strategy which increases their competitive position towards improving their share of transnational and international trade. A positive effect of this would be to generate employment opportunities.

In line with the analysis presented in the Commission's SME Policy Paper for the Madrid European Council¹, the five following priority policy objectives are set out together with an outline of the actions which need to be taken at Community level :

1. Simplify and improve the administrative and regulatory business environment;
2. Improve the financial environment for enterprises;
3. Help SMEs to Europeanise and internationalise their strategies, in particular through better information services;
4. Enhance SMEs' competitiveness and improve their access to research, innovation and training;
5. Promote entrepreneurship and support special target groups.

The Third Programme is focused on SMEs, irrespective of their sector, legal form or location within the European Economic Area.² Where proposed measures specifically relate to craft and small businesses, a separate reference to this type of enterprises will be made, as well as for commerce and distribution.

While supporting the Community's cohesion policy³, the actions in favour of SMEs set out in the Multiannual Programme are not limited to enterprises established in regions eligible for support under the Community's Regional Policy. In this context the complementarity between the Multiannual Programme and the Community Initiative for SMEs should be highlighted as factor stimulating the economic development of the Union, including job creation at local level.

The current Multiannual Programme expires on 31 December 1996.⁴ Therefore the new Programme shall enter into force on 1 January 1997 and cover the period up to 31 December 2000.

¹ "SMEs: a dynamic source of employment, growth and competitiveness in the European Union", Report presented by the Commission to the Madrid European Council, CSE(95) 2087.

² Commission Recommendation concerning the definition of SMEs (doc. C 96/261).

³ First Report on Economic and Social Cohesion established under Article 13 TEU, p. 263.

⁴ Council Decision 93/379/EEC of 14.6.1993, OJ N° L 161 of 2.7.1993, p. 68.

SECTION II. PRIORITY OBJECTIVES AND PROPOSED ACTIONS

A. SIMPLIFY AND IMPROVE THE ADMINISTRATIVE AND REGULATORY BUSINESS ENVIRONMENT

A.1. ENSURE CONSIDERATION OF THE INTERESTS OF SMEs IN THE VARIOUS COMMUNITY INITIATIVES AND POLICIES

A key objective of the Community's SME Policy is to ensure that the SME dimension is integrated into the conception and implementation of Community actions and policies. The Commission will step up its efforts in this area. While efforts to simplify and improve Community legislation will contribute to achieve this objective, a greater co-ordination of Community actions and policies in favour of SMEs should also be promoted to enable SMEs to fully participate in all Community actions and programmes.

For instance, in the area of the Structural Funds programmes SMEs are still not benefiting sufficiently relative to their share of economic activity and employment growth potential.⁵ This approach should also apply to R&TD, innovation, employment and vocational training, energy efficiency programmes, environment, international co-operation, EIB and EIF instruments. The first results of this co-ordination effort are set out in the Integrated Programme in favour of SMEs and the Craft Sector⁶ and in a recent co-ordination report.⁷ Concrete action under the SME Multiannual Programme will include a Recommendation to Member States on ways to increase the share of SMEs in Community policies and programmes.

Recognising the need to accelerate work on the simplification of Single Market legislation particularly affecting SMEs a proposal could be elaborated to set up small "SLIM" teams (Simpler Legislation for the Internal Market).

A.2. SIMPLIFY AND IMPROVE COMMUNITY LEGISLATION

SMEs face an increasingly complex legal, fiscal and administrative environment. While the cost of non-regulation has never been measured, the total annual cost of administrative burdens on all enterprises in Europe has been roughly estimated to be 150 to 250 billion ECU.⁸ In particular the costs of the formalities for setting up a business are a cause for concern.⁹ These costs are predominantly attributable to requirements of Member States.

In line with the Commission report to the Madrid European Council on "Better Law Making"¹⁰ the Commission will improve its own contribution towards reducing red tape and improving Community legislation which may affect enterprises, in particular SMEs. This objective requires action to avoid and reduce unnecessary administrative burdens and compliance costs in existing and new legislation which hinder the creation and development of enterprises.

⁵ Annual Report of the Court of Auditors (1994), OJ N° C 303 of 14.11.1995, p.140.

⁶ COM(94) 207 final.

⁷ COM(95) 362 final of 8.9.1995.

⁸ See Footnote 1 above, p.4.

⁹ See comparative table on p.36 of the Green Paper on innovation, COM(95) 688 final of 20.12.1995.

¹⁰ "Better law making", COM(95) 580.

To achieve this objective, the Commission has recently adopted guidelines on regulatory policy.¹¹ These guidelines stress the need to ensure the widest possible external consultation and also foresee a new approach aimed at rationalising and modernising the impact analyses of which the Business Impact Assessment System is of particular importance for SMEs.

In view of the need for SMEs to be consulted on Commission proposals which are likely to have a significant impact on them, the Commission will improve the quality of the business impact assessments by ensuring a greater involvement of SMEs at the drafting stage of Community legislation or programmes, and by implementing a pragmatic methodology for the evaluation of the impact of legislative proposals including the use of cost/benefit analyses wherever this is deemed appropriate.¹² Depending on the nature and complexity of the proposals, the evaluation will be based on:

- desk research where this is sufficient to identify the compliance costs and administrative burdens;
- using a representative number of firms selected from a pool of volunteering enterprises, in co-operation with SME organisations, who would provide detailed information about the implications of legislative proposals as above;
- commissioning comprehensive cost/benefit analyses for the most complex proposals impacting on many business sectors.

The tasks of carrying out the desk research or conducting the cost/benefit analyses will be entrusted to the Commission services responsible for the respective proposals. For carrying out enquiries limited to a representative number of volunteering enterprises, DG XXIII will in co-operation with other Commission services and SME organisations, set up an agreement with a network of SME research institutes to ensure the necessary degree of homogeneity and neutrality of the results.

A.3. INCREASE TRANSPARENCY AND THE SPREAD OF BEST PRACTICES ON SIMPLIFYING AND IMPROVING THE ADMINISTRATIVE AND REGULATORY ENVIRONMENT

a. monitoring of administrative simplification

In order to raise the quality and scope of administrative simplification efforts both at EU and Member State level, there is a need for a greater transparency and spread of information on new initiatives in this field. Various Member States expressed their interest in this type of information, which should also benefit the Community institutions. The Commission will therefore monitor the progress achieved under the new strategy of administrative simplification¹³ and exchange of best practice between Member States resulting in Recommendations as appropriate.¹⁴ This will include the results of substantial surveys conducted by the Euro-Info-Centres (EICs).

¹¹ Guidelines on regulatory policy, SEC(95) 2255 of 16.1.1996.

¹² This method was considered as particularly innovative in the external evaluation report (see page 7). A similar approach has been suggested recently by a 1996 Report from the Committee on business creation set up by the Danish Ministry for Industry (see Betaenkning N° 1304 page 210).

¹³ See Footnote 1 above, Section V.1.

¹⁴ See the Integrated Programme in favour of SMEs and the Craft Sector.

b. transfer of businesses

At least 300,000 jobs a year are lost due to unsuccessful transfers of businesses in the EU.¹⁵ The Commission will encourage and support initiatives aiming at raising the awareness of business organisations and other interested parties on the issue of transfer of businesses. Based on an assessment of the implementation of the Recommendation on transfer of businesses¹⁶, the Commission will encourage new initiatives and promote appropriate actions including a specific concerted action on this subject.

c. retention of title

Retention of title - a legal mechanism to delay the transfer of ownership of goods until the purchase price has been paid in full - is one of the most appropriate measures for facilitating commercial transactions. Such a legal tool should be available to all economic actors. However, there are a number of disparities which hamper the recourse to this type of instrument. The Commission will consider on the basis of a consultation document¹⁷ whether or not a Commission Recommendation in this area would be useful.

A.4. IMPROVE FRAMEWORK FOR TRANSNATIONAL OPERATIONS OF SMEs

a. settlement procedures for transnational disputes between enterprises

Disputes arising from transnational operations are often difficult to solve, in particular in view of the costly, complex and lengthy procedures. The lack of easy access to justice for operations in other Member States thus discourages enterprises, in particular SMEs, from internationalising. Most of the problems lie with Member States to the extent that the organisation of the judiciary is concerned.¹⁸ The Commission will encourage the development of alternative dispute resolution as a means to solve disputes arising from transnational operations of enterprises, in particular SMEs. This will include the promotion of instruments such as mediation, simplified arbitration and conciliation procedures.

b. promote appropriate legal structures

The existing legal structures for transnational co-operation are still incomplete and insufficiently known by SMEs. Enterprise Policy should therefore promote existing legal structures and support the creation of new instruments which are more adapted to SMEs' needs.

The *European Economic Interest Grouping (EEIG)* is the first legal instrument of Community law for transnational co-operation. However, this instrument is not yet widely used by SMEs and there is a lack of practical information about the experience of this instrument. To promote the use of EEIGs for transnational co-operation, the REGIE Initiative (i.e. Promotion of the EEIG in the European Union) should be fully implemented. This requires developing the REGIE database and raising awareness of

¹⁵ See footnote 1 above, Section III.A.

¹⁶ Commission Recommendation on the transfer of SMEs, OJ N° L 385/14 and C 400/1 of 31.12.94.

¹⁷ A similar consultation document was prepared on the transfer of businesses (OJ N°C 204 of 23.7.1994, p.1).

¹⁸ Lengthy delays in taking action against Member States in which there are Single Market obstacles mean the difference between survival or failure for some SMEs and so the Commission will speed up and make more effective its own Single Market dispute procedure.

SMEs in order to provide practical information and to identify possible improvements of existing legislation where appropriate.

As highlighted in the Molitor Report¹⁹ and the second Ciampi Report²⁰, there is a need to establish other legal instruments suitable for SMEs doing business in different Member States. The adoption by the Council of the Statute for a European Company will help to provide SMEs with an appropriate legal instrument for their transnational operations. In the meantime, the Commission will promote the development of simplified legal statutes for closely held limited liability companies.²¹

B. IMPROVE THE FINANCIAL ENVIRONMENT FOR ENTERPRISES

The Commission strongly believes that the move towards Economic and Monetary Union produces positive effects on businesses, in particular in the field of increased monetary stability. The achievement of the Treaty objectives concerning public finance will have both quantitative (reduction of "crowding-out") and price effects (interest rates).²² However, European SMEs are still undercapitalised, inter alia due to a fiscal discrimination against risk capital, have problems accessing bank loans at reasonable rates and fast-growing companies are hampered by the absence of European capital markets for SMEs.²³ The Integrated Programme in favour of SMEs provides the framework for an array of measures to improve the financial environment for enterprises, including the exchange of best practice between Member States and the strengthening of Community actions in this field. This Third Multiannual Programme provides for complementary measures which do not involve any direct financial support for SMEs but rather focus on improving the financial environment through the elimination of constraints and better access for SMEs to financial instruments. All measures involving State aid to undertakings in any form whatsoever have to comply or be coherent with the principles set out in Articles 92 to 94 of the Treaty and all relevant secondary legislation. More specifically, the Multiannual Programme proposes measures in the following areas:

B.1. IMPROVE ACCESS TO LOAN FINANCING

Bank lending constitutes the dominant form of external funding for SMEs, despite the widely acknowledged fact that many of these firms experience substantial difficulties in obtaining loans at reasonable cost for their expansion and investments compared to larger enterprises. This is a problem of particular relevance for small enterprises, as banks consider that the credit risks applying to this category of companies are higher than those applying to larger ones, and as small firms are typically unable to offer adequate collaterals. SMEs typically pay an interest rate two to five percentage points higher than large enterprises.²⁴

¹⁹ Report of the Group of Independent Experts on Legislative and Administrative Simplification, COM(95) 288 final of 21.06.1995, p.83.

²⁰ "Enhancing European Competitiveness", Second Report from the Competitiveness Advisory Group, December 1995, p.8.

²¹ Commission Comments on the Report of the Group of Independent Experts on Legislative and Administrative Simplification, COM(95) 596. See also the amended Proposal for a Council Regulation on the Statute for a European Co-operative Society (SYN 388 of 6.07.1993, currently under discussion in the Council).

²² For instance, it is estimated that a reduction of 1 % of public deficits within the European Union generates an annual amount of 65 billion ECU for private sector financing.

²³ See Footnote 1 above, Section III.D.

²⁴ See Footnote 1 Above, p.7.

Loan guarantees are extremely helpful in overcoming these obstacles as they reduce credit risks and also provide compensation for lack of collateral. The European Investment Fund (EIF), which issues loan guarantees in favour of SMEs and Trans-European Networks, has considerable potential to help enterprises in overcoming these obstacles. Scope for co-operation exists also between budgetary support instruments and the EIF. The "Growth and Environment" pilot project constitutes a clear and promising example: the Community loan guarantee is extended at no cost to the borrowing enterprise (for investments producing environmental benefits), while the cost of the guarantee premiums is borne by the Community budget. The Commission will submit proposals for an SME loan guarantee instrument with a high leverage effect on growth and employment.

The Commission will continue its support for the development of mutual guarantee schemes, in particular through co-operation with the European Association of Mutual Guarantee Schemes.

The Commission will further stimulate a wide discussion within the banking community on ways to improve SME financing. Concrete actions will include support for the Round Table of Bankers and SMEs, which examines innovative practices in the field of better access for SMEs to financing. Particular attention will be paid to better access to finance for women entrepreneurs and improving the financial environment of SMEs in the field of commerce and distribution. The Commission will encourage banks and SMEs to implement the Round Table recommendations as widely as possible.

B.2. INTENSIFY EFFORTS TO REDUCE LATE PAYMENT PROBLEMS

The Commission recognises the importance to SMEs of reducing late payment. This implies efforts from the public authorities including the Commission itself. It believes that the current economic climate warrants an acceleration of the evaluation process set out in its 1995 Recommendation on late payment.²⁵ The Commission will bring forward further proposals in 1997 and will support actions organised by business organisations which aim at improving the financial management capabilities through information, training and other measures (e.g. cash-flow management software for SMEs).

B.3. FACILITATE THE DEVELOPMENT OF SPECIFIC FINANCIAL INSTRUMENTS

The Round Table of Bankers and SMEs highlighted the importance of factoring and credit insurance in helping to meet SMEs' need for working capital and reducing their problems linked to late payment. The take-up of these instruments varies considerably between Member States. The Commission will therefore examine the reasons which hamper the development of these instruments in a number of Member States and prepare a consultation paper with proposals, possibly in the form of recommendations, for making these financial instruments in the Single Market function better.

B.4. STIMULATE THE DEVELOPMENT OF CAPITAL MARKETS FOR FAST-GROWING SMEs

A major weakness in the present European financial system is the lack of liquidity and the absence of European capital markets for high growth SMEs.²⁶ This particularly hampers high technology companies which in turn discourages innovation and risk-taking. Compared to the US annual figure of 400 companies, in Europe only 10 to 20 % of this

²⁵ OJ N° L 127 of 10.6.1995, p. 19 and OJ N° C 144, 10.6.1995, p. 3.

²⁶ See Footnote 1 above, p.8.

number tap secondary markets and many choose a US NASDAQ listing instead. To encourage the creation and the smooth operation of such markets in Europe the Commission has urged Member States to remove all remaining legal, regulatory, fiscal and other barriers by the end of 1996.²⁷ On the basis of a forthcoming report to the Council the Commission will propose appropriate measures to encourage the growth of these important financial facilities, including EASDAQ.²⁸

C. HELP SMES TO EUROPEANISE AND INTERNATIONALISE THEIR STRATEGIES, IN PARTICULAR THROUGH BETTER INFORMATION SERVICES

The employment and growth potential of SMEs will not be fully exploited without their rapid integration into the Single Market. There are only about 460.000 enterprises which engage in transnational activities. In view of the relative ease with which US enterprises engage in inter-state trade,²⁹ a considerably higher number of European enterprises, in particular SMEs, should be encouraged to participate in transnational trade. While the achievement of a more ambitious target largely depends on the full co-operation of intermediaries and Member States, the specific and complementary actions provided in this Programme should help to facilitate the access of a much larger of enterprises, in particular SMEs, to the Single Market and to help them to adjust to the new requirements of international competitiveness.

The first task is to influence SMEs' strategies in the sense of a rapid integration into the Single Market. To achieve this aim, it is necessary to provide SMEs with the appropriate instruments for the implementation of such strategies. Information and business partnerships constitute main instruments for SMEs to reach out to wider markets within the Single Market and beyond. Given the wide variety of situations faced by SMEs additional measures are however required in particular for specific target groups.

The Commission will follow the line set out in its report on the future operation of the information and co-operation networks.³⁰ This report sets out a number of possible improvements in the management of these networks, but stops short of a fundamental change in the methods chosen by the Commission. It does not recommend in particular merging the different networks into one, nor abandoning the formula whereby the Commission works in co-operation with a large number of decentralised host organisations and limits itself to providing an intermediate service³¹.

The reasons why the external evaluation report of the Second Multiannual Programme³² proposes such a merger for all enterprise policy networks are shared by the Commission only to the extent that a unique interface with the final customer would have obvious advantages only from the point of view of transparency and simplicity in all promotional activities. It would not bring improvements in terms of efficiency, cost effectiveness and

²⁷ See Footnote 1 above, Section V, p.18.

²⁸ See Commission Communication on the feasibility of the creation of a European Capital Market for smaller entrepreneurially managed growing companies, COM (95) 498 final of 25.10.1995.

²⁹ No figures exist concerning the US firms engaged in inter-state trade. However, the fact that about 400.000 of the 16 million US enterprises are engaged in international trade, suggests that the number of firms participating in inter-state trade must be considerably higher given the relatively higher concentration of US firms on domestic markets.

³⁰ This Commission report was mandated by Article 5 of Council Decision 93/379/EEC of 14 June 1993.

³¹ See page 20 of the report.

³² This external report was mandated by Article 5 of Council Decision 93/379/EEC of 14 June 1993.

quality control since the various services rendered - as set out in the evaluation report - will all need to be continued in co-operation with the different specialised intermediaries involved and the various roles even more clearly defined if quality of the service is to be enhanced. The idea of a full operational control of the EIC network by the Commission (as advanced in the external evaluation report) would make the merger into one network even more difficult to achieve. In the view of the Commission it would not only require a considerable investment, but entail considerable additional running costs since the cost of the central unit would remain unaltered, while the size and the human resources of a reduced number of EICs would have to be considerably greater in terms of knowledge and full-time equivalent per EIC.

Therefore, the Commission comes to the conclusion that it would be a mistake to discontinue the strong and fruitful partnership with a great number of different organisations, the direct and indirect contribution of which is of immense political value and should rather be developed by integrating more completely the EICs into the overall structure of the host organisations.

This does not preclude the Commission from attempting to choose, in agreement with its various partner organisations, a unique identification under which the different networks operate. In this case the EIC network will have to function as "First Stop Shop" in order to simplify and facilitate the access of the final customer to the various services offered by the Community networks.

While not advocating full operational and financial control of the EIC network (inter alia in view of the cost involved), the Commission would see an advantage, in order fully to reap the benefits of the stimulation method it has chosen, in offering an additional financial contribution to those EICs which commit themselves to a particularly high quality and targeted information services with an obvious potential for transnational strategies.

The rapid development of information technologies and services (e.g., Internet) also justifies the provision of financial resources, partly in the form of a one shot investment, in order to intensify the links between all different intermediaries co-operating in the framework of the different Community networks, but also in order to enlarge the interface with the final customer. In formulating the specifications for a new VANS,³³ the Commission will take into account the need for easy access to and from other existing networks widely used by SMEs; where confidentiality is a decisive element of the services offered (in particular BC-NET), the Commission will upgrade the existing information technology to bring it into line with this state of the art.

The Commission will continue its quality policy by means of a sharper definition of the services on offer in the different networks as already mentioned, as well as through a greater assurance of full professionalism, which might result in a reduction of the overlap between the three networks operating under the Community SME policy.

³³ Value Added Network and Services (VANS), including for instance E-mail and specialised conferences.

C.1. DEVELOP INFORMATION SERVICES (EURO-INFO-CENTRES AS 'FIRST-STOP-SHOPS')

Over and above the managerial improvements discussed in the Communication on the future operation of the information and co-operation networks, the Commission proposes to adopt the following orientations for the EIC network, which will also apply to Euro-Info-Correspondence Centres (EICCs) where appropriate:

a. EICs as 'First Stop Shops'

The new orientations outlined above which, correspond to the demands expressed by SMEs and highlighted in the Commission's report for Madrid, will put into play a growing number of operators working in synergy with the EIC network. Moreover, the latter is only one of the various networks of relevance to SMEs operated by the Commission within and outside the framework of its enterprise policy. There is an obvious need for greater transparency of the numerous services on offer. However, rather than artificially reducing the number of such services, the Commission proposes a double approach: a single identification for all Community networks of relevance for SMEs³⁴, and a single interface with the final customer in order to direct each request to the relevant Community network or service provider. The latter role would logically have to be assumed by the EICs given their task of providing comprehensive information to business. Some of them might have to gear up their capabilities in order to fulfil this new task. Inter alia this will require efforts to identify, and develop regular contacts with, the representatives of other Community networks, to build bridges, including through VANS, in order to facilitate dialogue, and to launch joint activities aimed at enhancing the visibility of the Community networks.

The chart set out in the following page illustrates how the EICs will function as first-stop-shops. Table II summarises the main Community networks.

b. composition of the EICs

The present composition of the network is the result of an historical development. The evaluator has questioned the rationality of the composition of the network and suggested an attempt to obtain a better representation of SMEs' most trusted business advisors, while keeping in mind the need for a stable financial commitment on their part and the requirement for geographical cohesion. The Commission will therefore publish a new call for candidatures, which will be open to existing and new organisations, in order to identify the ones most able to host a first stop shop. The selection criteria and the evaluation of the outcome of the call for candidatures will be discussed with the Member States. The number of EICs participating in the network should not be increased as a consequence of this consultation.

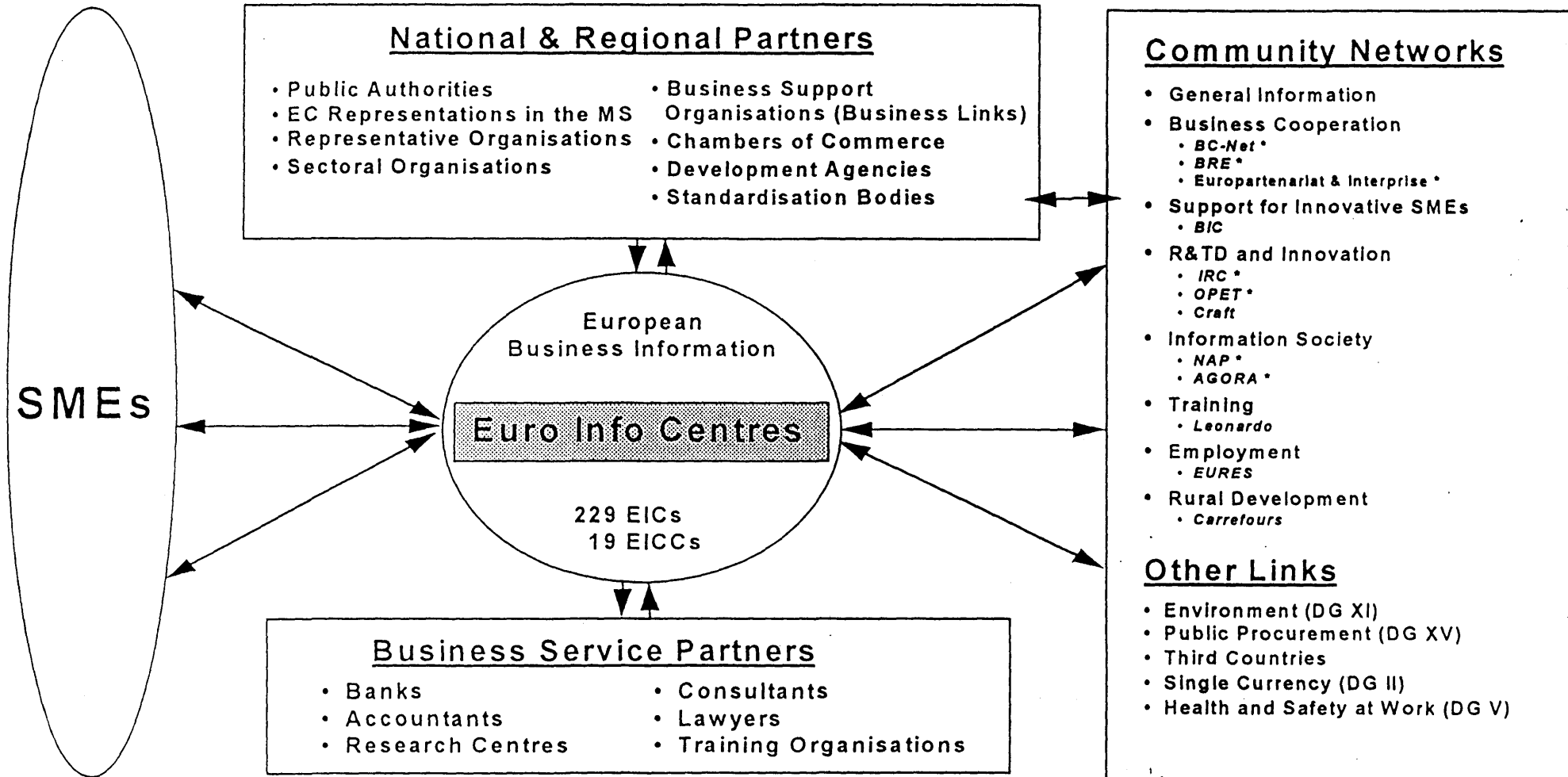
c. enlarged and reinforced information task of the EICs

Better information for enterprises is a priority objective for the Community's Enterprise Policy, where the local EIC network plays a key role. Under this Programme the tasks of the EICs to provide information will be enlarged and reinforced in the following ways:

EICs as first-stop-shops. To cover the needs of enterprises for a rapid response to their information requests, the EICs will help to direct them to the appropriate Community

³⁴ In combination with the distinctive logos of each network.

EICs as First-Stop-Shops



* Some EICs act in synergy with these networks

TABLE II: MAIN COMMUNITY NETWORKS

Name	Number of Members & geographical coverage	Role
Euro-Info-Centres (EIC) DG XXIII	229 EU + EFTA 20 correspondence centres in CEEC, Med. countries	Information and advice to businesses, in particular SMEs on Community regulations & programmes
Business-Cooperation-Network (BC-Net) DG XXIII	300 advisers in 38 countries	Help businesses develop international partnerships through appropriate advice for, before and after the search of partners
Bureau de Rapprochement des Entreprises (BRE) DG XXIII	500 correspondents in 70 countries in the world	Help SMEs to find partners through a very large broadcasting of their cooperation opportunities
EUROPARTENARIAT DG XXIII	60 National counsellors in 60 countries (EU, Med, CEEC, AL, Asia) promote 2 EUROPARTENARIAT events/year	Encourage cooperation between enterprises from assisted areas (objectives 1, 2, 5b & 6) and enterprises from other EU and non EU countries.
INTERPRISE DG XXIII	200 partners of EU are involved in the organisation of 40-50 events per year	Promote transnational cooperation between SMEs in Europe
EC-Business Innovation-Centres (BIC) DG XVI	110 BIC (98 in assisted areas, others in Central & Eastern Europe)	Creation and development of innovative SMEs through provision of integrated services
Craft Network of Focal Points DG XII	200 Focal Points (23 National Focal Points), 18 countries (EU + EFTA)	Disseminate information to SMEs on RTD programmes and help them in their applications for RTD programmes
Innovation Relay Centres IRCs DG XIII	56 Members EU + Norway + Iceland	Promote innovation notably via technology transfer, exploitation of research results and promotion of EU-RTD programmes
Organisations for Promotion of Energy technologies (OPET) DG XVII + XIII	50 in Europe- New call for proposal in 1996	Build relations with the industrial world and SMEs
MIDAS (Multimedia Information Demonstration and Support Network) (will replace NAPs in 1997) DG XIII	22 centres in 17 countries (EU + EEA)	Raise awareness and organise information campaigns on new information services
NAPs (National Awareness Partners) DG XIII	30 Members EEA	Promote the use of electronic information services
EURES (European Employment Service) DG V	450 Euroadvisers in 15 MS + Iceland & Norway 12 cross-border structures	Facilitate freedom of movement for workers and help employers recruit at international level.
European Crossborder Consumer Information Centres DG XXIV	21 Members in EU countries except Greece and UK	Information to consumers on crossborder activities linked to consumer issues
Rural Information Carrefours DG X	70 in EU countries	Community information to rural communities, stimulate exchange of experiences and partnerships between European and rural regions
Info-points-Europe; Euro-libraries - DG X	all Member States	information for the general public

network or service provider. This "first-stop-shop" concept does not affect the specific missions and activities of the other Community networks and does not remove the need to improve the effectiveness of these networks. However, this "first-stop-shop" dimension for the EICs will help businesses to find their way more easily about the various existing networks (see paragraph a above and corresponding chart).

Content of information. While in the past the EICs focused on disseminating Community information and cooperation opportunities, the following new areas will be covered or strengthened:

- *Single Market:* Mechanisms will be put into place to allow for a more systematic two-way communication flow between the Commission and the business world. EICs are in a particularly good position to inform the Commission on the problems faced by enterprises in their activity related to the implementation of the Single Market programme and other Community policies.
- *internationalisation:* the completion of the Single Market and the growing globalisation of markets creates important trade and business opportunities abroad for European companies. However, one of the main obstacles that SMEs have to overcome in attempting to participate in a European or global market is the difficulty in accessing global or regional market information³⁵. Such information is generated by a great number of organisations within the Community, some of which are members of the EIC network (Chambers of Commerce, Export promotion agencies, Eurostat, etc.). Therefore, the Commission will encourage maximum synergy between these organisations;
- *environment:* the EIC network will, in particular through its specialised working group on environmental issues, increase its efforts to provide adequate information on environmental management, regulations, studies and Community Programmes. In terms of sustainable development, the EIC network can play an important role in helping SMEs understand environmental challenges and discovering appropriate solutions. EICs could also facilitate contacts between mainstream businesses wishing or needing to invest in cleaner and energy saving methods and processes and those (eco-) businesses which produce the relevant goods and services;
- *sectoral information :* much effort will be devoted by EICs to satisfy a frequently expressed interest by SMEs to obtain information on European matters, sometimes related to specific business or trade sectors. This will require greater co-operation between the EIC network and the sectoral trade associations established at European or national level. ;
- *proactive provision of information :* the information needs of SMEs are strongly related to the development of the Community's policies and activities which are undergoing considerable change³⁶. The provision of information services by the EIC network will have to adjust to this change whereas the provision of tailor-made replies to specific questions from SMEs will remain unaltered. With a greater emphasis on openness and transparency, and the wider use of Green and White Papers in the consultation process will place greater importance on providing information about issues on which business needs to be kept informed.
- *awareness of Community priorities :* there will also be a greater need for promotional activities in particular in the framework of the Community wide awareness-raising

³⁵ Commission SME Report for the Madrid European Council, CSE(95)2087, pages 9 and 16.

³⁶ See Action Programme 1996 of the Commission.

campaigns launched by the Commission in order to promote major political priorities of the Union (e.g., the Single Currency).

Finally, the Commission will step up its other information efforts either in co-operation with SME representative organisations or through its own publications. The EICs will step up their efforts to improve access to these Community publications. Whenever possible, the Commission will use Internet services to make information readily available to the final customer.

High quality service is of paramount importance to the impact the network can have on the business community. This high quality should be as homogeneous as possible on the basis of the stimulation method. The Commission does not share the view of the evaluator that - at the current level of resources employed - the network should be able to achieve a greater qualitative and quantitative impact within the business community (especially with SMEs)³⁷. It stands by its assessment that the stimulation method has now reached its limit³⁸, unless additional resources can be mobilised. Such an increase can be modest by comparison with what would be required if the Commission were to follow the suggestion that the EIC network be fully operated and financed by the Community.³⁹

The additional financial contribution would come on top of the regular quality premium which the Commission suggests should be raised to a level of 25 000 ECU per annum. This amount would cover not only the present amount of 20 000 ECU but also all the other financial support granted to the EICs in order to cover the costs of promotional material, access to data banks etc. It would thereby allow considerable administrative economy and also remain conditional on obtaining the minimum quality standard at present under preparation, or the quality objectives defined by the host organisation within the framework of the management by objective methodology.⁴⁰

An additional financial contribution of 10 000 ECU would be sufficient to stimulate a sizeable number of EICs to commit themselves to a quality standard which would include a proactive approach and full co-operation concerning the establishment of a comprehensive performance measurement system which would allow, inter alia, the impact on the business community to be monitored. This contribution, while being open to all EICs, would in practice be limited in the beginning to between one quarter and one third of the network since it is estimated that the number and the qualification of the personnel required for satisfying the enhanced quality criteria will not be available for a greater number of EICs, at least at the beginning of the four year period. In the long run this policy should encourage most of the EICs to obtain a high level of customer satisfaction.

C.2. IMPROVE THE PROMOTION OF SME POLICY ACTIONS

While the scope of the Community's SME policy has grown gradually over time, the same cannot be said about the perception of its impact by the European SMEs. There is an urgent need to increase this impact which partly depends on similar efforts at national level. Reflection in this direction will be favoured by the outcome of a concerted action

³⁷ External evaluation report of the Second Multiannual Programme, p. 12.

³⁸ Report on the future operation of the information and cooperation networks, COM(95) 435 final of 5.12.1995, p.21.

³⁹ External evaluation report of the Second Multiannual Programme, p. 14.

⁴⁰ Report on the future operation of the information and cooperation networks, COM(95) 435 final of 5.12.1995, p.31.

to stimulate the demand for business services. The Community partly shares this problem with Member States. This has led to a proposal for a concerted action in this field⁴¹. It has to be recognised that the promotional efforts agreed to by the Community and the individual members of its networks have not been proportional to the need for a wider use of these instruments. One of the difficulties encountered has been that the target population of about 1.5 million European enterprises cannot be easily identified through direct promotional action.

The Commission will continue to seek the right balance between a general awareness raising action and more pinpointed efforts, while widely decentralising the implementation of its yearly campaigns. Continued attempts to increase the cost effectiveness notwithstanding, the Commission firmly believes that the resources available for such campaigns need to be increased. These campaigns will be of two types :

- campaigns undertaken in co-ordination with the normal promotional activities carried out by the members of the EIC Network;
- the organisation of two European Business Weeks which will aim at increasing the awareness of concrete Community business support services throughout the Union and also cover particular themes of interest to SMEs to be developed with Member States and SME business organisations.

C.3. PROMOTE CO-OPERATION THROUGH BUSINESS SEARCH NETWORKS (BC-NET & BRE)

There is an obvious need to facilitate the efforts of SMEs to find business partners in other Member States, or even third countries. Since SMEs express their needs for partnership research in different ways, according to the degree of complexity of the co-operation desired, the Community will have to continue to provide different kinds of services. Therefore, a merger of the BRE and BC-networks⁴² is not contemplated by the Commission. However, there is a need for simplification and clarification arising from the fact that some EICs use a special VANS conference for answering co-operation requests. Those EICs who wish to participate in partnership search activities will be requested to become members of one or the other group of intermediaries, depending on their interest and capability. The co-operation conference, which has operated as a further channel of contacts, will therefore be discontinued in the interest of reaching a higher degree of professionalism. This policy will be facilitated by the Commission's efforts (e.g. VANS) to intensify linkages between its different networks.

Another measure in this context will be the creation of a directory listing all the members of the different networks and indicating the various types of services they offer. Such services can embrace company audits prior to the formulation of a strategy involving partnership search as well as downstream assistance in the negotiation of a co-operation agreement.

For the rest the Commission will follow the orientations outlined in the report on the future operation of the information co-operation networks. They include:

⁴¹ Integrated Programme for SMEs and the craft sector, p.19.

⁴² BRE: Business Cooperation Centre ("Bureau de rapprochement des entreprises") BC-NET: Business Cooperation Network.

- intensifying the network effect through the support given to specialised groups within the networks.
- developing a new information system to replace the outdated technology still in use since the initial phase of the BC-NET.
- setting up of a single database in order to facilitate an integrated access to partnership or business opportunities identified through the various Community initiatives in this field (the two partnership search networks, Europartenariat and Interprise).

Despite these various new initiatives, the Commission estimates that the financial support from the Community budget will not have to be increased. This will be rendered possible by ploughing back the revenue generated through the tarification of the BC-NET services, the level of which will be fixed at a flat rate of 1 000 ECU per year under the conditions presented in the report on the future operations of the information and co-operation networks.

C.4. PROMOTE DIRECT CONTACTS THROUGH PARTNERSHIP PROGRAMMES (EUROPARTENARIAT AND INTERPRISE)

In view of the success of the Europartenariat and Interprise Programmes, the Commission intends to continue the organisation of two Europartenariat events per year and of some 40 to 50 Interprise events per year.

In order to increase the quality of the preparation of the meetings, the Commission, in selecting the national organiser, will emphasise those criteria which confirm the capability of the organisation to provide upstream and downstream assistance to the undertakings selected for a participation. The Commission does not believe that a similar effort can be made for visiting companies⁴³ bearing in mind that Europartenariat and Interprise programmes have been developed for enterprises which do not seek the intervention of an intermediary and often manifest their interest rather late in the day. However, in advertising such events, the Commission will draw attention to the availability of the services offered by the various Community networks.

C.5. DEVELOP SUBCONTRACTING PARTNERSHIPS

Community actions for subcontracting aim at improving transparency of the markets and strengthening inter-industrial partnership. Apart from statistical aspects there is a need to increase transparency of the legal environment applicable to subcontracting relations in each Member State. The Commission will provide practical guides to improve the contractual relationship between principals and subcontractors, particularly when there is an element of transnationality. Support should also be given to the organisation of European forums intended to identify new developments and concerns related to subcontracting in strategic activities, as well as best practices of third countries which could be transferred to the Union. This should allow the Commission to focus its support on priority areas for the Community's subcontracting strategy.

To improve the competitiveness of European subcontractors actions will be developed aiming at the promotion of European subcontractor know-how to third country principals wishing either to invest in Europe, or to import European assets and services. In addition, actions will be taken to develop a better understanding of the structures of third country

⁴³ As suggested in the external evaluation report of the Second Multiannual Programme, p.22.

subcontracting markets and the nature of the subcontracting relations of these countries, in order to identify the existing co-operation opportunities.

To facilitate subcontractor contact and to optimise the search for partners, the Commission will develop a Sub-Contracting Assistance Network (SCAN) aimed at the identification and promotion of highly qualified businesses, possibly certified throughout the Union.

In view of promoting relationships between main contractors and subcontractors and in response to a Council mandate of 22 November 1993⁴⁴ buyer's exhibitions⁴⁵ were organised at international level with the support of the Community to test their feasibility in a number of sectors in the context of the new inter-industrial relations. The result of the test phase will be evaluated at the beginning of the new programme. Depending on the outcome of this evaluation, the need for further Community action will be examined.

C.6. PROMOTE ACCESS TO NEW MARKETS AND INTERNATIONALISATION OF SMEs

The globalisation of the markets has a strong impact on the competitive situation of European SMEs. European SMEs need to adapt their strategies on the basis of better awareness both of strategic advances made by third country competitors and of the characteristics of third country markets they want to access, including in the newly emerging and fast-growing economies of Asia and the Pacific Rim. The Community recently defined a strategy for achieving improved market access to third countries.⁴⁶

The Commission SME Report for the Madrid European Council highlighted the need for measures for business support in this field. While much of the effort needs to be made at Member State level, the Community has a role to play. The Commission will in particular step its efforts for the promotion of internationalisation of SMEs and their penetration into third country markets. Community Programmes aimed at fostering international co-operation (JOP, ECIP, MED-INVEST, AL-INVEST, ASIA-INVEST) should be better focused on SMEs, in particular in view of encouraging partnerships and joint ventures with enterprises in third countries.

In addition to the measures proposed in the Integrated Programme in favour of SMEs, the Commission will facilitate access to market information⁴⁷, improve business co-operation networks and partnership programmes⁴⁸ and develop pilot actions. The latter will in particular focus on the organisation of fact finding missions and the testing of co-operation models in accessing third markets.⁴⁹ Finally, support will be given for a small number of actions to facilitate the participation of small enterprises in trade shows in third countries, at least with joint stands.⁵⁰ Part of these initiatives will help to reinforce the concrete implementation of the actions provided under the Transatlantic Dialogue ("Business Bridge").

⁴⁴ Council Resolution of 22 November 1993 on strengthening the competitiveness of enterprises in particular of SMEs and craft enterprises, and developing employment, OJ n° C 326 of 3.12.93, p.1.

⁴⁵ "salons inversés".

⁴⁶ COM(96)53 final.

⁴⁷ See § C.1.c. above.

⁴⁸ See § C.3 and C.4.

⁴⁹ See for instance the French "compagnonnage" programme and the German "Firmenpool" scheme.

⁵⁰ Communication from the Commission on the Craft Industry and Small Enterprises, Keys to Growth and Employment in Europe, COM(95) 502 final of 26.10.1995, p.11.

D. ENHANCE SME COMPETITIVENESS AND IMPROVE ACCESS TO RESEARCH, INNOVATION AND TRAINING

D.1. INCREASE THE INNOVATIVE POTENTIAL OF SMEs

Innovation is a major factor in growth to which SMEs have traditionally made an important contribution. However, the globalisation of markets has introduced a new dimension to this problem and the Commission, in its Report for the Madrid European Council⁵¹, has identified a number of problem areas in this field. In its Green Paper on Innovation⁵² the Commission stressed the need to intensify and take a more consistent approach to efforts which hitherto have been too fragmented, in order to overcome the obstacle and handicaps which still hinder innovation in the European Union, and identified routes for action to this aim.

The main responsibility for correcting action lies with Member States. In addition, specific measures for SMEs have been introduced under the Community research, innovation and regional policies (e.g. the Innovation Programme, Technology Stimulation Measures for SMEs and Regional Innovation Strategies). A large consultation process on new Community actions has recently been launched on the basis of the Green Paper on Innovation.

On the basis of this Third Multiannual Programme the Community's Enterprise Policy will continue its "laboratory approach" in particular by testing innovative methods of support through pilot actions which, if successful, can be taken over by Member States or other Community policies. These pilot actions which are not yet covered by other Community programmes can be tested to demonstrate the utility of specific approaches for SMEs.

a. support for the development of firms with growth potential

The White Paper on Growth, Competitiveness and Employment highlighted the need for supporting the development of firms with growth potential since these are the firms most likely to create permanent jobs over a longer period.⁵³ A major challenge is to identify these enterprises.

In the framework of the Second Multiannual Programme for SMEs and craft industries, the Commission has successfully developed an audit methodology aimed at increasing the access of SMEs to national or European R&TD Programmes (Euromanagement R&TD). Similar actions aiming at facilitating the participation of SMEs to the Community R&TD programmes have been implemented by the specific R&TD programmes and in the future the technology and management audit methodology initiated by Enterprise Policy will be integrated and, if necessary, adjusted under the Innovation Programme. In addition, R&TD is not the only way to growth. In particular in service industries, other factors come into play. Under this Third Multiannual Programme the scope of the Euromanagement methodology will therefore be refocussed to encompass these other critical factors, including strategic management training and internationalisation.

⁵¹ Commission SME Report for the Madrid European Council, CSE(95)2087, pages 5 and 6.

⁵² Green Paper on Innovation, COM(95) 688 final.

⁵³ White Paper on Growth, Competitiveness and Employment, p.87.

In addition to this audit methodology, the Commission proposes a more bottom-up approach consisting of support for the creation of "business clubs" with entrepreneurs willing to contribute through their own action to the development of a growth strategy for their region.⁵⁴ This model has been successfully developed in a number of Member States.⁵⁵ The Commission will further encourage the spread of this model in other Member States, in particular through support for the networking of the various initiatives.

b. support for New Technology Based Firms (NTBFs)

New technology based firms (NTBFs) open entirely new areas for growth and job creation. However, specific problems need to be resolved in order to support the growth of these firms.⁵⁶ In this context the Community has successfully developed a methodology to mobilise private capital in the high risk phase of seed finance. But there are similar problems when it comes to finding sufficient second round finance in order to sustain NTBFs in their attempt to realise rapid growth (including the case of existing companies attempting to rejuvenate themselves through a new technology). The high risks involved in such investments have made early stage venture capital unattractive for most European investors. There is a need to ascertain the appropriate incentive for larger quantities of private capital to be invested in the international expansion of new technology based enterprises. Therefore, the Commission proposes to launch a pilot action - to be jointly managed with the Community Innovation Programme - aimed at catalysing the process of channelling private capital towards this kind of high risk investments.

D.2. STIMULATE MANAGERIAL TRAINING

Other key factors in safeguarding the competitiveness and long-term employment potential of SMEs are the improvement of training provision and the stimulation of their managerial skills, in particular to increase their capacity to adapt to new challenges.⁵⁷ Member States need to put into place easily accessible training programmes and an infrastructure which take into account the special needs of SMEs.⁵⁸

The Commission plays a complementary role in this field mainly through a series of actions taken under the Community's Policies for Employment (in particular through the ADAPT Initiative⁵⁹), Education and Training.⁶⁰ Most of these concentrate on training provision and access for workers in SMEs.

Under this Third Multiannual Programme actions will be encouraged and focused on training of SME managers and intermediaries, in particular with the aim of helping to identify and test novel approaches in this field mainly through pilot projects. The latter will in particular seek to:

- improve management training prior to business start-up, in particular by supporting the development of a case study methodology adapted to the needs of European

⁵⁴ e.g. the PLATO project developed in Belgium.

⁵⁵ e.g. Ireland and Denmark.

⁵⁶ Commission SME Report for the Madrid European Council, CSE (95)2087, p.5.

⁵⁷ White Paper on Growth, Competitiveness and Employment, p.87.

⁵⁸ Commission SME Report for the Madrid European Council, CSE(95)2087, p.13.

⁵⁹ See, Report on the co-ordination of activities in favour of SMEs and the Craft Sector, COM(95) 362 final of 8.9.1995.

⁶⁰ See Integrated Programme in favour of SMEs and the Craft Sector.

SMEs⁶¹, by training intermediaries from SMEs and craft organisations on European issues and by promoting the exchange of experience between leading third countries and the EU in this field;

- increase training in the fields of standardisation and certification and adapt management training to the needs of women entrepreneurs.⁶²

D.3. ADAPTATION TO ENVIRONMENTAL REQUIREMENTS

In the Action plan for the further implementation of the Fifth Environmental Action Programme adopted on 24 January 1996 priority is given to the problems faced by SMEs in adapting to environmental requirements. SMEs are less aware of "environmental" regulations, have less access to information about the availability and costs of clean technologies, energy saving and other environmental advice services.

In this context particular emphasis is put on environmental management and the speedy introduction of eco-audit certification. In 1996 the Commission launched a EUROMANAGEMENT pilot action which focuses on small and craft enterprises which will be finalised in 1997. Subsequent external evaluation should indicate the further actions needed.

E. PROMOTE ENTREPRENEURSHIP AND SUPPORT SPECIAL TARGET GROUPS

E.1. BUSINESS CULTURE AND ENTREPRENEURSHIP

In its Report to the Madrid European Council⁶³ the Commission highlighted the need to promote entrepreneurship at all levels. The primary goal must be to stimulate a truly entrepreneurial culture, based on values such as self-reliance, risk-taking and a sense of personal commitment. While most of the actions will have to be taken at Member State level⁶⁴, the Commission will stimulate the exchange of best practice in this field and by supporting the identification of particularly dynamic entrepreneurs⁶⁵.

E.2. CRAFT AND SMALL ENTERPRISES

In a separate communication to the Council⁶⁶, the Commission has highlighted the need for a specific Community initiative taking into account the specific characteristics of craft industries and small enterprises. This communication, mandated by Council Resolution of 10 October 1994⁶⁷ formulates the conclusions to be drawn from the debates held at the second European Conference on the craft industry and Small Enterprises held in Berlin on 26 and 27 September 1994.

⁶¹ Most of the case studies used at present are based on US experience.

⁶² See Section E.4. below.

⁶³ See Footnote 1 above.

⁶⁴ Promotional programmes already exist in various Member States, for instance in Germany, Austria, Ireland, Finland and Luxemburg (See Footnote 1 above, Annex I, section G.3).

⁶⁵ In 1995 the Commission supported an initiative in this area (Europe's 500).

⁶⁶ COM(95)502 of 26.10.1995.

⁶⁷ Council Resolution of 10 October 1994 on giving full scope to the dynamism and innovatory potential of SMEs, including the craft sector and micro-enterprises, in a competitive economy, OJ n° C 294 of 22.10.1994, p.6.

The Commission intends to give a first follow-up to this communication under the Second Multiannual Programme. Given the limited financial resources available, most of the priority objectives identified will have to be covered by actions to be undertaken in the Third Multiannual Programme. These priority objectives include: integration of this particular category of enterprises in the Single Market; support for transnational co-operation projects; specific support in the fields of standardisation, certification, environmental and quality management; better access to vocational and management training in particular for co-entrepreneurs; a better access to sources of finance; and support for an initiative of the European Craft industry associations in the field of image building (European Craft Academy).

E.3. ENTERPRISES IN COMMERCE AND DISTRIBUTIVE TRADES

Parallel to the ongoing consultation of the interested parties in the framework of the Committee on Commerce and Distribution, the Commission proposes to carry on its action aimed at facilitating the adjustment process of enterprises in commerce. The Commerce 2000 pilot programme should be extended in order to cover the application by such enterprises of all the modern methods of management related to the use of new technologies. Emphasis will continue to be placed on the promotion of co-operation between SMEs, including co-operation between SMEs and large enterprises. Attention will be given to a wide dissemination of the results of the pilot actions carried out after careful evaluation and discussion of their outcome.

Depending on the outcome of the discussion of the Green paper on Commerce and Distribution, which the Commission plans to approve in 1996, the Commission proposes to organise an exchange of best practices on topics particularly sensitive for the development of commerce and distribution.

E.4. WOMEN AND YOUNG ENTREPRENEURS; ENTERPRISES OWNED BY MINORITIES

The Essen and Madrid Summits confirmed the important role of women in SME development, the generation of new jobs and the competitiveness of the European economy which depends on making the best use and development of women's skills. Up to one third of new enterprises are at present created by women, and greater attention has to be paid to the importance of women entrepreneurs. As recently highlighted by the Commission,⁶⁸ women entrepreneurs and assisting spouses are faced with various difficulties and constraints.

This Multiannual Programme will develop a number of actions to support Community policy in favour of equal opportunities for women⁶⁹. The actions will include:

- the promotion of information activities throughout the Multiannual Programme, in particular through the Euro-Info-Centres and the partnership programmes;
- the development of exploratory actions into possible solutions in the field of equal opportunity for women entrepreneurs and co-entrepreneurs;
- the development of a synergy with the other relevant Community policies;
- the support for European networks of women entrepreneurs and co-entrepreneurs.

⁶⁸ COM(96)67 final of 21.2.1996.

⁶⁹ Fourth Community Action Programme on Equality of Opportunities between Women and Men (1996-2000) and Commission's Communication on "Incorporating Equal Opportunities into all Community Policies and Activities"

The Commission will also support and initiate concrete actions which seek to address the specific problems faced by young entrepreneurs. Concrete actions will include support for initiatives exploring innovative approaches, in particular in view of strengthening management training and advice for young entrepreneurs during their critical start-up and first development phases, for instance by promoting the use of new technologies and networking between enterprises.

In addition, the Commission will explore possible actions to address the specific problems faced by minorities in setting up and running small enterprises. Concrete action will include the co-financing of a limited number of studies or support measures to foster and encourage their integration into the society. These initiatives will complement the measures contained in the proposed Employment-Inclusion Initiative within the European Social Fund.

III. POLICY DEVELOPMENT

There is a strong need for a better knowledge of the specific characteristics and needs of European businesses, in particular SMEs and crafts, in order to adapt and complement existing Enterprise Policy actions. The Commission will therefore develop its activities in this field in its effort to improve their effectiveness.

a. statistics

Having good quality and timely information on the number of enterprises, their size, structure and demography is of great importance in order to monitor and revise the Community's SME Policy. In co-operation with Eurostat several statistical projects and programmes will be continued with the emphasis on improving the coverage and timeliness, and on using all available information rather than burdening businesses with extra requests for information. In this context, the Commission will test the feasibility of creating a pan-European microeconomic database. The availability of this information - which exists in the US - constitutes a very useful tool for stimulating the creation and orientation of new enterprises, in particular in areas where job potential exists.

Parallel to this general statistical work, support will continue to be given to the statistical analysis of commerce and distribution as well as of the situation of co-operatives, mutual societies, associations and foundations (CMAFs). In all these fields, consideration will be given to the need for minimising the burden on enterprises resulting from the collection of data, in particular by assessing the cost-effectiveness of the statistics requested and by consulting SME organisations before proposals are made to collect new statistics.

b. SME Observatory

The Commission proposes to maintain the approach hitherto followed in the field of the SME Observatory. The reliance on an independent network with a strong research component is the best guarantee of an objective interpretation of the available quantitative and qualitative data. Already now this network comprises some institutions close to the business realities of SMEs as suggested in the external evaluation report.⁷⁰

⁷⁰ External evaluation report of the Second Multiannual Programme, p. 36.

The Commission will consider the methodology for developing a framework of trend indicators based on inquiries led by various organisations (such as Eurochambers) in co-ordination with Eurostat. There could be also an attempt to use in the report non-harmonised national data in the field of monitoring the impact of the Single Market on SMEs in view of the fact that in this field the dynamics of the evolution are of greater interest than a harmonised snapshot of the situation.

Finally, the feasibility of incorporating the major qualitative and quantitative conclusions into a data bank with on-line access will be examined as well as the possibility of putting part of the report on Internet. This should give the report a wider audience including the possible access by SMEs. To enhance the impact the Commission proposes to organise a yearly conference in order to allow for a wide discussion with all interested parties.

c. studies on SMEs

In order to increase knowledge about SMEs, a number of research projects will be supported. These will include the study of particular aspects, such as craft industries and small enterprises, women entrepreneurs, commerce and distribution and CMAFs, followed by the dissemination of the research results.

d. develop and evaluate SME policy actions

The adequacy of Community measures depends on an ongoing effort aimed at identifying and evaluating policy initiatives undertaken both at national and Community level in order to develop the potentials of SMEs as "a dynamic source of employment, growth and competitiveness in the European Union". This calls for a stronger effort to increase the quality of the support the Commission can contribute to the exchange of best practices between Member States. This also calls for better accessibility of the available information. In order to achieve this goal, the Commission proposes to develop, in close co-operation with Member States and with the SME Observatory network, an easily accessible and user-friendly data base concerning SME policy measures.

The Commission will also publish on a regular basis a report on the development of the inclusion of the SME dimension in all policies and programmes of the Community.

These measures which provide an overview of the progress achieved in the field of SME Policy will help increasing the efficiency of actions aimed at stimulating the competitiveness and growth of European SMEs in the prospect of stimulating their employment capacity.

ANNEX I

COMMISSION REPORT ON RECENT POLICY INITIATIVES AT MEMBER STATE LEVEL FOR SMALL AND MEDIUM-SIZED ENTERPRISES (*)

(*) This Report has been presented by the Commission to the Madrid European Council (CSE (95) 2087)

SUMMARY OF SME-RELATED MEASURES TAKEN AT MEMBER STATE LEVEL
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Introduction

This note presents a summary of measures taken at Member State level in the course of the last two years or currently envisaged which aim to promote the creation, development and transfer of SMEs.

The note is structured under seven headings as follows:

- A. Support for the development of employment in SMEs
- B. Facilitating the creation and development of SMEs by reducing administrative, fiscal, social or other constraints
- C. Improving management quality in SMEs
- D. Support for R+D efforts of SMEs
- E. Improving SME access to finance
- F. Helping SMEs to integrate better into the Internal Market and to internationalise
- G. Other measures

The note is based on replies to a questionnaire sent to all Member States. **For a number of countries, the replies to the questionnaire were very general.** Here also, where possible, the information provided has been supplemented by internal Commission analysis.

A. SUPPORT FOR THE DEVELOPMENT OF EMPLOYMENT IN SMES

The majority of initiatives under this heading are not targeted exclusively at SMEs, but, given their predominant role in employment creation in all Member States, SMEs are intended to be prime beneficiaries.

A.1. Social Measures

The main emphases in Member States' social policies in this area include on the one hand, increasing demand for labour by improving the flexibility of the labour market, by reducing the costs of recruitment, by incentives to recruit unemployed people and by improving the skills of those seeking work and, on the other hand, improving the supply of labour by facilitating access to qualified people and by making recruitment easier.

A number of Member States have improved the **flexibility of the labour market**. In Germany, the limited contract employment provision has been extended to the year 2000 and a new law permits more flexible working hours. In Belgium, the procedure for modification of working time has been simplified and consecutive fixed-term contracts are now permitted. In Belgium also, instruments are being developed to redistribute available work, particularly by promoting different forms of temporary work and career interruption. In the Netherlands, dismissal procedures have been shortened and made more flexible, particularly as regards the preventive test on dismissal, working time regulations, extension of probation and conditional periods and extension of temporary contracts. In Spain, the maximum duration of temporary employment contracts has been extended from three to four years and enterprises receive a subvention if they make a temporary contract permanent.

A number of countries have introduced measures to **reduce the costs of creating employment**. In Spain, new subsidies have been introduced for permanent part-time recruitment. In France, the new government has indicated its intention to reduce non-salary costs by 10% for low-skilled workers earning up to 1.2 times the minimum wage (SMIC). In Belgium, under the "Plan Plus Un", an enterprise employing its first worker receives a reduction of 100%, 75% and 50% of employer social charges for the first three years and there is a reduction of employer charges for low-paid workers in both Belgium and France. In the UK, the Netherlands, Spain, Italy and Ireland, employers' social insurance contributions have been reduced in general. In Luxembourg, employer social charges on salaries have been abolished and replaced by a State scheme. In Germany, SMEs have been relieved from the cost related to parental leave.

Austria, the Netherlands and Belgium have introduced measures to increase the attractiveness to enterprises of **recruitment of unemployed people**. In Austria, where a person has been unemployed for more than a year and is difficult to employ, the public employment agency can pay two-thirds of the wages to an employer. In the Netherlands, 57 pilot projects are to be launched, mainly aimed at SMEs, to provide 20,000 subsidised jobs for unemployed people who keep their unemployment benefits for two years with a view to maintaining these jobs unsubsidised thereafter. In Belgium, an action allows for employer social security charges to be reduced when an employee is engaged through an unemployment support programme. There is also support for the remuneration and social security contributions of unemployed people engaged in the framework of support for SMEs. In Portugal, there is a three-year exemption from social contributions and a subvention equivalent to twelve times the minimum monthly wage for enterprises which recruit first time young workers and the long-term unemployed. In Spain, there is a reduction in social charges for recruitment of unemployed people over 45 and the handicapped. In Finland, subsidies are provided for recruitment of the unemployed.

To improve the supply of labour, some countries have focused on the **skills of those seeking work**. In Austria, the "Arbeitsstiftungen" keep people in contact with work who would otherwise be unemployed and offer them continuing education or vocational training while at the same time helping SMEs to find qualified employees. In Belgium, the Employment-Training Convention for unqualified young people under the age of 25 alternates work in a company with professional training in an agreed centre. In Sweden, there are programmes to train and re-educate the unemployed.

Germany and Austria have sought to **improve access of SMEs to qualified personnel** by establishing independent employment placement services. In France and the UK, the emphasis in this regard is on improving information for employers. In France, a "one-stop-shop" is to be established to simplify administrative procedures relating to taking on employees, particularly in SMEs. In the UK, comprehensive guidance on employing staff has been produced to address lack of knowledge of entrepreneurs in this area.

A.2. Fiscal Measures

Tax-breaks to encourage recruitment are the main form of fiscal measure used by Member States.

In Finland, for family-owned SMEs and small companies, income for consumption is separated from income for investment with the latter taxed at standard company tax rates instead of personal tax rates. In Italy, firms which employ additional workers can claim tax relief and reinvested profits are exempt from taxation. In Ireland, a lower VAT rate has been introduced for labour-intensive service industries. In Germany, VAT thresholds have been raised. In Spain, national and regional incentives include reductions in tax levels and free depreciation related to employment creation.

B. FACILITATING THE CREATION AND DEVELOPMENT OF SMEs BY REDUCING ADMINISTRATIVE, FISCAL, SOCIAL AND OTHER CONSTRAINTS

B.1. Reduction of Administrative or Legislative Constraints

Simplified and more transparent procedures, derogations from reporting requirements, one-stop-shops, business impact assessments and deregulation are the main areas of administrative simplification facilitating SME creation and development pursued by Member States in recent years.

With regard to **administrative procedures**, France, the Netherlands and Finland have reduced substantially the number of documents and regulations applied in setting up an enterprise. While in Finland collection and coordination of company information is concentrated in the National Statistics Office, France uses the "Centres de Formalités des Entreprises" (CFE) for that purpose. In Italy, one fixed tax has replaced six former taxes, and there is automatic approval of an authorisation request if the relevant authority does not react within the specified time period. In Finland, the company approval process has been simplified, a single advance payment procedure has been introduced for all taxes and local tax offices are empowered to issue binding precedents. In Ireland, a single registration form for all tax purposes has been introduced. In Austria, a uniform date for return of all taxes has been introduced. In France, three simplifications are due to be introduced in 1996: the single social and recruitment declarations and the single apprenticeship contract. In Germany, licensing procedures have been simplified. In the UK, introduction of an annual return form with pre-printed details and three line accounts for low turnover companies have cut down on paperwork for SMEs and facilitated prompt delivery of annual accounts. In Spain, more flexible administrative procedures allow greater transparency and more rapid responses, and standard and simplified forms are being planned. In Portugal, enterprise associations have established protocols with the National Companies' Register to facilitate company creation from an administrative point of view.

Changes in **legal procedures** have widened the scope for formation of SMEs and made the rules governing their operation more flexible. Germany has enlarged the range of trades eligible for certification by the Handelskammer. In Greece, it is now possible to create a limited company consisting of one person. In Spain, the new private limited companies law simplifies and makes more flexible the legal framework for companies and takes special account of SMEs. In France, broadening of the legal definition of a company has created a level playing field in the tax and social treatment of different forms of business entity. In Portugal, notaries have been given a wider role in the legal formation of companies, so simplifying the process.

Among **derogations** applied, in Austria greater flexibility has been introduced so that businesses with lower turnover are not required to keep records by double entry but can use the cost book principle of accounting. In the UK too, Companies' Act disclosure requirements have been simplified. In the UK and Ireland, VAT return thresholds are being increased to reduce reporting burdens.

One-Stop-Shops to promote start-ups are to be launched in Germany by the chambers of commerce and in Sweden by the regional support organisations, the ALMI. In Belgium and Spain, it is intended to establish a single point of contact for all SMEs' dealings with public services.

The **deregulation** initiative in the UK aims to improve existing legislation, simplify new legislation and improve sensitivity of enforcement. This initiative involves a consultation phase with business on all legislative proposals and application of the principle of "think small first" at all stages from drafting to implementation. Future development of this initiative will include greater use of contracting out. Other countries are at various stages of introduction of similar Business Impact Assessments and deregulation initiatives. In Germany, the emphasis is on reviewing the impact of new consumer protection provisions on SMEs. Sweden is undertaking a systematic overhaul of all business regulations. Greece has created specialised units in each Ministry to examine simplification. In Ireland, a parliamentary committee has been established to scrutinise the impact of new and existing legislation on SMEs. Business Impact Assessments are about to be introduced in the Netherlands and are under consideration in Spain.

B.2. Improvement of the Fiscal Environment for SMEs

Tax reform, various tax derogations and reductions of corporation tax rates are the main fiscal measures pursued by Member States.

Tax reform in Germany has focused on mergers and reorganisations, with the possibility now available of a fiscally neutral change of corporate form from a company to a partnership, a development with particular importance for SMEs. In Sweden, limited companies, partnerships and the self employed are treated equally for tax purposes. Italy has exempted operating income which has been reinvested from corporation or income tax, whichever is applicable. In France, investment in an enterprise less than three years old, or in an unquoted SME with a turnover below FF 140 million, attracts a tax credit equal to 25% of the investment. In Belgium, it is intended to revise the fiscal regime to reinforce the own resources of enterprises. In Ireland, it is planned to streamline existing legislation on income, corporation and capital gains tax.

Among **derogations** applied, in the Netherlands, Portugal, Spain and development zones of France, there is a reduction in taxes for the early years after start-up. In the Netherlands also, the tax deduction for new start-ups is to be increased, while in Spain there is also a tax deduction for investment in RTD. In Austria, the tax exemption for small enterprises has been increased. In Finland, property tax on SMEs has decreased and in Ireland, the thresholds which qualify a company for quarterly rather than monthly tax returns have been increased. In the new German Länder, the municipal trade capital tax ("Gewerbekapitalsteuer") has been suspended and the municipal trade earnings tax ("Gewerbeertragsteuer") has been lowered to benefit SMEs; tax relief on the sales profits of manufacturing SMEs has also been extended. Corporation tax rates have been reduced in Germany, Spain, France, the Netherlands and Ireland. In Germany also, the top rate of personal taxation of enterprise income has been reduced; the enterprise tax threshold has been enlarged and the base to which it is applied reduced; and the wealth tax threshold has been increased. In the UK, businesses are entitled to claim tax relief for training, and employees can claim tax relief on vocational training they pay for themselves. In Finland, the rate of corporate income tax, the rate of tax on investment income and the rate of withholding tax are being decreased.

B.3. Reduction of Constraints resulting from Social Legislation

There are two main areas of action under this heading. First, there is the **maintenance of welfare benefit entitlements for unemployed people starting up a new business**, which apply in Belgium, the Netherlands, Denmark, Finland and Spain. Secondly, there are **simplified health and safety compliance procedures** for small firms in the UK and Ireland.

C. IMPROVING MANAGEMENT QUALITY IN SMES

C.1. Facilitating SME Access to Training Programmes

Provision of finance for training, specific and general training programmes, coordination of training services and wider recognition of qualifications are the key emphases in Member States' policies in this area.

Finance for training in Germany takes the form of subsidised, guaranteed loans to the craft, industrial and distribution sectors. In the UK, workforce training is regarded as an important business investment and loans are provided to small firms to support this. In the UK and Ireland, there are special provisions for training programmes involving ten or more SMEs. In Spain, public funds are available for training programmes for groups of SMEs. In Luxembourg, funding is provided for training centres of the Chambers of Commerce.

Among specific **training programmes**, in Austria the emphasis is on management of the quality process, in France key areas include maintenance, the environment and quality, and in Spain the focus is on increasing understanding of industrial design techniques. In the UK, the focus is on World Class Manufacturing and on a programme to update the skills of key workers in SMEs. General training programmes are provided in Finland through post-graduate institutions and in Belgium, through a mix of in-company experience and courses in specialist training centres. In Denmark, training is coordinated through technical schools and the SME federation. In France, a new orientation in training programmes is focused on managers and chief executives.

Coordination of training services in the UK is the particular responsibility of the Training and Enterprise Centres. In Sweden, the coordination role is filled by the regional support organisations, the ALMI, which have subsidiaries in each region jointly owned with the County Councils; improving management quality is a major aspect of their work. In Portugal, the Programme for Enterprise Creation provides integrated support to improve the capability and competence of young entrepreneurs. In Ireland, the integrated approach is delivered through the PLATO Network.

In Germany, a recent initiative has broadened recognition of qualifications and means that employees in SMEs enjoy increased opportunities to improve qualifications as, for many professions, a university training is no longer required. This initiative could also increase the supply of qualified outside expertise, thus making it less costly to SMEs.

C.2. Improving Information for SMEs

Understanding best practice, improved access to information and more comprehensive information services are the key aspects of Member States' policies in this regard.

In the UK, the emphasis on **best practice** promotion is spearheaded by business links with the emphasis on self-help and learning from others. In Ireland, guides on best practice have been prepared for key management areas.

In Belgium, Sweden and Ireland, telephone hotlines are being set up to **improve access to information**. In the UK, Spain and Portugal, computer databases are being developed for this purpose.

More comprehensive information services are being provided by means of Enterprise Houses in the Netherlands, through the Technological Information Centres in Denmark and by a network of regional government offices in Finland. In Austria, a programme to tackle management difficulties with understanding new technologies involves SME managers visiting leading-edge companies.

C.3. Improving Advice to SMEs

Provision of advisory services and financial support for advisers are the main aspects of Member States' policies.

General advisory services tend to focus on provision of comprehensive advice. The "Supernet" system in the UK introduces small firms to national and international networks of centres of excellence. In Finland, general programmes are provided on the one hand to help entrepreneurs evaluate the feasibility of their ideas and their own suitability to act as entrepreneurs; these programmes also provide external consultancy support to help existing SMEs to analyse their present position and prepare a development programme. In Ireland, retired business managers act as mentors to SMEs, and the PLATO Programme provides SME owner-managers with access to expertise in large companies. In the Netherlands, the key initiative is coordination of networks and consultancy services; a number of pilot projects have also been established to provide advice and support to unemployed people starting up a business.

Specific advisory services focus on counterfeiting and strategic management in France, knowledge and quality systems and environmental management in Denmark and technology and exporting in Finland.

Financial support for hiring advisers is provided in Germany, Spain, Denmark, Greece, the UK and Ireland.

D. SUPPORT FOR R+D EFFORTS IN SMES

D.1. Facilitating the Participation of SMES in Research Programmes

National policies focus on promoting cooperation between SMES and Research Centres to facilitate innovation in SMES, and on direct and indirect financial support for R+D.

In Germany, the federal **research cooperation** programme promotes links between enterprises and research establishments, including cooperative research and exchanges of research personnel. Austria has also established a programme for industry-research cooperation. In the UK, the LINK programme supports collaborative R+D between higher education institutions and SMES. In France, the Technology Diffusion Network links SMES with specific research needs to the research centre best able to address their need. In Finland, the TEKES national network coordinates contacts between SMES, universities and research institutes and a world-wide network of technology centres; the network is focused on marketing of programmes and projects to targeted SME groups. In Greece, national policy encourages SME cooperation with specialised R+D organisations. In Ireland, campus-based technology centres have been set up to bring SMES closer to research programmes.

Promotion of innovation by SMES in Germany is through a programme to encourage market-oriented innovation leading to commercialisation. In the UK, the SMART programme promotes technological feasibility studies for small firms while the SPUR programme offers support to SMES for development of new products and processes. In Ireland, an inventions service assists entrepreneurs in developing patents. In Sweden, the National Board for Industrial and Technical Development supports SME R+D efforts. Greece also provides support to SMES for research on applied technologies and innovative products.

Austria provides **finance** for searches for R+D partners. In France, the Technology Services Institute co-finances development work carried out in a joint development project between the institute, a research centre and an SME. In the Netherlands, financial support is more indirect : under the "Techno-starters" programme, technology brokers select high technology seed projects and offer them to financiers for support.

D.2. Encouraging the Distribution of Results of R+D to SMEs

Technology counsellors, personnel exchanges between research bodies and SMEs and technology transfer initiatives are the main means used to encourage the distribution of the results of R+D to SMEs.

In the UK, innovation, design and **technology counsellors** provide advice to SMEs on how to absorb the results of R+D. In Denmark, the role of the Technology Service Institute has been extended to make it the key link between domestic and foreign research centres and SMEs. The ATOUT initiative in France is focused on advanced materials and informatics. In Sweden, the ALMI network provides counsellors to support the R+D efforts of SMEs by improving the standards of technology and innovation resources and has recently taken the initiative to improve coordination and collaboration between the different bodies working with technology diffusion. In Sweden also, the Innovation Centre has been set up to finance early stage innovation and other related measures, including a network of innovation advisers. Portugal also supports demonstration actions on the use of innovative technologies in certain sectors.

Personnel exchanges between research bodies and SMEs in Denmark are promoted under the Icebreaker Programme which gives grants to small companies which employ an academic to bring new knowledge to the company through participation in a development project. In the UK, the Teaching Companies Scheme enables highly qualified graduates to work part-time in SMEs for two years with joint academic/industry supervisors.

Technology transfer initiatives in Spain are carried out via the Interministerial Commission on Science and Technology which runs a programme to transfer the results of research to industry. In Finland, TEKES promotes SME involvement in technology transfer activities with national, regional and international programmes. In Belgium, there is a programme to improve SME access to patents and to commercialise prototypes and new products.

E. IMPROVING SME ACCESS TO FINANCE

E.1. Financing Business Creation

New business creation is encouraged by state support, either tax-based or subsidy-based. In addition, some countries have measures to encourage business creation by the unemployed.

Tax-based **state support** takes the form in Ireland of refunds of tax paid by an entrepreneur in previous employment to be invested in the business. Subsidies are provided for start-ups in Germany, Spain, Portugal, Greece and Ireland. Loans schemes are provided in Ireland, Sweden, Spain and Greece. Loan guarantees are provided in the UK and France. In addition, in the UK, the Growth Start Programme focuses support on fast growth start-ups. Sweden and Ireland provide seed capital for start-ups. The Netherlands is considering a scheme to improve access of start-up entrepreneurs to "business angels". For **the unemployed**, in Germany, unemployment benefit may be continued at a daily rate for six months while the unemployed person seeks to become established. The ACCRE Initiative in France is also focused on support for the unemployed. In Sweden, an unemployed person with a business plan can receive 50% of unemployment benefit for a certain period. Luxembourg provides special aid to enterprises started by people who are difficult to employ.

E.2. Financing Business Development

Facilitating loan finance and private investment in SMEs are the priorities in Member States' policies.

In Germany, **state investment funds** have been refocused on SMEs. In France, SOFARIS guarantees loans to SMEs during their growth phase.

In Sweden, **subsidised loans** are available for SME development projects, while in Belgium, regional investment companies underwrite SME loans.

Private investments in SMEs in the UK are being facilitated by the launch of the Alternative Investment Market for unquoted companies with growth potential, by providing additional tax relief for Venture Capital Trusts and by the Enterprise Investment Scheme which helps unquoted companies raise equity capital. The "Business Angel" system has been introduced, according to which profits from investments in shares of unquoted companies may be rolled over if reinvested in such shares.

Italy has recently adopted a new law which provides that operating income which has been reinvested cannot be taxed. This exemption extends beyond the corporation tax system and includes other enterprises (such as partnerships) which are subject to income tax.

In France, a scheme has been introduced under which any investment in an enterprise less than three years old, or in a unquoted SME with a turnover below FF 140 million, attracts a tax credit equal to 25 % of the investment.

In Ireland a measure has been introduced whereby new entrepreneurs and other investors in a new business can reclaim income tax paid in their previous three years' employment (up to certain limits). The Belgian and German governments have likewise shown interest in measures designed to terminate the fiscal discrimination of equity.

Schemes are also under discussion in the UK and Italy designed to achieve neutral tax treatment of debt and equity financing for enterprises. The key feature of the proposals is that enterprises would be given an "Allowance for Corporate Equity" (ACE), a relief against corporation tax based on the value of the shareholders' funds in the business.

In France, approved development companies receive 50% state guarantees of their investments in growth companies, while Sweden offers tax breaks for investment in unquoted companies. In Luxembourg, tax relief is provided on profits reinvested in the business. In Denmark, state support is provided to venture capitalists specialising in SMEs.

E.3. Financing Business Transfer

Favourable tax treatment of inheritance and subsidised loans are the main measures used to facilitate the financing of business transfer.

Transfers and bequests of unincorporated businesses and share holdings in SMEs are eligible for full **exemption from inheritance tax** in the UK. **Subsidised loans** to facilitate the transfer of businesses are provided in Belgium and Spain. In France, SOFARIS provides loan guarantees to facilitate the transfer of businesses. The proposed law for 1996 provides a 50% reduction of gift tax for the transfer of a business, as long as the beneficiaries continue the business for the next five years. In Ireland, a new law allows companies to purchase their own shares out of undistributed profits for the "benefit of the trade" and 50% of all business assets transferred are now exempted from inheritance and gift taxes. In Denmark, there is a substantial reduction in death duty in the case of business transfer and succession taxes are deferred and reduced. In Finland, agricultural entrepreneurs can obtain special financing arrangements for the transfer of assets between generations. In Germany, the transfer of business is facilitated by the extension of the time frame from 7 to 10 years during which the inheritance and the gift tax can be paid, free of interest. Moreover, businesses benefit from a 25 % reduction of the unit value of the working capital before succession tax is levied. This applies also to shares of finance companies. In the Netherlands, the interest-free period for payment of inheritance tax will be extended from 5 to 10 years.

F. HELPING SMES TO INTEGRATE BETTER INTO THE INTERNAL MARKET AND TO INTERNATIONALISE

It should be noted that a number of Member States cited initiatives aimed at both integration into the Internal Market and at internationalisation. Where these initiatives are of a general nature, they are described under the internationalisation heading.

F.1. Integration of SMEs into the Internal Market

Programmes to promote Internal Market penetration, advisory services and studies are the main measures employed by Member States in relation to the Internal Market.

In the UK, "Opportunity Europe" Programmes are designed to encourage SMEs to broaden their market base in Europe. In France the "Partenaires pour l'Europe" initiative is focused on standards and quality in this regard. Greece offers support for Internal Market cooperation projects while Portugal cofinances European tendering efforts.

The UK operates a Single Market Compliance Unit which provides an advisory service to firms experiencing obstacles to Internal Market trading. The UK also carries out detailed sectoral studies of internal market trade opportunities.

F.2. SMEs' Exports to Third Countries

Financial support, advisory services, better coordination and delivery of export promotion services and export risk reduction measures are the main features of Member States' recent policies.

In Spain, financial support takes the form of investments in companies which are establishing themselves abroad. Finland provides special support for internationalisation of technology-based SMEs. Denmark provides finance for cooperation with East European enterprises.

In the UK, advisory services help SMEs to identify export needs and potential and provide support to help ensure successful implementation of export strategies. In Germany, advice is given on development of business cooperation programmes, such as with Asia and Latin America. In Greece, development of export consortiums is facilitated.

In the Netherlands, the emphasis is on **greater coordination** of the services of government, the chambers of commerce, the banks and the SME representative organisations to improve the distribution of information on internationalisation. In Belgium, greater coordination of the federal bodies for export promotion is being undertaken, including greater collaboration of the Foreign Trade Office with other relevant bodies and better utilisation of foreign credit insurance facilities. German embassies now have specific responsibility for assisting SMEs entering foreign markets.

To seek to **reduce the risks associated with exporting**, in Denmark 50% subsidies are available towards establishment costs of doing business in Eastern Europe. In Finland, subsidies have been introduced to promote export diversification. In the UK, experienced exporters are being recruited as Export Development Counsellors to SMEs. In Ireland, formal links are being established with key European market regions.

G. OTHER MEASURES

G.1. Promoting SME Access to the Information Society

Programmes to stimulate use of information technology and access to the INTERNET and other infrastructure are the primary means of promoting SME access to the information society.

In Finland, an SME-tele-programme has been started to encourage SMEs to use **information technology** for networking to present co-operation projects in computer hardware, software and services. In the UK, training courses are run jointly with IT suppliers to train SMEs in the use and benefits of information and IT. In Greece, SMEs are supported in the application of information and networks.

In the UK, the Advanced IT Service assists clients to access information via the **INTERNET**. In the Netherlands, and Austria, the Chambers of Commerce are being given the possibility to provide information via the **INTERNET**. In Ireland, leading-edge telecommunications infrastructure is being provided in less developed areas to facilitate establishment of remote information industry SMEs.

G.2. Facilitating SME Access to Public Markets

Provision of databases and familiarisation campaigns are the main means used to facilitate access of SMEs to public markets.

In Austria and Finland (on a regional basis), the **TED database** is used. In France, calls for tenders are available via Minitel. In the UK, public and specialist databases, video conferencing and national supplier databases are available through regional supply offices.

In the UK also, **familiarisation** is promoted through advice given to public sector purchasing officers on the benefits of using small business suppliers. In Ireland the focus is on information directories, seminars and "meet the buyer" exhibitions.

In Ireland also, specialised consultancy support is being provided to improve SMEs' access to public procurement and preparation of public tenders, and it is planned to establish a national procurement and sub-supply database and to develop an advisory service for SMEs and procurement officials. In Belgium, legislation has been amended to guarantee cooperatives better access to public markets.

G.3. Development of an Enterprise Culture

Promotion of entrepreneurship is the primary means used to develop the enterprise culture.

Promotional programmes are run by the Chambers of Commerce in Germany, Austria and Luxembourg. In Finland, the "Decade of the Entrepreneur" project aims to create a favourable attitude to entrepreneurship and self-employment as a voluntary method of creating employment. In Ireland, an Enterprise Preparation Programme has been introduced for senior business managers considering launching their own venture and Enterprise Boards have been established at local level to support start-up of micro-enterprises.

"MAXIMISING EUROPEAN SMEs' FULL POTENTIAL
FOR EMPLOYMENT, GROWTH AND COMPETITIVENESS"

PROPOSAL FOR A COUNCIL DECISION
on a Third Multiannual Programme
for Small and Medium-sized Enterprises (SMEs)
in the European Union (1997 - 2000)

(presented by the Commission)

PROPOSAL FOR A
COUNCIL DECISION

on a Third Multiannual Programme
for Small and Medium-sized Enterprises (SMEs)
in the European Union (1997-2000)

(.../.../EC)

(Text with EEA relevance)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 130 thereof,

Having regard to the proposal from the Commission,¹

Having regard to the opinion of the European Parliament,²

Having regard to the opinion of the Economic and Social Committee,³

Having regard to the opinion of the Committee of the Regions,⁴

1. Whereas on 14 June 1993 the Council adopted Decision 93/379/EEC on a Multiannual Programme of Community measures to intensify the priority areas and to ensure the continuity and consolidation of policy for enterprises, in particular small and medium-sized enterprises, in the Community;⁵
2. Whereas in line with its White Paper on growth, competitiveness and employment, the Commission has adopted on 3 June 1994 a Communication on the implementation of an Integrated Programme in favour of SMEs and the Craft Sector;⁶
3. Whereas on 29 November 1995 the Commission adopted a Report on "SMEs: a dynamic source of employment, growth and competitiveness in the European Union" in which the Commission called for a more ambitious Enterprise Policy to unlock the full potential of European enterprises for employment, growth and competitiveness;⁷

¹ OJ n° C of , p. .

² OJ n° C of , p. .

³ OJ n° C of , p. .

⁴ OJ n° C of , p. .

⁵ OJ n° L 161, 2.7.1993, p. 68.

⁶ COM (94)207 final of 3.6.1994.

⁷ CSE(95) 2087.

4. Whereas on 16 December 1995 the Madrid European Council invited the Commission to put the objectives of the Madrid SME Report into practice as swiftly as possible;
5. Whereas the Integrated Programme in favour of SMEs⁸ aims at presenting the overall Community Enterprise Policy;
6. Whereas this Decision is limited to providing the legal and budgetary basis for specific complementary measures which are not part of other Community policies;
7. Whereas the Commission submitted to the European Parliament, the Council and the Economic and Social Committee and the Committee of the Regions an external evaluation report on the implementation of the current multiannual programme pursuant to Article 5 of Decision 93/379/EEC;
8. Whereas the Commission has submitted to the Council in the past 3 years a series of communications on measures of relevance to this Decision (e.g. Report on the future operation of the information and co-operation networks⁹ and Report on the Craft industry and small enterprises¹⁰);
9. Whereas this Decision is especially directed at SMEs¹¹, regardless of sector, legal structure and geographical location, and provides for specific actions in favour of the Craft Sector and enterprises in commerce and distribution ;
10. Whereas the measures set out in this Decision aim at:
 - encouraging an environment favourable for the development of SMEs throughout the EU;
 - improving the competitiveness of European SMEs and encouraging their Europeanisation and internationalisation.
11. Whereas the actions in the area of transnational technological development will be jointly managed with the Community's R&TD Programme, respecting the relevant decision-making procedures;
12. Whereas the Second Programme expires on 31 December 1996, while the reasons for its adoption continue to prevail, at least for the foreseeable future;
13. Whereas it is therefore necessary to adopt a Third Programme for a four-year period and to endow it with sufficient resources to attain its objectives;
14. Whereas account has been taken of the external evaluation report on the implementation of the current multiannual programme;
15. Whereas the Treaty does not provide, for the adoption of this Decision, powers other than those of Article 130.

⁸ COM (94)207 final of 3.6.1994.

⁹ COM (95)435 final of 5.12.95.

¹⁰ COM(95)502 final of 26.10.1995.

¹¹ As defined in the Commission Recommendation concerning the definition of SMEs (doc. C 96/261).

HAS DECIDED AS FOLLOWS:

Article 1

A programme for a Community Policy for Small and Medium-sized Enterprises (SMEs), is hereby adopted for a period of four years from 1 January 1997.

Article 2

The programme referred to in Article 1, incorporating the measures specified in Annex I hereto, shall have the following objectives:

1. Simplify and improve the administrative and regulatory business environment
 - Ensure consideration of the interests of SMEs in the various Community initiatives and policies
 - Simplify and improve Community legislation
 - Increase transparency and the spread of best practices on simplifying and improving the administrative and regulatory environment
 - Improve the framework for transnational operations of SMEs
2. Improve the financial environment for enterprises
 - Improve access to loan financing
 - Intensify efforts to reduce late payment problems
 - Facilitate the development of specific financial instruments
 - Stimulate the development of capital markets for fast-growing SMEs
3. Help SMEs to Europeanise and internationalise their strategies, in particular through better information services
 - Develop information services
 - Improve the promotion of SME Policy actions
 - Promote co-operation through business search networks
 - Promote direct contacts through partnership programmes
 - Develop subcontracting partnerships
 - Promote access to new markets and internationalisation of SMEs
4. Enhance SME competitiveness and improve access to research, innovation and training
 - Increase the innovative potential of SMEs
 - Stimulate managerial training
 - Adaptation to environmental requirements

5. Promote entrepreneurship and support special target groups
 - Business culture and entrepreneurship
 - Craft and small enterprises
 - Enterprises in commerce and distributive trades
 - Women and young entrepreneurs; enterprises owned by minorities

Policy development and improvement of knowledge about SMEs.

Article 3

1. In order to achieve the objectives laid down in Article 1 and 2, the Commission shall take the necessary measures in so far as they cannot be better achieved by the Member States, taking account of the findings of any specific evaluation reports.
2. The procedure laid down in Article 4 shall be followed for adopting measures relating to:
 - the adoption, experimental implementation or extension of the necessary projects devised for the application of this Decision,
 - the content and timetable of, and financial assistance for, measures and calls for proposals,
 - periodic evaluation of the results of each project in accordance with the timetables laid down in specific programmes.
3. The Committee referred to in Article 4 may examine any other matters concerning the programme.

Article 4

1. The Commission shall be assisted by a committee of an advisory nature composed of the representatives of the Member States and chaired by a representative of the Commission.
2. The representative of the Commission shall submit to the committee a draft of the measures to be taken. The Committee shall deliver its opinion on the draft within a time limit which the chairman may lay down according to the urgency of the matter, if necessary by taking a vote.
3. The opinion shall be recorded in the minutes; in addition, each Member State shall have the right to ask to have its position recorded in the minutes.
4. The Commission shall take the utmost account of the opinion delivered by the committee. It shall inform the committee of the manner in which its opinion has been taken into account.

Article 5

1. The Commission shall submit to the Committee referred to in Article 4 annual reports on the implementation of this Decision.
2. The Commission shall submit to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions a regular report on the development of the inclusion of the SME dimension in all Community policies and programmes.

Article 6

The Commission shall submit to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions, no later than the end of March 2000, an external evaluation report on the implementation of this Decision, including a cost-effectiveness evaluation, and any proposals which it deems necessary in the light of the evaluations effected.

Article 7

1. This programme shall be opened up to the participation of the associated countries of Central and Eastern Europe (CCEE) in accordance with the conditions laid down in the additional protocols to the association agreements on participation in Community programmes to be concluded with those countries.
2. This programme shall be opened up to the participation of Cyprus and Malta on the basis of additional appropriations in accordance with the same rules as those applied to the EFTA countries, in accordance with procedures to be agreed on with those countries.

Article 8

1. This Decision shall enter into force on 1 January 1997 and shall cover the period up to 31 December 2000.
2. The budgetary authority shall determine the appropriations available for each financial year in accordance with the principles of good management referred to in Article 2 of the Financial Regulation applicable to the general budget of the European Communities.

Article 9

Upon entry into force this Decision shall replace Council Decision 93/379/EEC.

Done at _____,

For the Council

The President

ANNEX I

MEASURES REFERRED TO IN ARTICLE 2

A. SIMPLIFY AND IMPROVE THE ADMINISTRATIVE AND REGULATORY BUSINESS ENVIRONMENT

A.1. Ensure consideration of the interests of SMEs in the various Community initiatives and policies

Integration of the SME dimension into the conception of Community policies. Promotion of the co-ordination of Community actions in favour of SMEs which enable SMEs to participate fully in all Community actions and programmes, including the Structural Funds, R&TD, international co-operation and environmental programmes.

A.2. Simplify and improve Community legislation

Actions to avoid and reduce unnecessary administrative burdens and compliance costs in Community legislation which hinder the creation and development of enterprises, in particular SMEs, through the implementation of a pragmatic methodology for the evaluation of the impact of legislative proposals (including the use of an improved Business Impact Assessment System and cost/benefit analyses wherever appropriate).

A.3. Increase transparency and the spread of best practices on simplifying and improving the administrative and regulatory environment

Actions to promote the spread of best practices in particular in the field of administrative simplification; promotion of actions on transfer of businesses and retention of title clauses.

A.4. Improve the framework for transnational operations of SMEs

Promotion of the development of alternative dispute resolution for settling transnational disputes between enterprises; Stimulation of appropriate legal structures for transnational operations of SMEs, in particular the use of the European Economic Interest Grouping (REGIE project).

B. IMPROVE THE FINANCIAL ENVIRONMENT FOR ENTERPRISES

B.1. Improve access to loan financing

Promotion of innovative practices in the field of better access of SMEs to loan financing (including mutual guarantee schemes, Round Table of Bankers and SMEs)

B.2. Intensify efforts to reduce late payment problems

Acceleration of follow-up to Recommendation on late payment and foresee further proposals; support for actions to improve the financial management capabilities of SMEs, in particular in the field of information, training and the promotion of integrated cash flow management software.

B.3. Facilitate the development of specific financial instruments

Promotion of the development of specific financial instruments of interest to SMEs, in particular factoring and credit insurance.

B.4. Stimulate the development of European capital markets for fast-growing SMEs (including EASDAQ).

C. HELP SMEs TO EUROPEANISE AND INTERNATIONALISE THEIR STRATEGIES, IN PARTICULAR THROUGH BETTER INFORMATION SERVICES

C.1. Development of information services (Euro-Info-Centres as "First Stop Shops")

Better access to Community information for enterprises : development of the Euro-Info-Centre network as a "First-stop-shop", directing each request to the relevant service provider; improvement of the composition and quality of services; enlarge and reinforce the information task of the EICs including proactive information activities, in particular in the areas of accessing Community programmes, the Internal Market, internationalisation, environmental issues and the introduction of the Single Currency; facilitating access of SMEs to market information.

C.2. Improve the promotion of SME Policy actions

Promotion campaigns in co-ordination with EIC network; organisation of European Business Weeks.

C.3. Promote co-operation through business search networks;

Qualitative improvement and definition of a quality standard for the confidential business-partner-search network (BC-Net) and non-confidential partner-search network (BRE).

C.4. Promote direct contacts through partnership programmes;

Continued development of instruments permitting direct contact between entrepreneurs (Europartenariat and Interprise programmes)

C.5. Develop subcontracting partnerships;

Further develop actions aimed at promoting transnational sub-contracting.

C.6. Promote access to new markets and internationalisation of SMEs;

Test innovative approaches in particular by facilitating SMEs' access to new markets and encourage their internationalisation.

D. ENHANCE SME COMPETITIVENESS AND IMPROVE THEIR ACCESS TO RESEARCH, INNOVATION AND TRAINING

D.1. Increase the innovative potential of SMEs

Identify best practices and test concrete approaches through pilot actions, in particular in the fields of developing firms with growth potential and New Technology Based Firms (NTBFs).

D.2. Stimulate managerial training

Helping to identify and test positive approaches in the field of management training (mainly through pilot projects).

D.3. Adaptation to environmental requirements

E. PROMOTION OF ENTREPRENEURSHIP AND SPECIAL TARGET GROUPS

E.1. Business culture and entrepreneurship

Stimulate the exchange of best practice and support the identification of particularly dynamic entrepreneurs.

E.2. Craft and small enterprises

Launching of pilot-projects, enabling these enterprises in particular to adapt to structural changes, to better integrate in the Single Market and to benefit from the opportunities offered by this market, including in the field of standardisation, certification, environmental and quality management.

E.3. Enterprises in commerce and distributive trades

Facilitating the adjustment process of commercial enterprises to the Single Market and to structural changes, in particular through new technologies (COMMERCE 2000), promotion of co-operation between SMEs, dissemination of results of pilot programmes. Follow-up to Green Paper on Commerce and Distribution.

E.4. Women and young entrepreneurs; enterprises owned by minorities

Identification of the specific problems faced by women and young entrepreneurs, as well as small enterprises owned by minorities and support for innovative solutions.

POLICY DEVELOPMENT AND IMPROVEMENT OF KNOWLEDGE ABOUT SMEs

Improved statistics on SMEs without increasing the burden on enterprises; European Observatory for SMEs; studies; database concerning SME Policy measures; evaluation of existing policy actions and development of proposals for new Community measures in areas affecting enterprises.

Proposal for a Council Decision (..../..../EC)
on a Third Multiannual Programme for Enterprises,
in particular SMEs, in the European Union (1997 - 2000)

1. TITLE OF OPERATION:

Maximising European enterprises' full potential for employment, growth and competitiveness

2. BUDGET HEADING INVOLVED:

B5-320

3. LEGAL BASIS

Article 130 of the Treaty of the European Union.

Commission Report to the Madrid European Council and conclusions of the European Council of 15 and 16 December 1995 .

Follow-up of the "White Paper on growth, competitiveness and employment" as presented by the Commission to the European Council of the 10 and 11 December 1993.

4. DESCRIPTION OF OPERATION

4.1 GENERAL OBJECTIVE:

The present programme aims at:

1. Simplify and improve the administrative and regulatory environment of SMEs
2. Improve the financial environment of SMEs
3. Ensure better information services and help SMEs internationalise, in particular, through their Europeanisation
4. Promote SME competitiveness, access to research, innovation and training
5. Promote entrepreneurial culture and target groups
- * Development of SME policy and knowledge of enterprises

4.2 PERIOD COVERED

4 years (1997 - 2000)

5. CLASSIFICATION OF EXPENDITURE/REVENUE

5.1 NON-COMPULSORY EXPENDITURE

5.2 DIFFERENTIATED APPROPRIATIONS

5.3 TYPE OF REVENUE INVOLVED:

Possible revenues from contribution of third parties registered under article 609 on the state of revenues result in the opening of additional credits to be indicated under the present article according to the provisions of the Financial Regulation.

6. TYPE OF EXPENDITURE OR REVENUE

Subsidies for co-financing with other sources of the public and/or private sector (over 60% of total credit requested).

Studies, training sessions, running costs of instruments, information.

Partial reimbursement for certain actions: for example, for the BC-NET: introduction of user cost applicable to advisors of the network as of 1 January 1993, seed capital: reimbursement of loans on management costs in case of success after 10 years.

7. FINANCIAL IMPACT

7.1 METHOD OF CALCULATING TOTAL COST OF OPERATION (RELATION BETWEEN INDIVIDUAL AND TOTAL COSTS)

The total amount required for the action depends on the experience of former exercises. The method of calculation is based on a detailed estimation of each specific action, calculated according to their specific character, intensity, frequency and even range (see point 9.2.).

7.2 ITEMISED BREAKDOWN OF COST

Unique budget line, indicative amounts

ITEMISED BREAKDOWN	1997	1998	1999	2000	TOTAL
1. Simplify and improve the administrative and regulatory environment of SMEs					
<i>Simplification of the administrative and regulatory environment of SMEs</i>	400 000	450 000	450 000	450 000	1 750 000
<i>Consultation and dialogue with representatives organisations</i>	1 000 000	1 000 000	1 000 000	1 000 000	4 000 000
2. Improve the financial environment of SMEs					
	400 000	550 000	650 000	650 000	2 250 000
3. Ensure better information services and help SMEs internationalise, in particular through their Europeanisation					
<i>Access to information (EIC), new actions in the field of market information</i>	11 050 000	12 850 000	13 900 000	15 400 000	53 200 000
<i>Promotion of enterprise policy activities</i>	3 000 000	4 000 000	4 500 000	4 550 000	16 050 000
<i>Inter-enterprise co-operation BC-NET/BRE, Europartenariat, INTERPRJSE- Subcontracting and access to new markets (Internationalisation)</i>	7 300 000	8 200 000	9 624 500	9 065 500	34 190 000
4. Promote SME competitiveness, access to research, innovation and training					
<i>Participation of SMEs to innovation, R&D, the Information Society</i>	1 500 000	4 750 000	3 000 000	3 000 000	12 250 000
<i>Promotion of the training of entrepreneurs and of entrepreneurial culture</i>	1 500 000	1 500 000	1 500 000	1 500 000	6 000 000
5. Promote entrepreneurial culture and target groups					
<i>Craft and small enterprises</i>	1 750 000	3 000 000	3 500 000	4 000 000	12 250 000
<i>Enterprises in commerce and distribution</i>	1 750 000	3 000 000	3 500 000	4 000 000	12 250 000
<i>Women and young entrepreneurs</i>	200 000	500 000	880 000	880 000	2 460 000
* Development of SME policy and knowledge of enterprises					
<i>Development and evaluation of the Enterprise policy</i>	1 750 000	3 831 000	3 255 000	1 164 000	10 000 000
<i>Other actions (subventions and publications)</i>	1 300 000	1 600 000	2 275 000	2 275 000	7 450 000
<i>Knowledge of enterprises, in particular SMEs (including co-operatives)</i>	1 100 000	1 500 000	1 600 000	1 700 000	5 900 000
TOTAL 1997-2000	34 000 000	46 731 000	49 634 500	49 634 500	180 000 000(*)

(*) Conditional to a complement of 40 MECU (1998-1999) resulting from a possible revision of the Financial Perspectives

7.3 SCHEDULE OF COMMITMENT AND PAYMENT APPROPRIATIONS

	EC in MECU				
	1997	1998	1999	2000	TOTAL
C.E.	34 000	46 731	49 634,5	49 634,5	180 000
C.P.					
1997	17 000	-	-	-	17 500
1998	10 200	23 366	-	-	33 566
1999	6 800	14 019	24 817,5	-	45 636,5
2000	p m	9 346	14 890	24 817,5	49 053,5
ex. suivants	p m	p m	9 927	24 817	34 744
TOTAL	34 000	46 731	49 634,5	49 634,5	180 000

(*) Including a complement of 40 MECU in the event of a revision of the Financial Perspectives

7.4 FINANCIAL PERSPECTIVES

The financing of this programme under the Community budget having to be made, according to point 18 of the Interinstitutional Agreement of 29 October 1993, in line with the financial perspectives of 1998 and 1999, the granting of a complementary financing is conditional to the authorisation by the budgetary authority of an increase of the maximum amount of the relevant item for motives related to the SME programme.

8. FRAUD PREVENTION MEASURES

The checking before payment of subsidies or of the delivery of services and studies ordered and carried out by Commission services, taking into account the contractual obligations and the principles of economy and of sound financial and global management. Anti-fraud mechanisms (controls, delivery of reports, etc ...) are mentioned in all the agreements and contracts concluded between the Commission and the beneficiaries of the payments.

9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

9.1 SPECIFIC AND QUANTIFIED OBJECTIVES, TARGET POPULATION:

SPECIFIC OBJECTIVES:

A) Simplify and improve the administrative and regulatory environment of SMEs

- A.1. Ensure consideration of the interests of SMEs in the various Community initiatives and policies

SME dimension to be integrated into the conception and implementation of Community actions and policies. Greater co-ordination of Community actions and policies in favour of SMEs to be promoted in order to enable SMEs to participate fully in all Community actions and programmes, including the Structural Funds, R&TD programmes.

A.2. Simplify and improve the administrative and regulatory environment of enterprises

Actions to avoid and reduce administrative burdens and compliance costs in Community legislation which hinder the creation and development of enterprises, in particular SMEs, through implementation of a pragmatic methodology for the evaluation of the impact of legislative proposals (in particular, cost/benefit analysis wherever appropriate). Greater transparency and dissemination of information on administrative and regulatory simplification initiatives.

A.3. Increase transparency and the spread of best practices on simplifying and improving the administrative and regulatory environment

A.4. Improve the regulatory framework for transnational operations of SMEs

B. Improve the financial environment for enterprises

Promote innovative practices in the field of better access of SMEs to financing.

B.1. Improve access to loan financing

B.2. Intensify efforts to reduce late payment problems

B.3. Facilitate the development of specific financial instruments (eg. mutual guarantee, factoring, credit insurance)

B.4. Improve the access of SMEs to capital markets

C. Ensure better information services and help SMEs internationalise, in particular, through their Europeanisation

C.1. Develop information services (EIC as a "first stop shops")

Better access to Community information for enterprises: Development of EICs as "first stop shops" in order to direct each request to the relevant service provider, improvement of the composition and quality of services provided by EICs, reorientation of the information task of the EICs including proactive provision of information; better access of SMEs to information on international or regional markets.

C.2. Improve the promotion of SME Policy actions

Information campaigns in co-ordination with the EIC network; organisation of European Business Weeks.

C.3. Partner search networks (BC-NET and BRE)

Qualitative improvement and definition of a quality standard for the confidential partner-search network (BC-NET) and the non-confidential partner-search network (BRE).

C.4. Partnership programmes (Europartenariat and INTERPRISE)

Development of instruments allowing a direct contact between entrepreneurs (Europartenariat and INTERPRISE programmes) and aimed at promoting cross-border co-operation.

C.5. Subcontracting

C.6. Access to new markets and internationalisation of SMEs

Development of pilot actions to facilitate SMEs' access to information on new markets and to encourage their internationalisation.

D. Enhance SME competitiveness - access to research, innovation and training

D.1. Increase the innovative potential of SMEs and facilitate their access to the Information Society

Identify best practice and test concrete approaches through pilot projects, in particular, in the areas of developing firms with growth potential and supporting New Technology Based Firms (NTBFs).

D.2. Stimulate managerial training

D.3. Adaptation to environmental requirements

E. Promote entrepreneurship and support special target groups

E.1. Business culture and entrepreneurship

Promote business culture and entrepreneurship.

E.2. Craft and small enterprises

Identify the needs of craft and small enterprises and develop projects, on the basis of pilot projects allowing these enterprises to adjust, in particular, to structural changes, to better integrate in the Single Market and to benefit from the opportunities offered by this market, in particular in the field of standardisation, certification and quality management, better access to professional training and management training.

E.3. Enterprises in Commerce and distributive trades

Facilitate the adjustment process of commercial enterprises to the Single Market and to structural changes, in particular, new technologies (COMMERCE 2000). Promote co-operation between SMEs. Disseminate results of pilot programmes. Follow-up to Green Paper on Commerce and Distribution.

E.4. Women and young entrepreneurs; enterprises owned by minorities

Identification of the specific problems faced by women and young entrepreneurs and support for innovative solutions.

*** SME Policy development and knowledge of enterprises**

Improvement of statistics on SMEs without burdening businesses; European Observatory for SMEs, studies and seminars on SMEs.

Development of statistics, studies and recurrent analysis concerning co-operatives, mutual societies, associations and foundations.

TARGET POPULATION

In principle, the actions could possibly interest all the SMEs in the European Union (this represents 15 million SMEs, their trade organisations and the wholesale - including intermediaries - retail, catering and accommodation sectors). However, the number of SMEs which benefit from transnational actions will necessarily be more reduced according to the typology and the activity of the enterprises and of the nature of the actions developed.

For example, among the 15 million SMEs, 1,5 million are most likely to be targeted for an action regarding Community information (compared to the 450 000 enterprises that are currently involved). One million SMEs could be targeted by the partnership actions. The targets of the actions varying according to the nature of these actions.

Furthermore, the actions aim at the professional organisations, the Chambers of Commerce and the Trades.

9.2 *GROUNDS FOR THE OPERATION*

9.2.1. *Introduction*

It is largely recognised that enterprises, and in particular, small and medium sized enterprises (SMEs) represent a key element in the efforts towards job creation and growth. Indeed, the job creation rate of SMEs is higher than that of the big enterprises.

It is, however, necessary to recognise the fact that SMEs are inherently more vulnerable particularly in the first years following their creation. This weakness stems, in particular, from the following five factors:

- an increasingly complex legal, fiscal and administrative environment;
- difficulty in participating in R&D programmes and in exploiting the results;
- structural weakness of SMEs with regard to their management abilities as well as to the inappropriateness of training programmes;
- difficulty in obtaining finance at a reasonable cost;
- difficulty in accessing markets for products and services.

It is necessary to underline - with regard to the subsidiarity approach - that the actions developed at Community level are taken in a context which ensures a significant added-value, resulting in particular from the dimension of the networks and of the actions developed, the objectivity and the neutrality of the decisions taken at central level as well as of the attention paid to regional equilibrium.

In particular, if most actions in favour of enterprises are developed by the Member States, it is up to the Community to take measures having a transnational nature, to implement networks that have a Community dimension. To confine such activities to the national level would not only be impossible and less efficient, but it would also distort competition to the extent that the level of support of each Member State would be extremely diverse.

The network methodology that is proposed for the main actions is based on an extended partnership with the national and local players (chambers of commerce and industry, development agencies, national authorities, etc...). It is preferred to the Union itself taking charge of the EIC network which would most probably affect the Community budget more, particularly in terms of human and logistical resources, even with fewer centres, and would considerably deprive the European Institutions of their privileged relations with their partners.

9.2.2. Choice of ways and means

(*) *The estimations include the complementary budget resulting from a possible revision of the financial perspectives for the SME programme*

1. Simplify and improve the administrative and regulatory business environment: 5,75 MECU

a) Administrative and regulatory environment of enterprises: 1,75 MECU

	1997	1998	1999	2000
Simplify and improve the regulatory environment of SMEs	50 000	100 000	100 000	100 000
Reports on administrative simplification	-	-	-	-
Recommendations on administrative simplification	-	-	-	-
Transfer of businesses	100 000	100 000	100 000	100 000
Retention of title	100 000	100 000	100 000	100 000
Settlement procedures	50 000	50 000	50 000	50 000
Appropriate legal structures	50 000	50 000	50 000	50 000
• REGIE data base	50 000	50 000	50 000	50 000
• awareness actions				
TOTAL	400 000	450 000	450 000	450 000

b) Consultation and dialogue: 4.0 MECU

	1997	1998	1999	2000	TOTAL
Consultation and dialogue with representatives organisations (1)	1,0	1,0	1,0	1,0	4,0

(1) This consultation and dialogue have become of first importance at the national as well as European level. The strengthening of SME representative organisations should allow to better identify priority actions for enterprises and evaluate the impact of the different legislations.

2. Improve the financial environment for enterprises: 2,25 MECU

	1997	1998	1999	2000
SMEs - banks	100 000	150 000	150 000	150 000
Mutual guarantees	100 000	150 000	250 000	250 000
Late payment	100 000	150 000	150 000	150 000
Factoring and credit insurance	100 000	100 000	100 000	100 000
TOTAL	400 000	550 000	650 000	650 000

3. Ensure better information services and help SMEs internationalise, in particular, through their Europeanisation: 103,44 MECU

a) Development of information services (EICs as First Stop Shops): 53,2 MECU

Development of EICs as First Stop Shops in order to direct each request to the relevant service provider, improvement of the composition and quality of services provided by EICs, reorientation of the information task of the EICs including proactive provision of information; better access of SMEs to information on international and regional markets.

EIC network estimated budget for 1997, 1998, 1999 and 2000

		1997	1998	1999	2000
Direct contributions	Network (1)	5 800 000	5 800 000	5 800 000	5 800 000
	Quality bonus (1a)	800 000	1 300 000	1 800 000	2 300 000
Information/ documentation	Documentation	700 000	750 000	800 000	850 000
	Information products (2)	400 000	475 000	500 000	525 000
	Products of the network	150 000	165 000	185 000	200 000
	Consultants	2 000 000	2 100 000	2 100 000	2 100 000
Training	General training	30 000	35 000	40 000	44 000
	Decentralised training	110 000	120 000	135 000	148 000
	Decentralised training databases	100 000	110 000	120 000	131 000
Management/ co-ordination	Brussels Group				
	Annual Conference				
	Monitoring				
	Consultants: management				
	Consultants: technical issues	860 000	875 000	875 000	875 000
Promotion		100 000	110 000	120 000	135 000
Audit			300 000	350 000	350 000
TOTAL		11 050 000	12 140 000	12 825 000	13 458 000
New actions market information			710 000	1 075 000	1 942 000
GENERAL TOTAL		11 050 000	12 850 000	13 900 000	15 400 000

Note: In 1997, 1998 and 1999, an average increase of 10% per year and per item - except for the contribution to the network of 25 000 ECUS per EIC and for the expenses of the consultants - is expected to improve the quality of the Central Unit's contribution.

(1) 232 EIC x 25 000 ECUS: this includes documentation, databases, travel expenses per diem (except for meetings).

(1a) There will be a bonus of 10 000 ECUS in 1997 for a third of the network (80 EICs), for the EICs which have increased their efforts to improve their quality. In 1998, 1999 and 2000, 50 EICs more will receive this bonus.

INFORMATION PRODUCTS

(2) Supposing a greater demand for DG XXIII support regarding products developed by the network - in particular increased translation and printing costs (it is not reasonable to let an EIC take on all the costs for a product that can benefit the whole network).

b) Promotion of SMEs Policy actions: 16,05 MECU

Better knowledge of Community instruments and programmes for SMEs is necessary to allow a greater involvement of SMEs in Community actions.

	1997	1998	1999	2000	TOTAL
Promotion of SME Policy actions	3,0	4,0	4,5	4,55	16,05

The importance of repeated actions in the field of communication must be associated to sufficiently large campaigns so as to reach appropriate results. Future actions will aim to make SMEs aware of specific issues: innovating SMEs, intra-Community trade, ...

Two European Business Weeks will also be organised with all the networks and European, national, regional and local actors (estimated cost: 1,2 MECUs).

The estimated requirements of the other promotion actions, in particular the enterprise policy presentation stands, are included in the above-mentioned financial envelopes.

c) Partner-search networks (BC-NET and BRE) - Partnership programmes (Europartenariat and INTERPRISE) - Subcontracting: 34,19 MECU

	1997	1998	1999	2000	TOTAL
BC-NET/BRE Networks	1	1	1	1	4
Europartenariat	2,1	2	2	2,3	8,4
INTERPRISE	2,1	2,5	2,5	2,,5	9,6
Internationalisation Pilot actions	0,3	0,7	1,5	1,5	4,0
SUBCONTRACTING	1,8	2	2,6245	1,7655	8,19
TOTAL	7,3	8,2	9,6245	9,0655	34,19

- (1) *BC-NET/BRE* Networks: Maintenance over the whole of the period of costs related to the management, co-ordination and technical and informatic instrumentation of the networks.

Specific objective, target population and performance indicators: as a highly professional network, the BC-NET will aim at high quality offers of co-operation. It should provide an average of 2 000 contacts a year, that is 8 000 for the whole period. The number of declared final agreements should be about 1 000. It is necessary to integrate the indirect effects of the network and the elements of confidentiality in the evaluation of factors having a direct influence on the known results. The two networks should increase the awareness of some 100 000 SMEs towards co-operation.

- (2) *Europartenariat*: 33 % co-financing of the cost of organising two Europartenariat events a year, that is 1 MECU per event.

Specific objective, target population and performance indicators: an average of 350 host enterprises will be targeted per event, in other words 2 800 enterprises for the host regions over 8 Europartenariats. About 15 to 16 000 enterprises will be visiting the events and about 100 000 enterprises will be directly made aware (European meetings, distribution of catalogues, etc.). The aim is that the host-enterprises obtain 30% success rate in their co-operation agreements.

- (3) *INTERPRISE*: Co-financing of up to 50 000 ECU (this corresponds in general to a co-financing of up to 25-30% of general expenses) of 40/50 INTERPRISE events annually.

Specific objective, target population and performance indicators: 16 000 enterprises over the period of 4 years (80-100 enterprises on average per event).
2 400 enterprises - representing 1 200 co-operation agreements - should be concluded. Some 50 000 enterprises should be made aware of these co-operation opportunities (promotion, catalogues, etc ...).

- (4) *Internationalisation*: different new pilot actions, calculated on the basis of experiences developed by other players, in particular, national ones. For example:

- Enterprise Pool: to support SMEs first attempts to target selected foreign markets. Selection of groups including 15 enterprises from at least three Member States which wish to penetrate a specific market.
- Compagnonnage: to provide collaborative assistance between SMEs in the same sector across national boundaries to develop projects in the pre-feasibility stage. A public tender procedure will be launched.

- (5) *Subcontracting*: the three main lines of action in favour of subcontracting are as follows:

- Improvement of market transparency, in particular, through statistical surveys and studies on the economic importance of subcontracting with the Statistical Office of the EC, legal guide: 0,4 - 0,5 MECU per year;
- Strengthening of inter-industrial partnership (linking subcontractors, improving co-operation between main contractors and subcontractors, in particular, development phase of the SCAN (SubContracting Assistance Network) project, support to subcontracting development poles, updating of multilingual sectoral nomenclatures, buyers' exhibitions and actions in strategic areas in co-ordination with DG III): 1,0 - 1,4 MECU
- Promotion of subcontracting among third countries: 0,4 - 0,5 MECU

4. Enhance SME competitiveness - Access to research, innovation and training: 18,25 MECU

a) Increase the innovative potential of SMEs: 12 250 MECU

	1997	1998	1999	2000	TOTAL
Support to venture capital funds for the development of young high growth enterprises - reimbursable advances (1)	0,5	3	3	3	9,5
EUROMANAGEMENT, growth and internationalisation of SMEs, audit of 1000 SMEs, assistance to innovation, R&TD, risk capital, prêt bancaire (2)	1	1,75	-	-	2,75
TOTAL	1,5	4,750	3	3	12,250

(1) Support to venture capital funds for the development of young high growth enterprises - reimbursable advances:

Support newly created enterprises from start-up to development phase and encourage the setting-up or enlargement of 20 investment funds. The Commission will provide reimbursable advances to cover up to 50% of management costs during the first four years. 50 ECUS could be invested by private investors for one ECU spent on the Community budget. 10 000 jobs could be created in 5 years, many more after ten years.

(2) EUROMANAGEMENT, growth and internationalisation of SMEs:

Specific objective, target population and performance indicators:

Selecting and training at European level of 50 organisations to apply a new auditing methodology on a sample of 800 SMEs. Based on the current EUROMANAGEMENT R&TD II initiative, participating SMEs could access some 40 MECU of funding from national and European R&TD programmes and an estimated 20 MECU of private finance. 2 MECU will be used to pay 2.500 ECUS per SME (on a 50% co-financing basis for ten days of consultancy), 200 000 ECUS for the seminars plus 500 000 ECUS for the co-ordination.

b) Stimulate management training: 6 MECU

	1997	1998	1999	2000	TOTAL
Training of intermediaries for Craft and Small Enterprises on European issues (1)	0,7	0,8	0,9	0,8	3,2
Training for Craft and Small Enterprises on standardisation and certification (2)	0,8	0,7	0,6	0,7	2,8
TOTAL	1,5	1,5	1,5	1,5	6

(1) Training of intermediaries for Craft and Small Enterprises on European issues:

Specific objective, target population and performance indicators: improve the expertise of the craft and small enterprises on European issues by the selection of representatives of the European organisation(s) of craft and small enterprises and universities to develop the appropriate training schemes for them (training seminars of 3-5 days in the respective countries and a general seminar in Brussels). DG XXIII will cover 50% of the cost for the training courses and finance the travelling expenses for the participants of the Brussels seminar.

(2) Training of craft and small enterprises on standardisation and certification:

Specific objective, target population and performance indicators: to improve the competitiveness of small enterprises and craft enterprises through an audit to upgrade their performance. This action will concern 850 enterprises from industry, services and craft sectors.

5. Promote entrepreneurship and target groups: 26,960 MECU

a) Craft and small enterprises: 12,250 MECU

	1997	1998	1999	2000	TOTAL
Transnational co-operation between craft and small enterprises (2)	0,4	0,5	0,5	0,5	1,9
European prize for craft works	0,250	-	0,250	-	0,5
European competitions for young craftsmen	0,1	0,1	0,1	0,1	0,4
Joint participation in fairs in the EU, in assisted countries and in Mediterranean countries (3)	-	0,6	0,8	1	2,4
Support to NORMAPME	0,2	0,4	0,4	0,6	1,6
European network of organisations for the development of certification	0,05	0,05	0,05	0,05	0,2
Better know how and improvement of role of collaborating spouse	0,05	0,04	0,03	0,03	1,5
Quality EUROMANAGEMENT (1)	-	1,010	1,070	0,620	2,7
3rd and 4th European Conferences on craft and small enterprises (4)	0,6	-	-	0,8	1,4
TOTAL	1,750	3	3,5	4	12,250

(1) Quality EUROMANAGEMENT:

Objective, target population and performance indicators: audit of small craft enterprises with regard to applicable norms and regulations, help them to overcome the difficulties of levelling their performance.

(2) Transnational co-operation between craft and small enterprises

Objective, target population and performance indicators: create long-lasting partnerships between small and craft enterprises in the EU, the EEA, the PECO and the Mediterranean countries. Co-operation projects could be developed in different areas such as the search for third markets, co-production. A call for tender will be launched and the Commission will cover up to 50% of the total cost of each project up to a maximum of 20 000 ECUS. 2 000 small and craft enterprises will be concerned by this action over the period.

(3) Joint participation in fairs in the European Union, in assisted countries and in the Mediterranean countries:

Objective, target population and performance indicators: DG XXIII will launch a call for tender inviting the intermediaries to set up joint representation stands for small and craft enterprises. The projects should gather at least 5 enterprises from 3 Member States of the EU or of the EEA in order to be eligible. Intermediaries will have to provide assistance to exhibitors during the fairs.

(4) 3rd and 4th European Conferences on craft and small enterprises:

Objective, target population and performance indicators: to renew to dialogue - on specific themes - between the craftsmen and their intermediaries through the organisation in 1997 of 5 preparatory symposiums in close co-operation with the representative bodies of the crafts sector, public and private organisations, governments representatives, entrepreneurs and experts. Nine symposiums will be organised in the year 2000 in preparation to the 4th conference.

b) *Enterprises in commerce and distributive trades: 12 250 MECU*

Facilitate the adjustment process of commercial enterprises to the Single Market and to the structural changes, including new technologies (Commerce 2000)

Promote co-operation between SMEs

Disseminate results of pilot programmes

Follow-up to Green Paper on Commerce and Distribution

	1997	1998	1999	2000	TOTAL
Statistics (1)	0,5	0,6	0,7	0,7	2,5
Pilot actions (2)	0,9	1,9	2,2	2,6	7,6
Dissemination	0,1	0,150	0,2	0,225	0,675
Panels	0,05	0,1	0,1	0,125	0,375
Studies	0,2	0,250	0,3	0,350	1,1
TOTAL	1,750	2	3,5	4	12,250

- (1) Improve statistics on enterprises involved in Commerce - action mainly carried out with the Statistical Office of the EC (2,5 MECU).
- (2) • Extension of the range of the Commerce 2000 pilot actions for the use of information technology for the co-operation between big enterprises and SMEs.
 • Commerce and services: development of partnerships for specialised shops, commercial centres and implementation of the single currency.
 • Support to local commerce

c) *Actions for women and young entrepreneurs, minorities: 2,460 MECU*

i) Actions for women entrepreneurs and collaborating spouses: (estimated cost: 730 000 ECUS).

- support the creation of enterprises by women and help them to increase their qualifications;
- facilitate the professional recognition of collaborating women spouses.

Women entrepreneurs represent 25% of the 16 million SMEs, that is 4 million enterprises.

The actions will also aim to support the creation of European networks of women entrepreneurs and collaborating spouses.

- ii) Actions in favour of young entrepreneurs, particularly in the start-up phase of the enterprise as well as to meet specific needs such as the use by young people of new technologies for the management and the development of SMEs. These actions will be developed in close co-operation with the representative organisations which are currently being reinforced and represented in every Member State (estimated cost: 730 000 ECUS).
- iii) Studies or specific support for events gathering women entrepreneurs, young entrepreneurs or entrepreneurs representing minorities and organised on a transnational basis within the EU (estimated cost: 1 MECU).

* SME Policy development and knowledge of SMEs: 23,35 MECU

	1997	1998	1999	2000	TOTAL
Knowledge of SMEs (1)	1,1	1,5	1,6	1,7	5,9
Developing and evaluating SME Policy actions (2)	1,750	3,831	3,255	1,164	10,000
Other actions, subventions publications (3)	1,3	1,6	2,275	2,275	7,45

- (1) The statistical efforts made with the Statistical Office of the EC should allow to better appreciate the questions relating to the size of SMEs as well as to their creation, development and economic importance (including statistics on co-operatives).
- (2) Development of the European Observatory for SMEs: the works of this observatory allow for an academic and independent analysis that is based on a highly qualified network. The financial costs are estimated at 2 MECU per year based on a new call for tender and on former experience. An external and independent evaluation of the 1997-2000 programme (estimated cost: 0,6 MECU) will be carried out as will surveys relating to the legal programme or the elaboration of a database on the main measures developed under the enterprise policy.
- (3) These are general subsidies that aim to support a large number of initiatives in favour of SMEs and that possess a transnational character (average annual cost of 1 MECU). Publication of documents relating to enterprise policy must also be considered on this credit line (average cost of 3 MECU over the period).

9.3 EVALUATION OF THE OPERATION

Performance indicators selected:

Evaluation report to ensure that each action described above corresponds to the objectives set out on the basis of quantitative criteria (for example: number of questions and answers, number of co-operation profiles, number of co-operation agreements).

Details and frequency of planned evaluations:

Article 6 of the draft Council Decision foresees that the Commission presents to the European Parliament and the Economic and Social Committee, at the latest by end March 2000, an external evaluation report on the application of this decision, including the evaluation of the cost/efficiency ratio, as well as proposals that it will deem necessary in view of the evaluation carried out.

10. ADMINISTRATIVE EXPENDITURES (SECTION III, PART A OF BUDGET)

The effective mobilization of required administrative resources will depend on the Commission's annual decision concerning the allocation of resources, taking into account the additional staff and amounts authorised by the Budgetary Authority.

10.1. EFFECT ON THE NUMBER OF POSTS

Type of post		Staff to be assigned to managing the operation		Source		Duration
		Permanent posts	Temporary posts	Existing resources	Additional resources	
Officials or temporary staff	A	65	8	73		4 year programme -
	B	21	5	26		
	C	47	-	47		
Other resources						
TOTAL		133	13	146		

10.2. OVERALL FINANCIAL IMPACT OF ADDITIONAL HUMAN RESOURCES

ECU		
	Amounts	Method of calculation
Officials		
Temporary staff		
Other resources		
TOTAL		

10.3. OTHER ADMINISTRATIVE EXPENDITURE RESULTING FROM THE OPERATION

ECU		
Budget line (n° and heading)	Amounts	Method of calculation
A-130 Missions	2 200 000	500 000 /year +10% x 4
A-250 Meetings	1 320 000	300 000 /year +10% x 4
A-2510 Meetings of Committees	400 000	100 000 /year x 4
A-2511 Meetings of Committees which have been established through a Commission Act	520 000	130 000 /year x 4
A-260 Studies		
TOTAL	4 440 000	

OTHER RESOURCES (INDICATIVE AMOUNTS)

INTRA-MUROS EIC/BC-NET/BRE CONTRACTS

(A 1178)

		ANNUAL COST (ECU)				
		1997	1998	1999	2000	TOTAL
A	4					
B	1					
C	4					
						-
TOTAL	9	720 000	720 000	720 000	720 000	2 880 000

EXTRA-MUROS EIC/BC-NET/BRE CONTRACTS

(A 1178)

		ANNUAL COST (ECU)				
		1997	1998	1999	2000	TOTAL
A	6,5					
B	1					
C	4					
TOTAL	11,5	1 150 000	1 150 000	1 150 000	1 150 000	4 600 00

PRESTATAIRE DE SERVICES CONTRACTS

		ANNUAL COST (ECU)				
		1997	1998	1999	2000	TOTAL
A	6,3					
B						
TOTAL	6,3	442 000	442 000	442 000	442 000	1 768 000

TOTAL

		1997	1998	1999	2000	TOTAL
TOTAL	26,8	2 312 000	2 312 000	2 312 000	2 312 000	9 248 000

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