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EVALUATION OF THE COMMUNITY'S ENTERPRISE POLICY

Comments by the Commission on the Deloitte & Touche Report

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Introduction

The firm Deloitte & Touche has submitted a report (hereafter called "D&T report") evaluating the Community's enterprise policy.

The report had been drawn up pursuant to Article 3 of Council Decision 91/319/EEC of 18 June 1991 (1) revising the programme for the improvement of the business environment and the promotion of the development of enterprises, and in particular small and medium-sized enterprises, in the Community.

This document, which is intended to accompany the D&T report when it is presented to Parliament and the Council of Ministers, contains a summary of comments by the Commission.

I. GENERAL COMMENTS

1.1 RELEVANCE OF A COMMUNITY ENTERPRISE POLICY

The Commission is pleased to note that those interviewed in connection with the evaluation recognize the validity of a Community enterprise policy.

However, it is not the Commission's intention, in the context of the present document, to deal with the institutional aspects of the enterprise policy - in particular how Community and Commission competences should be distributed or what the principle of subsidiarity might entail.

In the Commission's opinion, those are fundamental aspects of Community policy and are therefore best dealt with in other, more suitable, forums.

(1) OJ L175 of 04.07.91

1.2 PLANNING THE COMMUNITY'S ENTERPRISE POLICY

In the light of the results of studies carried out at its request or by the Member States, the Commission identified two areas in which the Community needed to take action on completion of the single market: improving the business environment and promoting the provision of support services for firms in the European context, in particular via information services and easier cross-border cooperation.

When addressing those two themes - which were what gave shape to its enterprise policy - the Commission chose the following approach: experimentation and consolidation, followed by application on a larger scale, using networks already available or set up with the help of the Community.

The policy objectives and the general principles defined by the Commission in August 1986 (2) and approved by the Council in its resolution of 3 November 1986 (3), have been reviewed at regular intervals (4) in the light both of changes in SMEs' position in the internal market, and of the results of Community measures, assessed, in each case, in accordance with a specific set of internal procedures.

This approach, based on regular validation of objectives, constitutes the framework on which the Directorate-General's work is planned. In specific terms, it leads to a programme of work which is submitted each year to the Committee of representatives of the Member States, and an annual progress report is made to the Council, to Parliament and to the Economic and Social Committee. More generally, the programme of measures to assist enterprises is one of a number of Community policies affecting enterprises, as was pointed out in "An enterprise Policy for the Community" (5). This highlights the supplementary nature of the enterprise policy, which fits in with other major policies such as those on research and training. Community measures which have a direct impact on SMEs but which are not aimed solely at them are also the subject of regular progress reports (6).

1.3 CHOOSING BETWEEN AN INTEGRATED AND A SPECIFIC APPROACH TO POLICY-MAKING

The D&T report distinguishes between two possible approaches to drawing up a national or Community enterprise policy.

From the outset, the Commission opted to follow both approaches in tandem, on the grounds that an integrated approach, i.e. one which took account of the SME dimension in all Community policies, could not be adopted without implementing measures to meet the needs of SMEs in the context of the completion of the single market.

(2) COM(86)445 of 07.08.86

(3) OJ C287 of 14.11.86

(4) in particular, SEC(91)180 of 26.02.91 and SEC(92)764 of 11.06.92

(5) OPOCE CB-56-89-748-EN-C

(6) Most recently, SEC(92)704 of 26.05.92

Similarly, the Commission felt that, given how important the administrative, legal and financial environment was to business activity, it was not sufficient just to implement specific measures to help SMEs in their Europeanization and internationalization strategies.

As well as implementing visible specific measures and thus signalling that the needs of firms have been recognized, this twofold, complementary approach ensures that the in-depth work carried out by the Commission in cooperation with the Member States is not overlooked.

1.4 SELECTIVENESS OF COMMUNITY MEASURES, HAVING REGARD TO THE LARGE-SCALE NEEDS OF SMEs

This gradual validation of the instruments means that the measures implemented can be selected, in the light of their Community dimension, from a range of existing projects for SMEs, and that consideration can be given to developing, on a large scale, measures which, because of the interest they have aroused, have been taken up by official or operational networks in the Member States, e.g. chambers of commerce, development agencies and training organizations.

The Commission's view is that selectiveness and critical mass, far from being mutually exclusive concepts, simply reflect the method and approach selected to achieve the objectives set.

There can be no single method for achieving a wide range of objectives. Depending on the nature of the task at hand (e.g. stimulating cooperation, training, financing, etc.) and the structures available at each level (e.g. national intermediaries, direct involvement of the recipients, other Community programmes, etc.), a new measure will have to be implemented on a massive scale or be tried out selectively beforehand.

In the latter case the effectiveness of the Community measure is not to be evaluated on the basis of the number of projects implemented or how many participants were involved in the experiment, but on whether suitable means were used to achieve the objectives, and how the critical-mass stage can be reached.

Implementation on a larger scale, i.e. seeking to obtain similar results with a larger number of beneficiaries (critical mass) can be achieved:

- internally, where, after an experimental phase, the department concerned suggests that the means allocated to the measure in question be increased according to need;
- externally, where dissemination is entrusted to those interested in the expansion of the measures.

Measures can be put into effect on a larger scale by involving the recipients themselves, e.g. where the results of a study (Euromarketing project) are implemented direct by a firm or group of firms.

Another way to implement a measure on a larger scale is to transfer it to another Community programme to which more funding has been allocated, as in the case of the Brite-Euram feasibility premiums.

Implementation on a larger scale can be programmed as from the outset, through the gradual involvement of decentralized networks which, by acting as relays, can help the Community's action to reach a much wider audience.

In the case of the action programme evaluated in the D&T report, it is the external approach which was chosen. For most of the measures concerned, the resources were made available to decentralized networks. It was felt that such a strategy could better meet the large-scale and extremely varied needs of SMEs and their intermediaries than having the resources of the Directorate-General concerned concentrated heavily on a selected number of projects.

The experiment is thus in the early stages of a long-term programme whereby, once the needs have been identified, a subsidiary Community measure will be devised, tested, and gradually implemented on a larger scale via external networks (7). Although the Commission continues to play a major role in assisting its partners, it is mainly external agencies which account for any increase in volume, thus allowing more and more pilot measures to be introduced in new fields.

In that context, the main aspect is, in our opinion, the conditions under which large-scale implementation is to take place.

The network method is thus central to the work carried out under the enterprise policy. Experience in this field since 1986 has shown that no network formula should be privileged; depending on the field or Member State concerned, relays consisting of networks of networks (with the Commission operating with the help of a leader) may be more effective, whereas elsewhere, the best way to ensure the dissemination of the Community's measures may well be to involve a large number of partners in a single network.

The need to make the European dimension an integral part of enterprise strategies, even the most local among them, thus justifies the implementation, at Community level, of limited pilot schemes, which can then, in the light of the results obtained, be implemented on a larger scale (national or local, depending on the networks available).

(7) The Commission can, for a given field and for a given project, make plans to change the type of measure concerned. In the case of the programme designed to prepare managers for Europe 1992, for instance, the training instruments available were, in the early stages, designed to increase the awareness of training agencies, but were gradually removed, as the agencies were encouraged to produce, adapt and disseminate their own.

1.5 THE TARGET OF THE COMMUNITY'S ACTION - QUANTIFYING THE OBJECTIVES

Since the Commission's role is to test the instruments which will be made available to the decentralized networks, "target of the measure" and "quantifying the objectives to be attained" take on a different meaning.

The Commission does not, in the context of its enterprise policy, intend to impose a system of direct aids which it would itself grant in accordance with strict, predetermined criteria and for which quantitative objectives would be set.

On the contrary, it plans to meet the SMEs' needs in broad terms only, since it does not always have the means to fine-tune every possible response in the light of the actual sector of industry, the size, the location and the legal status of the firm concerned.

It will be the task of the relays, who are closer to the ultimate beneficiaries, to transpose and adapt to the needs of their SME targets the broad-spectrum instruments which the Commission has begun to devise and implement, and to seek to reach as many beneficiaries as possible. That complementary approach is clearly operational not only in the case of a number of limited pilot schemes such as "Preparing managers for Europe 1992", and the methodology for assessing the research capacity of SMEs (Euromanagement), but also in the case of larger projects (the link between, on the one hand, widely available information and, on the other, targeting based on the population concerned, is a central feature of the EIC project).

Depending on the demand emanating from users/SMEs, it is the person who last provides/acts as a relay for the information, training or cooperation, who is best able to fine-tune the tool available. It is he who will know how many firms will have to be mobilized - possibly with the help of the Commission - in the case of promotional campaigns, for instance.

By leaving it up to relays to carry out the fine-tuning and set quantitative objectives, the Commission's aim is also to abide by the basic characteristics of the networks with which it is working, especially their independence. The Commission's role must be to encourage and stimulate, and not to impose certain measures or tools via a number of intermediaries. Its purpose is not to dictate how the intermediaries should operate, when they have agreed to cooperate with it in order to improve the services they provide to firms, and are thus contributing to achieving the Community's general objective of improving the business environment.

Moreover, there is a risk that, if it attempts to provide a set of targeted instruments, e.g. by seeking to quantify the objectives, the Commission might find itself vetting the way in which the Community measure is disseminated and implemented.

Decentralizing the achievement of general objectives does not, however, preclude constant improvements in the Community instruments which are made available or are being tested, nor need it discourage the intermediaries from adopting an approach based on management by objectives.

II. GENERAL EVALUATION OF THE VARIOUS MEASURES

2.1 GENERAL SUMMARY OF THE EVALUATION

An aggregate score, arriving at which, as the D&T report emphasizes, "is not a scientific process", but is intended simply to show the evaluator's position and make comparisons possible, is allocated to each measure evaluated, ranging from 1 (a measure giving rise to serious reservations) to 5 (measure of very considerable value).

In all, 27 measures were evaluated. Of the 22 to which a score was assigned:

- none gives rise to serious reservations;
- only one was given an aggregate score of two (reservations);
- eleven measures are regarded as interesting but may need to be recast;
- eight are regarded as of considerable value, and
- two of very considerable value.

Measure	Aggregate score
<ul style="list-style-type: none"> - Taxation measures - Brite-Euram feasibility premiums 	5
<ul style="list-style-type: none"> - Impact statements - Public procurement - Euromanagement - (possibly) Euromarketing - Europartenariat - Interprise - Statistics - Definitions of SMEs 	4
<ul style="list-style-type: none"> - Competition rules - Terms of payment - Administrative simplification - Report on the coordination - Euro Info Centres - SMEs and R&TD - Training of managers - Measures to assist the craft industry - BC-Net - BRE - Subcontracting 	3
<ul style="list-style-type: none"> - Creation of enterprises and seed capital 	2
(none)	1
<ul style="list-style-type: none"> - transfer of business - Promotion - Mutual guarantee scheme - Monitoring centre ("observatory") - VANS 	not graded

2.2 WEIGHTING OF THE VARIOUS CRITERIA

The report analyses various measures in accordance with five criteria (8) on each of which a score from 1 to 5 is allocated.

By totalling the scores allocated to each of the five criteria, it is possible to compare the Commission's measures. Thus:

- i) In 18 cases out of 25, the objectives assigned to the measures are deemed to be of considerable or very considerable value.

This high score means, in particular, as the D&T report considers, that all the measures evaluated have a high Community added value, because they could not have been implemented, otherwise with less effectiveness, without the support of the Community.

Three of the measures whose objectives give rise to reservations are at a pilot stage (seed capital) or even very exploratory stage (mutual guarantee schemes and Euromarketing). It should be noted, however, that in two cases it is a question of experimenting with the financing of SMEs, a complex field but one where both the Council (Resolution of 17 June 1992) and the SMEs and their representatives want to see new initiatives developed.

- ii) In a number of cases, the low scores given to the criteria "quality of the evaluation" (seven scores of 2 or 3 and eleven "not significant") reflect the evaluator's wish that external assessments should be made, independently of the assessments carried out by the Commission's departments.
- iii) Overall, the measures get a good mark for cost-effectiveness: in fifteen cases the scores are 3 or 4, and only six measures give rise to reservations.

Here again, a more accurate analysis of how the score is arrived at would be appropriate so as to avoid costs of low absolute value being systematically considered good (e.g. craft industry) or reasonable (e.g. Euromanagement, Interprise and Euromarketing), without reference to any other considerations. Conversely, the high cost criticism (which scores 2) of Europarteneriat needs to be looked at in the light of the number of participants and the cost of similar events.

- iv) Similar details would also help to understand the generally low scores given to the quantitative impact of the measures: two measures score 1, thirteen measures score 2 or 3.

Without impugning the calculations themselves, it is fair to question whether the quantitative norms used in national or local instruments similar to those applied in the context of the Community programmes are appropriate: what is generally the utilization rate for a business information centre, for instance, or a local chamber of commerce (cf.

(8) For details, see the D&T report, p. 6

the 1% put forward for EICs)? Similarly, is the submission of 2 000 start-up projects under the network's 22 seed capital funds really low compared with the number of cases traditionally submitted for this type of instrument?

Knowing the basis of calculation for quantifying a measure's effectiveness would enable the Commission to compare its approach with that used in similar instruments and to gauge its real demonstration or stimulation capacity, in particular where pilot schemes are concerned.

- v) Lastly, the qualitative impact criterion shows that the majority of measures carried out have a considerable, or even very considerable, impact: there were twelve scores of 4 or 5, and eight of 3; only two measures give rise to reservations (competition and subcontracting).

The scoring process, as the D&T report itself admits, is less than perfect, but it does enable a number of points to be made:

- the objectives set by the Commission are appropriate, and its measures are up to their defined tasks, which are mainly qualitative ones (stimulus, incentive and demonstration effects);
- on the other hand, the Commission should devote more effort to comparing the quantitative impact and the cost of its measures, given the existence of similar initiatives whose design and implementation do not include a Community dimension.

III. OBSERVATIONS ON THE DETAILED EVALUATION OF EACH MEASURE

3.1 MEASURE GIVING RISE TO RESERVATIONS (aggregate score: 2)

The pilot scheme for "creation of enterprises and seed capital" is very specific in nature.

i) Difficulties of seed capital

The Commission feels that the newness and the fragility of the seed capital sector compared with business financing as a whole has not been taken fully into account by the evaluator. The appearance of a seed capital "industry" is a recent phenomenon, with which entrepreneurs and the public are still relatively ill-acquainted. Because of the high level of risk, virtually all seed capital funds in the Community (92% of the members of the European Venture Capital Association) do not invest in the creation of new businesses, whether at the design or the start-up stage. They prefer to invest in safer, more profitable market segments such as development capital, management buy-outs and others, where the risk is more contained since it is easier to know what the production capacity and the markets of the firms financed are.

In addition, given the fragility of business start-up projects, the manager of a seed capital fund must stay in permanent contact with the businesses created and devote a considerable proportion of his time to advising them on possible options, which substantially increases management costs. This is why, as a general rule, conventional venture capital funds avoid this segment of the market.

The seed capital pilot scheme makes it possible to test the response to this shortage of available capital for seed capital projects at Community level, especially since, except for strictly regional initiatives, there are no programmes for stimulating seed capital in the proper sense at the level of the Member States.

The pilot scheme provides a reimbursable interest-free advance, equivalent to up to 50 % of the management costs of the fund, over a three to five year period. The eligible amount is determined as a function of the total capital of the fund and is to be repaid to the Commission if the fund is successful. In addition, funds established in assisted areas can receive a capital contribution equivalent to up to 25 % of their total capital, usually a minimum of 125,000 ECU, and up to a maximum of 250,000 ECU. This contribution is made from the European Regional Development Fund, using the Business Innovation Centre in the region as intermediary.

ii) Evaluation of the Community pilot scheme

The Commission takes the view that the analysis of the Community scheme to promote seed capital should be put back more firmly in the general context of financial instruments for SMEs.

Thus, full account of the practices of the venture capital market does not seem to have been taken in calculating the quantitative impact. Where it is a question of SMEs requesting assistance which they have not managed to obtain from conventional sources of financing, having as a general rule failed to provide the requisite guarantees, the pilot scheme's ratio of one application selected to 25 submitted is completely within the normal range; indeed, it is very favourable, since even a ratio of 1 to 50 is still regarded as normal by the venture capital industry. It must be remembered that funds, which are modest in size, generally make only three or four investments a year and that the whole art is to back would-be entrepreneurs with real management ability and to assess the economic potential of a project at its true worth in the light of financial, commercial and managerial data. Of any ten investments, on average only two will show growth potential and, hence, a high return on investment; six will remain relatively modest, and two will fail. An error of judgment regarding one investment can therefore bankrupt a fund.

The fact that the 22 active funds have attracted nearly 2 000 projects which cannot find financing through conventional channels confirms that there is a shortfall to be made good in this field.

iii) Overall impact of the Community pilot scheme

The seed capital pilot scheme has encouraged new financial operators to enter the seed capital market; its real impact goes wider than direct support for the creation of funds, although the importance of this aspect of the scheme cannot be underestimated: the 22 funds now operating, two thirds of which would not have been created without the Commission's support, do at least exist, and are investing in high-risk projects rejected by conventional financing sources, often in regions where innovative sources are not present (9).

Assistance from these seed-capital funds also makes it possible to obtain additional financing for the companies in which they invest. This leverage effect is estimated at 250%: thus, on average, the funds invest ECU 138 000 per company created and make it possible, through the credibility which they give projects, to obtain an extra ECU 359 000 from other sources.

The management consultancy, strategic guidance and financial engineering role, which the seed capital funds have played successfully, is tending to increase.

In addition, better account needs to be taken of the significance of the European Seed Capital Funds Networks (ESFCN), set up around the 24 funds directly supported: the scheme has attracted, as associate members of the ESCFN, 17 other existing funds whose combined capital volume amounts to nearly ECU 266 million and which have made about 200 investments during the period in question.

The essence of the pilot scheme is to give managers of these funds, right from the start, a European view of their activity as regards selection techniques, monitoring investments and investment opportunities in other Member States. The role of the network in this context is very much appreciated, since the funds learn an enormous amount from each other's experience.

Two other aspects of the scheme contribute to the strengthening and Europeanization of financial operators:

- training for managers of the funds in the ESCFN, with a view to the professionalization of new entrants on to the seed-capital market;
- the role of the EVCA (10), which holds two seminars a year and attracts European specialists in this field, thus making possible very intensive training for new fund managers, and which answers fund managers' specific questions on management matters. EVCA also issues the "Start up" newsletter (five per year), which covers the main events on the seed capital scene in Europe and reproduces papers from the two seminars.

(9) The 80 companies which they have helped to finance will generate more than ECU 60 million in turnover, 552 full-time and 88 part-time jobs between now and 1993. To these figures should be added the turnover generated and jobs created by investments concluded in the meantime.

(10) European Venture Capital Association

The Community scheme thus goes well beyond the national products, which are most often based on public assistance schemes (grants) for business start-ups and do not take account of the need to train those who are going to select and manage the investments within the framework of a profession which is inexorably becoming more European in scale. Three of the funds are transnational, and several transnational investments have been made between members of the network.

iv) Results of the pilot scheme

The Commission will carefully study the lessons that can be learned from the current pilot phase and from the choice of criteria imposed when the pilot scheme was launched: e.g. the twenty-four funds selected could not be more than three years old. This provision delayed the scheme's operational capacity, several new entrants taking one to two years to assemble the necessary resources and lacking experience of investment.

The measure has consequently produced few results on the ground so far, although this type of instrument is in any event very slow to get started. For a proper evaluation of the results, it should also be remembered that investment in business start-ups takes five to eight years to produce a return. An accurate evaluation needs to be carried out over a long period.

3.2 MEASURES OF INTEREST WHICH MAY NEED TO BE RECAST (aggregate score: 3)

3.2.1 Competition, terms of payment periods, administrative simplification and report on the coordination

With regard to competition, the D&T evaluation report makes an interesting recommendation where it suggests that SMEs could use the arsenal of Community competition law to their advantage. The Commission will examine how, in addition to the forthcoming publication of a brochure on the Community competition rules, SMEs can be alerted to this possibility.

The Commission notes with satisfaction, however, that the D&T report stresses the "effective", "significant" and "real" influence of DG XXIII's measures and "their real contribution" to the work of DG IV, even though it concludes at the same time that the quantitative and qualitative impact of such measures is limited. The quantitative impact is definitely considerable, given the very large number of SMEs that may be affected by State aid, by various cooperation agreements (franchising, distribution, etc.) or by abuses of a dominant position, to cite only a few areas covered by competition policy. Equally significant, from the qualitative viewpoint, is the close cooperation which has developed between the concerned services, which has made it possible to take the interests of SMEs more fully into account in the preparation of competition rules.

As regards terms of payment in commercial transactions, the Commission would have liked the report not just to emphasize the legal dimension of the proposed discussions. The objective currently is only to initiate a large-scale debate on the Community dimension of the problem and on how the situation may be improved on the most appropriate level.

As regards administrative simplification, the evaluation report has confirmed the importance which the SMEs attach to this sphere. The Commission fully endorses the recommendation not just to continue its activity in this field but to reinforce it.

It is already planned to carry out a systematic review of Community legislation in certain priority fields in order to see which causes the major burdens for business p, particularly SMEs. The Member States will be invited to perform a similar exercise at national level. It is planned to step up exchanges of information between Member States about their experiences as regards administrative simplification work, and to consider how the Commission could play a more active role in promoting and supporting this work to relieve the burdens on business.

However, the resources (both financial and human) needed to develop and implement effective measures in this field at Community and national levels should not be underestimated.

Further to the Commission report on the coordination of the activities of the various services concerning SMEs, the evaluation report underlined the need for closer collaboration between all services involved. The Commission is determined to strengthen this dialogue as regards Community programmes, in the same way as it intends to improve cooperation with other services when considering proposed legislation with a possible impact on SMEs.

3.2.2 Euro-Info-Centres (EICs)

We will confine our observations to the main points in the evaluation, the points to which most of the suggestions and recommendations relate; we have reservations on certain other assertions made in the D&T report, but will not attempt a detailed discussion of these.

The main suggestions are as follows.

i) Narrowing down the targets of the Centres

When the network was being set up, as the D&T report points out, the Commission opted for an open service providing general information and assistance to the business public. This was a conscious strategy; it aimed at ensuring that all sectors of activity everywhere in the Community would gradually be brought into the EIC network so that the process of improving firms' awareness would take place inside their own environment.

The network now comprises 210 centres and almost 2 600 relay stations throughout Europe, and reaches firms in areas in which Community information had not been easily accessible in the past, notably the areas closest to the periphery.

The annual figure of 250 000 questions mentioned in the D&T report does not include the flows generated by the 114 sub-networks which now form part of the system. The improvement in the information aimed at specific targets is the result of the network effect, which has been growing steadily stronger in the system. The system began with a general information role, but as its various components have developed specializations they have acquired new tasks, and this has stimulated constant communication between the members. Each of the 210 Centres is able to communicate directly with all the members and with the central unit in Brussels, so that every firm in the Community has contacts available throughout the Community and inside the Commission itself. The Euro-Info-Centres form what is probably the most extensive and targeted network among business information circuits of this kind in Europe.

The fact that the 210 members and 2 600 relay stations have access to information which is targeted by the members themselves, and is consequently closely tailored to firms' own requirements, means that the need for careful targeting can be met without necessarily undertaking a radical change in the original strategy of providing an open information network.

ii) Clarification of information products

The evolution of the network and the service it provides likewise forms the background to the current reorganization of the information products, based on the gradual introduction of payment and the development of the integrated product. The new products reflect the Centres' increasing insistence on operational information and the growth in their advice and assistance function. The need for fresh input in terms of the tailoring of information products to changing needs is one of the reasons why the Commission recently launched an invitation to tender for network management services.

The criticisms made of the question-and-answer machinery thus appear to have little foundation, given that the product involved here focuses directly on firms' own concerns and is particularly useful in that it reduces reply times.

iii) Review of financing, i.e. the question of Community financing and charges for EIC services

The Commission intends to continue following the clear course sketched out by the Council in its recommendations of June 1991 (11). The changeover from an automatic grant in the first three years of operation, the Centre's start-up phase, to payment towards the services provided thereafter is the direct outcome of the desire for strict control of the quality of the work done. Far from institutionalizing the system, as the D&T report suggests, the possibility of continuing the annual ECU 20 000 financial contribution has to be seen as guaranteeing the Centres' and their host structures' commitment to the network and the success of the drive for quality.

(11) in the debate on the decision 91/319/EEC, OJ L175 of 04.07.91

The Commission's annual grant is in fact an internal investment in the network, as the cohesion of the network depends on the quality of the service provided both outside and inside.

This Community contribution takes account of the increasing scale and complexity of the material to be analysed as the single market project progresses; it could be combined if necessary with part-payment by the Commission of the costs of using databases, and also with decentralized promotion measures of the kind suggested by the D&T evaluation report, particularly following on from the Community promotion campaign.

In reality the two forms of promotion complement one another, as only a Community campaign can lend credibility to the network effect. Participation in the cost of consulting data bases would meet a demand from certain Centres which sometimes have to carry out laborious filing work on documents in paper form.

As part of the development of their activities the Centres will gradually have to introduce a system of charges which reflect both their own costs and information market factors. The Community can help them to harmonize their price structures, but the centres must remain free to determine figures themselves.

The Commission feels that financing should be closely dependent on the assessment of the Centre's work. The D&T report contests this, and thereby calls into question the whole system worked out to guarantee the quality of services. Systematic evaluation has made the EIC system one of the most closely supervised and demanding Community networks, and a better understanding of the principle might have allowed the traditional reactions of those assessed to be surmounted. The evaluation grid itself has been revised several times to take account of the observations of the Centres, which is surely evidence of constant and constructive dialogue with all interested parties. The emphasis is now shifting towards self-assessment by the Euro-Info-Centres and its corollary, management by objectives. The new approach seems better able to encompass the variety of situations and structures which is at once the strong point of the network and its greatest challenge.

The search for savings in management is a constant priority at the Commission. Practical savings already made can be seen in the greater part played by the Centres in the running of the project and by more flexible management internally. The suggestions for greater rationalization put forward in the D&T report are merely examples of a concern which goes a good deal further and deeper in the day-to-day life of the project.

- iv) The EIC project has also provided the Commission with a testing ground for the network method

The D&T report rightly draws attention to the choice of a network of decentralized and diversified structures. When the system was being set up organizations had to be chosen to act as hosts for Euro-Info-Centres, and the choice naturally fell on those in the country or region who appeared likely to be in closest contact with business and to be best placed to stimulate interest among local firms.

Tenders were invited, a large number were received, and the results were examined in close cooperation with the Member States. The bodies selected included chambers of commerce, regional or local development offices, and banks or public bodies with local operations, all of which worked in close contact with business; but there were also some large trade organizations which maintained little direct contact with firms but which themselves had wide-ranging structures at their disposal, so that the Euro-Info-Centre could act as a catalyst in information flows in a sub-network.

At a time when the Centres are displaying ever increasing professionalism it would hardly be appropriate to redesign the network from the ground up, but the composition of the network could be reviewed as part of the next Community enterprise programme so as to take greater account of existing specialized networks, and of other requests put forward in various quarters. It is worth emphasizing once again the essential role played on the ground by the 2 600 local relay stations, some of which formed part of a Centre's own network at the time it joined the system, and some of which were established subsequently in response to demand for information to be channelled downwards.

As part of its operation each Centre has undertaken a very wide variety of activities: improving awareness of Community programmes and Community affairs; alerting business to the progress of the internal market; developing a promotion strategy using the most appropriate channels, such as fairs, conferences, mail shots, press campaigns and publications (this obligation is written into the contract and its performance is checked); and acting as a contact point for firms wishing to take part in foreign public procurement processes and common R&D programmes. In all these areas the Centres actively foster an awareness of the Community dimension at regional and local level. The thousand or so people working full time in the network constitute an active Community presence in the local economy, and this dimension, which was somewhat obscured in the D&T report, is becoming more and more widely recognized.

3.2.3 SMEs and research and technological development: awards to SMEs under the Value programme

The gap which the evaluator notes between declarations of interest in the Value award scheme by SMEs and the actual submission of applications (only 37 applications in September 92, even though considerable interest had been declared) is the result of a misunderstanding: the Value programme comes into play when two parties who already know each other want to enter into contact and formalize or undertake a transfer of technology, whereas SMEs were interested in identifying partners or tracking down Community research results, two areas not covered by the Value programme.

To meet demand of this kind on the part of SMEs, the Commission set up the CORDIS electronic information service which comprises a database for providing research results (R&TD results) and a database for helping to identify potential partners (R&TD partners).

The setting-up of a network of relay stations in the Member States under the Value programme, the role of which will be to promote Community R&TD activities and the dissemination of their results, should facilitate SME access to those results, enable them to profit from them and to benefit more generally from award schemes of this type. At the same time, it will help to fill a gap since national instruments for disseminating and exploiting such data hitherto largely ignored the result of Community research.

The needs of SMEs are very specific, and only a network of high-performance relay stations which can call on the help of specialists will be able to meet them properly. The existing dissemination networks - EIC, BC-Net and BRE - can supply general information on the existence of the Value programme, but they do not possess the expertise or the resources to handle more precisely tailored technical information.

There was also a very special situation in 1992 as a result of the delay in the adoption of the research programmes by the Council and the limited funds available to the enterprise policy in its own right: the conventional information networks were not mobilized for any intensive promotion of the scheme, as this might have led to an inflow of applications which the Commission would not have been able to deal with that year.

3.2.4 Manager training

The programme for the training of managers for the Europe of 1992 is also being reorganized, in line with the objectives set initially; it was never supposed to be extended in the same form, as its primary purpose was to make training organizations aware of the importance of Europe and to help to integrate this dimension into strategic management training practice.

By setting up an open European network of advisory and training bodies, themselves members of national networks, the Commission seeks to achieve synergies at Community level, particularly through the distribution of teaching aids and the exchange of European methods of training. In pursuit of the best possible management of limited resources it could not itself maintain regular contact with the national networks, whose European ambitions are very limited, as the evaluator points out. It is the members of the European network who must inform their national networks whenever they consider this useful.

There are more and more bodies at national level which are capable of providing training on general strategic management which is adapted to local management needs, but the number of high quality training organizations capable of advising businesses on strategic choices after the achievement of the internal market remains limited. The Commission's pilot scheme accordingly aimed not only at training SME managers but also at improving knowledge of Community affairs among training organizations themselves, in order to enable them to launch other training courses on their own initiative.

3.2.5 Cooperation between firms: BC-Net and BRE

The Commission has consistently given priority to the objective of developing cross-border business cooperation in its various forms, as the evaluator does indeed point out. Cooperation is taking on an even more decisive importance now that steps are being taken to ensure that the single market really works in practice.

Mechanisms have accordingly been constructed which take account of the variety of businessmen's needs and behaviour. These schemes have reached varying degrees of maturity, in a field which was new to SMEs; the variation is easy to explain given that the schemes first had to go through an experimental period, during which their scope was inevitably limited. Thus BC-Net entered its consolidation and development phase only in autumn 1990. The encouragement of cross-border cooperation and the establishment of pan-European networks are certainly a proper area for Community action, as the evaluator rightly observes. There is no equivalent mechanism on the market, either in terms of scale or in terms of scope, which covers all types of cooperation or industry. The D&T report draws attention to the positive factor represented from a European point of view by the habit of working together in a large network open to the domestic and international dimensions, given for example that entries from foreign countries have not disturbed the operation. The idea that cooperation of this kind might be enlarged to take in economies as big as that of the United States will need more thorough reflection.

i) The specific features of BC-Net and BRE

We can only agree with the recommendation that the specific features of BRE and BC-Net should be maintained. BC-Net is confidential, whereas BRE is not. BC-Net is accessible only through the network of advisers, whereas BRE can be accessed by firms directly. BC-Net matches all the cooperation profiles (CPs) received, whereas BRE simply circulates them.

BC-Net requires long preparation of encoded CPs based on a greater familiarity with the network. The distinction between the two networks cannot be reduced to the confidentiality aspect, although it is true that confidentiality is a constant demand of a large number of the firms who seek cooperation and find the appropriate channel in BC-Net.

ii) Evaluation of agreements reached under the two schemes

But we must take account of the fact that cross-border cooperation has recently been promoted on so large a scale that there is a lack of existing yardsticks and standards for assessing the results. However, the new approach to the assessment of measures of this kind which the Commission recently decided to adopt will take account of the cooperation agreements concluded. Such agreements are difficult to monitor, and there are no trustworthy outside measurements, given the very recent character of the mechanism, particularly in the case of SMEs.

The assessment system now established by the Commission, which has already been tested at the pilot stage, incorporates quantifiable elements and does take the cooperation agreements concluded into consideration.

An agreement may be the last link in the complex chain of looking for a partner. The search will not be confined to academic criteria; there must also be mutual confidence between potential associates, and this does not necessarily work in the same way.

The new global approach to evaluation will therefore incorporate the following:

- a periodic assessment of the activities of the members of the network;
- an assessment of the machinery (nomenclature, database) and its results;
- an assessment of any extra contributions (cooperation to be open to everyone in all industries).

In any event the improvement in quality already under way must be taken further so as to increase the likelihood of arriving at agreements, particularly by improving the preparation of advisers for the CP preparation stage and for the very complex negotiation stage.

iii) BC-Net

- Charging for services

The main recommendation concerning BC-Net relates to the question of charging for services.

BC-Net consultants do not receive a grant, and have to devote time and resources to the network.

The form of payment for services which is proposed is not designed with competition in mind, as there is no real equivalent product on the market. And if Community intervention is necessary it cannot simply be based on the same considerations as a private enterprise would apply.

But the Commission does feel that it is perfectly fair to ask for ECU 30 per CP from 1 January 1993, with a minimum charge of ECU 600 per member, which would represent a minimum of 20 CPs a year. These charges would not entail any costly or complex machinery; they have been discussed for more than a year in consultation with the network, and given the contractual deadlines the new arrangement is currently at the launch stage.

It will produce better control of budgetary expenditure, which is in any event a great deal lower than was estimated two years ago, as a result of the optimal use of the outside contracts negotiated recently; and the revenue from the new charges will supplement that from the industrialized countries outside the Community which are members of the network.

Nevertheless, after an initial period of two years, consideration will be given to the possibility of a system of completely standard charges, with the rate or rates being determined on the basis of an outside comparative study of the market and the position of the product relative to any competition, while preserving the necessary regional balance and taking account of results and the real budgetary cost.

A system of charges aimed at quality and profitability should make for a more even level of professionalism among the members of the network, and help to move the network to a higher degree of maturity.

The coexistence in the network of both public and private bodies does detract from its homogeneity, but BC-Net sets out to cover all regions and to help all types of enterprise in the search for partners, and has to accept the variety of situations to be found in the Community.

Cost-effectiveness

In the Commission's view the question of charging for services is bound up with the question of the cost-effectiveness of the programme.

The Commission is anxious to control spending under the programme carefully, but the effectiveness of the programme cannot be stated simply as a ratio between the budget and the number of CPs.

The creation of contact points is increasing the number of potential partnerships generally, and the cost to the firm is low compared with that of an unassisted search, particularly if account is taken of the geographical coverage (the Community, the other countries of the European Economic Area, and a number of other non-Community countries) and the rapidity with which contact can be established (matching possible in 24 hours).

This last factor is all the more important as 60% of CPs now come from fully computerized members. The possibility of flash profiles and direct contacts, together with the emphasis placed on training, go some way towards loosening up what can be a somewhat rigid system, and may well lead to a significant increase in the matching rate.

The new nomenclature has been in use since 1 September 1992, and a new approach to the problem of highly technical data is being studied in cooperation with a specialized committee including representation from the network and from the Statistical Office.

As the D&T report points out, members are asked to increase the number of face-to-face meetings after matching, and in time this must improve the number of agreements concluded.

Further observations

The data-processing aspect of BC-Net is emphasized by the evaluator, but it should not lead us to underestimate the crucial importance of the qualifications of consultants and their work both before and after a CP is entered (market analysis, assessing the capacities of the enterprise, and providing help with negotiation after matching). BC-Net is a "computerized" network rather than a "computer" network.

This explains the work which has gone into the training of consultants, and why further steps will be taken at the next selection procedures: one change is that certain candidates are to be interviewed after an initial selection has been made on the basis of the papers submitted.

The central unit at the Commission not only provides the policy and administrative back-up for BC-Net but also defines its computerization and logistical development strategy which is then carried out with the help of the outside consultants.

The quantitative impact cannot be purely statistical. BC-Net has already handled more than 63 000 CPs, and its database is changing every day : every day CPs are taken out, and others are put in and immediately compared with all of those already in the system.

No doubt the network ought to be able to involve more SMEs, but the fact remains that it is the only organization currently able to reach so large a number of firms on the market for all kinds of cooperation and all sectors of the economy.

iv) The BRE

The BRE has enjoyed considerable success over the last two years, as the D&T report points out, and is generally appreciated by firms and by intermediaries.

As regards follow-up, a six-monthly report was introduced in the second half of 1992, and this will cover all stages of the operation and its results. Statistics on geographical location and sector of activity are also available.

The VANS will allow EIC conferencing (the old Eurokom) to be incorporated into the BRE, and the search forms used are already being harmonized. This should clarify the arrangements and provide a satisfactory response to the D&T report's recommendation.

Special steps will be taken to strengthen the presence of the network in certain regions. Greater automation will be sought in order to improve effectiveness, and the efforts already undertaken to shorten the time necessary for handling cases will be continued.

An overall assessment cannot be confined to the number of CPs; it must also take account of the importance of targeted distribution of advertisements and the forum for international dialogue which the network is now providing.

3.2.6 Subcontracting

The D&T report points out quite rightly that subcontracting forms an integral part of economic activity and much of it takes place on a cross-border basis; the Commission notes with interest the D&T report's recommendation that an even more ambitious approach be adopted in this area.

The Commission is endeavouring to bring together and stimulate discussion among representatives of the different parties concerned: to that end, any initiatives that put subcontracting firms in touch with each other under the auspices of organizations representing them vis-à-vis the national and Community authorities are more than ever essential.

A network is being set up specifically for subcontracting which should be highly effective in disseminating information. It is essential that the main players specifically involved in subcontracting be identified and then encouraged, which is precisely what is being done in close coordination with the bodies representing SMEs and the trade associations. Consequently, it cannot be claimed that SMEs have not been consulted enough; the search for representative bodies also closely involved both national authorities (ministries of industry) and the European organizations. This approach will bring about a significant improvement in the flow of information and communication.

Cooperation between the Commission departments concerned is also developing highly satisfactorily in all priority areas (certification, training courses in Japan, electronics).

The Commission agrees with the evaluator that the clear, well-defined priorities set for subcontracting should be retained. These are:

- ensuring that the subcontracting market is both economically and legally transparent;
- focusing more specifically on such priority topics as quality assurance and certification, the importance of which has been stressed by all the Member States and all the organizations concerned;
- creating a network involving all the representative organizations at national and Community level so that their activities can be given a European dimension, particularly through multilingual glossaries of specialized terms and connections between certain databases.

Under this approach, however, less emphasis should be placed on legislative work than on stimulating cross-border cooperation in this area, bringing main contractors and subcontractors closer together and smoothing the way for conclusion of the mutual recognition agreements deemed necessary (e.g. on certification).

3.3 MEASURES OF CONSIDERABLE VALUE (Aggregate score: 4)

These are to be found across the entire spectrum of Commission action, whether this is aimed at improving the business environment, promoting cooperation or carrying out pilot projects.

3.3.1 Impact statements

The machinery for assessing the impact of draft Community legislation on businesses, through the establishment of impact statements, has proved its worth and gained in effectiveness since the 1990 reform, as stressed in the D&T evaluation report.

As far as relations with other Commission departments are concerned, however, it seems important to stick to the principle that these should be responsible in the first instance for drawing up the statement. This is justified by their technical expertise and the special relationships they have - or should have - with the business interests most directly concerned by the proposal. One of the aims of the impact assessment procedure is moreover to raise the awareness of the originating departments so that they gradually learn to build the "enterprise dimension" automatically into their proposals.

It would still appear, though, that more has to be done to convince the departments of the importance of this task and make it more acceptable to them. The Directorate for enterprise policy acknowledges that it should also step up its contacts with other departments in order to become involved and cooperate in the preparation of impact statements and the drafting of proposals themselves at the earliest possible stage. Awareness-raising and training measures for officials in the different Commission departments could also be contemplated.

The Commission also considers it important to make the Commissioners themselves and the other Community institutions, including the Council, more aware of the importance of the impact statement so that they take it sufficiently into account in their decisions.

Another of the D&T report's recommendations is that more consideration should be given to the opinions of trade associations, although it correctly identifies the problem of the dispersion of these bodies and the weaknesses in some of their structures, which makes it difficult for them to provide swift, concrete responses to soundings from the Commission.

The D&T report suggests that the Commission should in future take some responsibility for strengthening the operational capability of SME organizations. The suggestion of working with panels of experts delegated by the different organizations deserves to be looked into closely. At first sight, it offers the advantage of avoiding any need for intervention by the Commission in existing organizations, whose present structures would be left untouched. It does, however, raise a number of problems to do with the representativeness of delegated experts, the financing of meetings of expert panels, and the availability of experts, given the speed with which decisions sometimes have to be taken.

If such an arrangement were to be introduced, it would probably be more effective if it were used primarily for horizontal measures, in other words measures that concern all businesses; for sectoral proposals, the most suitable approach would seem to be to consult the organizations representing the branches concerned.

On the last recommendation, that information on the results of the impact assessment procedure should be disseminated more widely in business circles, we take the view that the SME organizations themselves should be able to disseminate such information if they are more closely involved in the process. The Commission is also currently examining a number of measures to make the impact assessment procedure more transparent and more readily understandable, for example by holding seminars with representatives of the national administrations and the business community.

3.3.2 Public procurement

The Commission is anxious to stress that its action is exploratory since bidding for public contracts in other Member States is an extremely risky and entirely new venture for SMEs.

The potential of BC-Net has not so far been used in the public procurement field. As the system matures, however, specific requests from SMEs are expected to grow considerably, and this rising demand will be coped with.

The limited budget set aside for the EICs allows only a small number of them to specialize in this field and pursue innovative approaches.

The Commission's action to promote SME participation in public procurement draws together different types of initiative: studies, as noted in the D&T report, but also support for conferences and seminars and participation in a pilot cross-border scheme. The results of the pilot scheme highlight the barriers encountered by SMEs, since in this case around 100 German SMEs and 15 French, Belgian and Irish firms tried in vain for two years to win a public contract in another Member State, despite the special assistance they were given through selection of information on public contracts by product type and translation of the contract documents.

The recommendations made in the D&T evaluation report echo the findings of a study conducted for the Commission, with the exception of the evaluator's suggestion that a share of public procurement be reserved for SMEs. Since it does not appear in the study, the Commission cannot comment on this new recommendation, although it fully endorses the other findings of the study.

Lastly, the D&T report suggests that independent national bodies be set up to ensure close coordination and monitor market transparency and the application of Community law. The French Government has already set up a complaints office; the Commission does not intend to take any initiatives in this area.

3.3.3 Euromanagement

The evaluator recommends that "pilot schemes should be designed from the outset with a view to their generalization, so that the momentum created does not rapidly run out; a succession of pilot schemes which are never followed up in any significant way would soon lead to a loss of interest".

The Commission has already taken a number of follow-up measures:

- by introducing into the Cordis database descriptions of plans and requests for cooperation from all SMEs that took part in the pilot scheme; the two DGs are also shortly to hold a series of seminars with those SMEs to enable them to find partners and present to them the results of Community research which are of special interest;

- by drawing the attention of managers of Community R&TD programmes to projects submitted by audited SMEs;
- by encouraging the consultants and organizations that took part in the pilot scheme to continue providing advice for SMEs.

3.3.4 Partnership: Europartenariat and Interprise

The programmes for putting businessmen in direct contact with one another are enjoying increasing success. They are aimed at stimulating business development and interregional cooperation by facilitating the conclusion of cooperation agreements between firms. The Europartenariat programme promotes cooperation on a broad basis with firms from regions eligible for assistance under the Community's European Regional Development Fund (ERDF). The Interprise programme is designed to develop cooperation between firms from all Community regions, frequently on a sectoral basis. These programmes are thus also helping to enhance and strengthen the image of the regions, particularly where they facilitate the conversion or diversification process in conjunction with radical changes in the industrial culture.

Emphasis should be placed, as the evaluator notes, on the decisive role which the Community can play through intensive cooperation with economic policymakers at regional and national level, as well as on the structural aims to be developed in the interests of the regions concerned thanks to the long-term benefits they can derive from these measures.

i) Europartenariat

Europartenariat unquestionably has a European dimension and is a very good example of synergy between enterprise policy and regional policy. Its growing success makes it a model for many other programmes.

Europartenariat gives full priority to those SMEs in the region benefiting which are able by the operation in question to participate on a practical level in the single market. Furthermore, monitoring of the programme reveals a higher level of practical involvement on the part of such firms than in the case of partner-search operations organized at national level. The quality of the preparation allied with the promotional measures taken arouse great interest among the visiting firms despite the fact that the events are held in less developed regions.

The results obtained confirm the unanimous satisfaction of businesses and the trade associations and chambers of commerce, trade, etc. assisting them, even in more problematic regions or contexts (for example, the new Länder/Leipzig, Greece/Thessaloniki).

Two evaluation and follow-up reports (one interim and one final after a year has elapsed) have to be drawn up by the organizers and a further three reports are now required of the consultants for the different countries (interim and final reports and an evaluation report drafted at a later stage, covering the longer-term results).

On the long-term impact of Europartenariat, we should highlight the great promotional advantage it confers on the regions concerned and the fact that it gives the Community's assistance to the regions and SMEs involved a higher profile.

The structural effects will also be developed through lasting follow-up. Continuity is already ensured through the subsequent Europartenariat and can be strengthened through the organization of certain Interprise events some time later. The organizers will also be encouraged to continue follow-up action over extended periods along the lines of what is being done in Wales.

On the other hand, the Commission cannot but express reservations on the recommendation that Europartenariat events should be scaled down: this would conflict with the aim of achieving a significant impact and could weaken the image-enhancement effect. It should also be stressed that the selection process in the regions concerned eliminates a large number of candidate firms. Finally, the high level of participation by firms has a multiplier effect on the number of contacts established and partnership agreements concluded.

The cost analysis underlying this proposal needs to be put into perspective: the cost reflects the fact that the events bring about direct meetings between businessmen and is in any case much lower than trade fairs on the same scale, which do not usually involve sectoral and multilingual targeting of this kind.

Similarly, calculating the ratio between the number of businesses taking part and the total number of SMEs capable of engaging in cross-border cooperation in Europe is only the first step in any analysis. It does not justify scaling down the events, which - it should be stressed - are preceded by selection from a wide range of the most successful businesses in the regions concerned. These firms exert considerable pull on the local economy.

The number of firms involved has risen from 320 in 1988 to 2 800 in 1992.

To this should be added the distribution henceforth of 80 000 catalogues for each Europartenariat. Consequently, if the target population of SMEs regarded as already prepared for this type of cross-border cooperation is taken to be 500 000, then over 25% of this target population is being reached every year (two catalogues : approx. 150 000 copies).

The businesses which have taken part in Europartenariat thus together make up probably the most dynamic group of SMEs interested in cross-border business.

ii) Interprise

The scheme has enjoyed a very large measure of support from most enterprises, public organizations and government authorities.

As stressed in the D&T report, these initiatives could not have been developed without the involvement of the Commission, whose contribution represents considerable added value in comparison with the overall importance of each measure.

The specific features of Europartenariat and Interprise should be retained, while certain links between them should be developed, as stated earlier (an Interprise can follow on from a Europartenariat event).

The distinctions between the two programmes are clear: Europartenariat integrates regional policy aspects into large-scale operations, whereas Interprise can be organized in all the industrial or lagging regions and can be geared to sectoral targets.

3.3.5 Statistics

In the statistical field, the Directorate for enterprise policy is proud of having published 'Enterprises in the European Community', for the first time in 1990, with an updated version in 1992 (12). These reports are so far the only available sources of information that is comparable between Member States on the contribution which SMEs make to the Community economy in terms of employment and turnover.

Although it is convinced of the importance of collecting comparable and relatively detailed statistics on the importance of SMEs throughout the Community, the Commission has always been aware of the need to avoid adding to the burden on small businesses through questionnaires or surveys to be answered over and above the many administrative formalities they already have to fulfil.

It therefore clearly defined its strategy from the outset:

- using statistics already in existence at national level;
- including the SME dimension in some parallel Community statistical instruments such as the survey of industrial structures (the forthcoming amendments of the basic directives will include firms employing less than 20 people and the service sector), the draft Council Regulation on Community coordination in drawing up business registers for statistical purposes (13) (data on business start-ups and failures) and the Council Decision of 18 June 1992 (14) on the development of European statistics on services.

A specific directive or recommendation on the collection of statistics on SMEs, as suggested in the D&T evaluation report, would probably have the disadvantage of adding to small businesses' reporting obligations.

The sample survey is an extremely useful technique for collecting some detailed information that cannot be requested from all businesses. The Eurochambers initiative is worthy of note here, and the Commission will keep a close watch on these developments. Initiatives of this nature cannot, however, replace larger-scale projects undertaken in cooperation with the national statistical offices.

Given the importance of this work and its direct value in framing enterprise policy, it is normal that the concerned should devote a substantial budget to it. It is standard practice for Eurostat to carry out on its own account only work that is based on a Community directive or regulation, and for specific requests from Commission departments to be financed by the latter.

(12) "Enterprises in Europe", ISBN-92-826-4609-2

(13) COM(92)352 of 03.09.92

(14) OJ L179 of 01.07.92

3.4 MEASURES OF VERY CONSIDERABLE VALUE: TAXATION, BRITE/EURAM FEASIBILITY AWARDS

Both the measures in this category illustrate the ability of the Commission department concerned to succeed in stimulating other Commission departments and encouraging them to take account of the needs of SMEs, in these cases when framing tax policy or when implementing specific programmes, particularly in the R&D field.

In the latter case, the fact that the General Directorate for enterprise policy was able to provide initial financing for the measure undoubtedly helped it to be taken up by the department concerned.

IV- CONCLUSIONS

The Commission, in response to the Council request in article 3 of its decision of 18 June 1991, has carefully analysed the Deloitte & Touche evaluation report on the Community's enterprise policy.

As explained in the present document, the Commission gives its comments on the D&T report providing further analysis on the general evaluation of the validity of a Community policy in this field as well as on the result of the detailed analysis of each measure.

The D&T report contains a number of interesting suggestions in relation to the future work of the Commission, but these do not take into account the inevitable inadequacy between the long term implementation of programmes and their observation at a certain moment.

In this context, the Commission wishes to emphasize that the remarks expressed here cannot be exhaustive. It is not the Commission's intention to undermine the validity of the evaluation report carried out by independent experts whose work is valuable given the short time they had and the difficulties of understanding a complex field of activity from an external point of view.

Therefore the Commission is pleased to note the mainly favourable opinion of the D&T report and will take into account the specific information revealed through the evaluation process.



**EVALUATION OF THE COMMUNITY'S
ENTERPRISE POLICY**

SUMMARY

30 September 1992

REPORT SUMMARY

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INTRODUCTION

1. OBJECTIVE OF THE EVALUATION

Council Decision 91/319/EEC of 18 June 1991 revising the programme for the improvement of the business environment and the promotion of the development of enterprises, and in particular small and medium-sized enterprises, in the Community stipulates (Article 3) that, in addition to the Commission's own annual assessments, an evaluation of the results achieved from all aspects of the programme is to be conducted for the Commission by independent experts. A report, together with any comments by the Commission, is to be submitted to the European Parliament and the Council before 1 November 1992.

The evaluation asked for encompasses the entire "improvement" programme introduced by Decision 89/490/EEC of 28 July 1989.

2. EVALUATION METHODOLOGY

The methodology used is based on criteria that have been discussed with the competent officials in Directorate General XXIII.

A set of five criteria form the basis of the evaluation exercise:

First criterion: Quality of goal-setting

The effectiveness of each policy is analysed first in the light of the relevance of its goals: inherent value; awareness of induced problems; precision of operational methods and goals set.

Four subcriteria with a particular impact on goal-setting are systematically applied as well:

- proper application of the principle of subsidiarity;
- determination of the target for the measure (types of enterprises, number, intermediaries);

- match between the approach chosen and product design;
- efficient utilization of the networks available.

This grid highlights the approaches in terms of customers, products and networks.

Second criterion:

Quality of evaluations made

Decision 89/490/EEC provides (last indent of Article 4(2)) for the periodic evaluation of the results obtained within each programme in accordance with the timetables laid down.

In addition, Article 6 requires the Commission to submit each year an evaluation report on the implementation of the Decision to Parliament, the Council and the Economic and Social Committee.

The quality of previous internal or external evaluations by Directorate-General XXIII is, therefore, an accurate indicator for an initial assessment of the results obtained and of the improvement or corrective measures subsequently envisaged and taken by DG XXIII.

Third criterion:

Cost effectiveness

Calculating the cost effectiveness of a particular measure makes it possible to compare the results obtained with the costs incurred, with account being taken of the maturity of the project (cost effectiveness is generally lower in the start-up phase).

Fourth criterion:

Quantitative impact

The actual impact of a particular measure on the enterprises targeted or on any intermediaries involved is measured approximately.

The criterion for assessing the actual impact must be differentiated according to whether we are dealing with regulatory measures to be implemented immediately or at a later date, information or awareness campaigns or

programmes whose effects take a longer or shorter time to work through.

Fifth criterion:

Qualitative impact

This last criterion takes into account the non-quantifiable effects of policies: external media impact, internal communication effects, new methodological or conceptual input, intensification of informal cooperation.

For each measure, a score of between 1 and 5 is given for each criterion.

An aggregate score is then calculated for each measure, again ranging from 1 to 5.

The meanings of the scores are as follows:

1. Measure giving rise to serious reservations.
2. Measure giving rise to reservations.
3. Measure of average interest that may need adapting.
4. Measure of considerable value.
5. Measure of very considerable value.

Assigning a score to each measure is not a scientific process. The aim is for the evaluator to indicate a clear position, to act as a catalyst for discussions on a clearly defined basis which will allow comparisons to be made.

3. EVALUATION EXERCISE

The evaluation exercise began in early May and was completed at the end of July. It was carried out by a small team of four.

It involved three main stages:

- identification of measures in Brussels (May);

- direct gathering of information by the members of the team in each Member State (June and early July);
- compilation of report and synopsis (last three weeks of July).

A list of all contacts during the exercise is annexed to the report.

4. STRUCTURE OF REPORT

The report is in three parts:

- the first part gives the background to the enterprise policy being implemented by Directorate-General XXIII. It provides an overall picture of Community policy to promote enterprise and proposes a framework for examining that policy;
- the second part, which constitutes the evaluation proper, includes, for each measure evaluated, a concise description of its main characteristics, the evaluation made applying the five criteria referred to above, and a section setting out the conclusions and recommendations;
- the third part, which is relatively short, proposes several areas for future study.

PART A

The background to the enterprise policy being implemented by

Directorate-General XXIII

1. INSTITUTIONAL AND HISTORICAL ASPECTS

1.1. A BRIEF HISTORY

- 1.1.1. Enterprise policy is a wide-ranging topic which covers a number of areas of Community responsibility set out in the Treaty of Rome.

As in the case of most national administrations, it was not given institutional form at Community level until recently.

The first measure establishing Community enterprise policy was the organization in 1983, on a proposal from the European Parliament, of the European Year of Small and Medium-Sized Enterprises and Craft Industry.

The organizing committee put forward a programme of measures which served as a reference for the Commission's proposals.

At that time, efforts to identify a framework for specific measures to assist small and medium-sized enterprises (SMEs) within a Community context were based on one principal established fact and four fundamental objectives.

The *established fact* was the existence of a gap in Community policies at the very time when the establishment of the single market was being accompanied by a legislative phase that was having a major impact on firms without their really being informed about it. The Community's existing industrial policy was not adequate to deal with this situation.

The following *four fundamental objectives* were thus defined:

- to improve coordination of activities affecting SMEs within the Commission in order to ensure that better account was taken of their specific problems;
- to contribute to the harmonization of national and Community policies;
- to organize dialogue with the organizations representing SMEs;
- to help create structures and programmes at Community level with a view to solving the practical problems facing SMEs.

- 1.1.2 At its meeting in Luxembourg on 2 and 3 December 1985, the European Council decided to institute an assessment of the impact of Community proposals on SMEs and the preparation of measures to simplify their administrative, tax and regulatory environment.

These priority tasks were carried out, on the basis of Article 235 of the Treaty of Rome, in two stages:

- * The first stage was the setting-up of the SME Task Force under Mr Alan Mayhew in June 1986. An action programme in the form of a resolution (COM(86)445) was adopted by the Council on 3 November 1986.

On 22 December 1986 the Council adopted a resolution (85/C340/02) on an action programme for promoting employment. The section of that resolution concerning steps to promote new enterprises and increased employment contained a number of measures designed to assist SMEs.

- * The second stage began in 1989, when the Community decided to allocate more resources to its enterprise policy in the wake of the new impetus given by the entry into force of the Single European Act in 1987:

- creation of the new Directorate General XXIII, which is now principally responsible for implementing that policy (in addition to being responsible for the three economic sectors: distributive trades, tourism and cooperatives) and which, under the leadership of Mr Heinrich von Moltke since March 1990, has taken over from the SME Task Force;
- adoption of a Council Decision on 28 July 1989 on the improvement of the business environment and the promotion of the development of enterprises, and in particular small and medium-sized enterprises, in the Community, which followed a resolution on the same topic adopted on 30 June 1988 (Decision 89/490/EEC).

That Decision provided in particular for the subsequent definition of the measures to be financed, subject to endorsement by a committee of representatives of the Member States (the Article 4 Committee), on the basis of four priority areas of activity annexed to the Decision and a financial package of ECU 110 million for the period 1990 to 1993.

On 18 June 1991 a new Council Decision reviewed the improvement programme, as provided for in Article 7 of the 1989 Decision, and increased the amount earmarked to it from ECU 110 million to ECU 135 million, subject to the condition that an independent evaluation of the results of the programme was carried out: such is the object of this report.

The Members of the Commission with special responsibility for this policy area have been Mr Abel Matutes (from January 1986 to January 1989) and Mr António Cardoso e Cunha (since January 1989).

- 1.1.3. The transformation of the SME Task Force into a full Directorate-General was of course bound to be matched by a change in the nature of measures taken to assist small and medium-sized enterprises, even if previous initiatives have been continued.

The role of the Task Force was to serve as an intermediary between the Community and the world of SMEs and to provide information on the opportunities presented by the building of the Community and international cooperation.

The task of the Directorate-General is to define a Community policy on small and medium-sized enterprises and consists of:

- clearly setting out the medium- and long-term priorities, targets and objectives;
- planning adequate budgetary resources.

The development of enterprise policy may also give rise to pilot schemes as a means of testing the feasibility of action in a particular area. Such schemes are not an end in themselves and are appropriate only if they lead on to broader action in the form of legislation or programmes.

Directorate-General XXIII draws up each year its programme for implementing Decision 89/490/EEC, which it then submits to the Article 4 Committee for approval. That programme, presented in the form of a list of measures, consists of a summary description of the objectives to be achieved during the course of the year and the estimated budgetary cost.

No multiannual objective has been set over the period even though most of the measures are bound to last for a number of years.

1.2. ORGANIZATION OF DG XXIII

- 1.2.1. DG XXIII is a young department. Initially staffed on the basis of the nucleus of the SME Task Force, its numbers had gradually grown to approximately 190 by the first half of 1992.

According to the information given to the assessor, the staff consists of 60 Commission officials and 70 full-time experts made available by institutions in the various countries of the European Community. This total does not include the permanent consultants who work for the Directorate-General and who number approximately 60 in all, a relatively high figure.

The fact that the Directorate-General is still small in size obliges it to be really selective in choosing the measures it is to take.

- 1.2.2. DG XXIII is divided into two directorates:

- Directorate A (improvement of the business environment) is headed by John Jordan and consists of four units: general enterprise policy (11 persons), trade and distribution (19 persons), tourism (20 persons), and cooperatives (15 persons);
- Directorate B (Community action to assist enterprises) is headed by Ranieri Bombassei and consists of three units: information for enterprises, relations with SMEs and trade and craft associations, and secretariat of the SME Committee (18 persons), SME cooperation and transnational development (27 persons), and improvement of conditions for enterprise and market access (29 persons).

The organization of the Directorate-General reflects the predominant part played by action programmes (Directorate B consists of 77 persons excluding external consultants) compared with general enterprise policy (represented by a unit of 11 persons that is responsible for matters relating to the legal, tax and social environment of small and medium-sized firms).

- 1.2.3. DG XXIII has been the subject of two screening reports drawn up by the Inspectorate-General of the Services of the Commission: one in 1991 and the other, in the first quarter of 1992, on external staff.

Those reports were not provided for the purposes of the present evaluation. It was not the assessor's task to pass judgement on the organization of DG XXIII but instead on the nature and effectiveness of the operations for which it has been responsible.

1.3. THE COMMUNITY ENVIRONMENT OF SMALL AND MEDIUM-SIZED ENTERPRISES

The fact that increasing account is being taken of matters specifically of interest to SMEs is in large measure due to the initiatives and efforts of the European Parliament, the Economic and Social Committee and the trade and business organizations representing SMEs.

These are the bodies with which DG XXIII is primarily in contact.

- 1.3.1. The European Parliament has played a key role in defining a policy on SMEs and craft industry, particularly in proposing that 1983 be declared the European Year of Small and Medium-Sized Enterprises and Craft Industry.

The report by Ms Nielsen (LDR), under Article 135 of the Treaty, on the action programme proposed by the Commission gave effective support to the introduction of the policy for assisting SMEs through the adoption of a resolution on 15 May 1987.

At the time of the review of Decision 89/490/EEC in June 1991, Parliament also unanimously endorsed the report by Mr Roberto Speciale (GUE).

In the various opinions it has delivered or is in the process of preparing on Commission proposals or communications (e.g. amendment of the Sixth Directive, single-member limited companies, subcontracting, mutual guarantee associations), the European Parliament has demonstrated its support for the implementation of Community measures in this field.

Furthermore, in discussions on a number of specific Community policies - for example, in the fields of research, training or Community measures under the structural Funds (in particular, Leader, Prisma) - and in its opinion on the European Year of Safety, Hygiene and Health Protection at Work, Parliament has called for increased attention to be paid to SME involvement in the arrangements implemented, even requesting that specific measures be devised to facilitate such involvement.

Following the report by Mr Petrus CORNELISSEN (PPE), DG XXIII's 1992 budget was increased at Parliament's request by ECU 5.033.000. Particular emphasis was laid in that connection on the problems faced by SMEs in the field of health and safety at work.

In 1984 a number of Members of the European Parliament set up a cross-party group on SMEs which comprises some 30 members and was chaired until 1992 by Mr Ingo Friedrich (PPE); it is now chaired by Ms Karla Peijs (PPE). DG XXIII is involved in its work.

No own-initiative report has been presented by the European Parliament on this subject in the recent past.

1.3.2. The Economic and Social Committee

Since the Economic and Social Committee was set up, its Employers' Group I has included some 15 representatives of small and medium-sized firms (frequently representing federations), who have often actively pressed for account to be taken of their interests.

This activity has been marked particularly by an Economic and Social Committee opinion on the SME action programme (87/C232/20), which was adopted on 1 July 1987 as a follow-up to the opinion on the promotion of SMEs in the European Community (82/C285/16). The latest opinion on this subject, drawn up by Mr Schleyer, the Secretary-General of the Central Craft Industry Association in Germany, should be published before the end of the year.

1.3.3. Representative organizations

DG XXIII has identified 12 European trade organizations which, because of their inter-trade nature and geographical scope, are capable of representing SMEs at Community level.

These organizations and their characteristics (number of firms they claim to represent, premises or representation in Brussels, existence of a programme of desiderate) are set out in Table 1.

Apart from UNICE, which deals with the problems of both SMEs and larger enterprises, the SME representative structures at Community level are generally "light". Though still somewhat fragile, they constitute essential points of contact for DG XXIII.

Despite this handicap, DG XXIII has established machinery for permanent consultations with trade representatives in the form of monthly meetings at which topical matters are discussed.

The reactions of the trade organizations to DG XXIII can be summed up as follows:

- great satisfaction that a Directorate-General for SMEs, which many had called for, now exists;
- a real liking for the consultation machinery established by DG XXIII and the grants made in support of some of their specific activities (the 1992 annual programme provides for the allocation of ECU 830 000 according to the guide drawn up in February 1992);
- a desire to maintain direct contacts with other Commission Directorates-General whose spheres of activity directly affect SMEs.

The specific judgements they make of DG XXIII's activities are set out in Part B of this report.

However, two general trends can be noted: firstly, the wish of the majority that DG XXIII should determine and pursue an explicit and specific policy in certain priority areas; and secondly, the view of a minority who see DG XXIII more as an intermediary or channel between SMEs and the other Community structures.

TABLE 1

REPRESENTATIVE PROFESSIONAL ORGANIZATIONS

NAME	ABBREVIATION	NUMBER OF ENTERPRISES CLAIMED AS MEMBERS	PERMANENT PRESENCE IN BRUSSELS
EUROPEAN COMMITTEE FOR SMALL AND MEDIUM-SIZED INDEPENDENT COMPANIES	E.U.R.O.P.M.I.	300 000 enterprises	One representative (half-time)
EUROPEAN MEDIUM AND SMALL BUSINESS UNION	E.M.S.U.	16 federations around 3 million enterprises	Based in B
EUROPEAN INDEPENDENT BUSINESS CONFEDERATION	A.E.C.M.	7 federations around 850 000 enterprises	One representative
CO-ORDINATING COMMITTEE OF EEC COOPERATIVE ASSOCIATIONS	C.C.A.C.C.		
UNION OF INDUSTRIAL AND EMPLOYERS' CONFEDERATIONS OF EUROPE	U.N.I.C.E.	33 federations	30 representatives
EUROPEAN ASSOCIATION OF CRAFT, SMALL AND MEDIUM-SIZED ENTERPRISES	U.E.A.P.M.E.	15 federations around 5 million enterprises	Three representatives
FEDERATION OF EUROPEAN WHOLESALE AND INTERNATIONAL TRADE ASSOCIATIONS	F.E.W.I.T.A.	10 federations	Two representatives
EUROPEAN CONFEDERATION FOR RETAIL TRADE	C.E.C.D.		

NAME	ABBREVIATION	NUMBER OF ENTERPRISES CLAIMED AS MEMBERS	PERMANENT PRESENCE IN BRUSSELS
ASSOCIATION OF EUROPEAN CHAMBERS OF COMMERCE AND INDUSTRY	EUROCHAMBRES	23 members 800 chambers, around 10 million enterprises	8 representatives
EUROPEAN COMMITTEE OF WORKERS' CO-OPERATIVES	C.E.C.O.P.	14 full-member federations 8 associate members	3 representatives
EUROPEAN SELF-EMPLOYED CONFEDERATION YES (YOUNG ENTREPRENEURS FOR EUROPE)	C.E.D.I. YES		

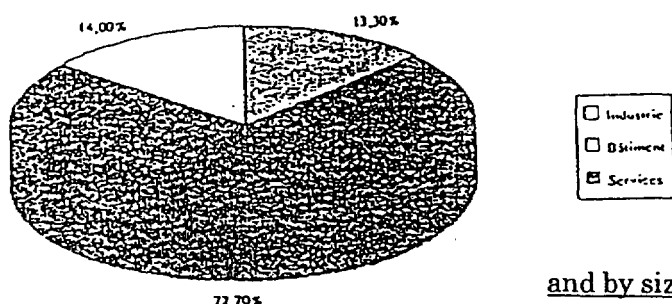
2. THE TARGET-ORIENTED APPROACH

2.1. THE SME POPULATION IN EUROPE

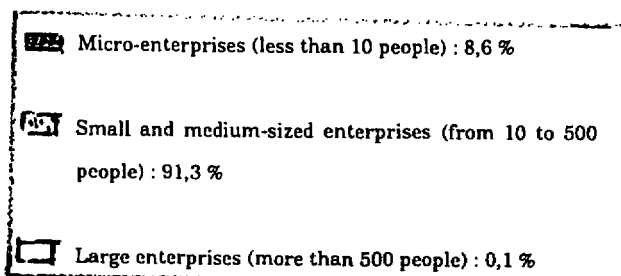
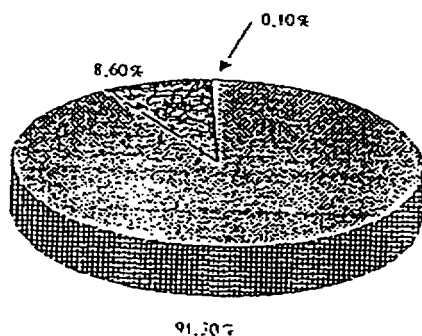
2.1.1. Defining enterprise policy presupposes that the target of that policy is clearly identified, which is not an easy task.

The SME market is itself extremely diverse, consisting of economic operators that have totally different concerns, characteristics and ways of thinking.

The number of non-agricultural enterprises in the Community is estimated to be 13.4 million (1986 data),¹ broken down by sector as follows:



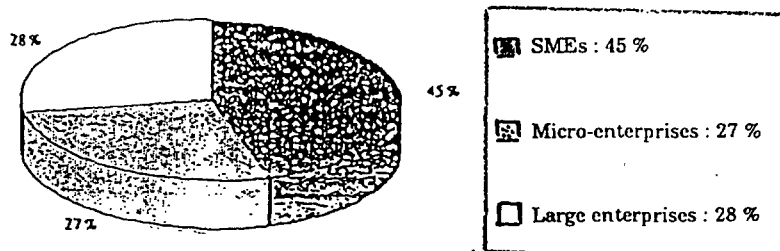
and by size as follows:



The annual increase in the number of enterprises is put at approximately 2.5%, i.e. some 350.000 additional enterprises per year.

¹ Source: "Enterprises in the European Community", report published in 1990. A new report (so far available only in preliminary form) provides data for 1988 but aggregates them for ten countries only (the Twelve less Greece and Ireland, i.e. 11.6 million enterprises in 1988).

The 13.4 million Community enterprises in 1986 provided 92 million jobs, broken down as follows:



SMEs with under 500 employees thus account for more than 70% of jobs in the Community.

The relative importance of these enterprise categories varies according to country.

While in three countries micro-enterprises account for more than 35% of jobs (Italy, Spain and Portugal), in four other countries large undertakings exceed that figure (Germany, France, the Netherlands and Greece).

- 2.1.2. A definition of SMEs at Community level is made difficult by differing national traditions together with widely diverse institutional frameworks (chambers of commerce, chambers of trade, associations).

In view of the principle of subsidiarity, it would not be appropriate to attempt a single European definition of the small or medium-sized enterprise with its various categories.

However, at the request of the Council of Ministers for Industry meeting on 28 May 1990, DG XXIII put forward a clarification of the SME definitions used in the context of Community activities (report 92/351 final dated 29 April 1992). Given the need to maintain a flexible approach, the reference criterion proposed is the number of persons involved, i.e. 500, with two intermediate thresholds of 250 and 50.

Additional criteria based on turnover and value added may be adopted subsequently.

This definition will serve as the datum for this evaluation report.

2.2. THE DEFINITION OF THE TARGET

- 2.2.1. The diversity of SMEs calls for a precise appraisal of the target of the policy chosen. This is work which, generally speaking, has not really been carried out by DG XXIII.

A number of transverse factors provide a framework and justification for Community enterprise policy:

- the key role of small and medium-sized firms in creating jobs, particularly in view of the industrial restructuring which has taken place since 1973;
- the partly positive and partly negative impact of the implementation of the Single European Act: positive because of the opportunities presented by a single European market and negative because of the emergence of new rules and regulations;
- the need to establish a forum for discussion with small enterprises, which are often individualistic and mistrustful of technocracy, and about the hitherto dominant role of large enterprises in building the Community;
- the account to be taken of the economic weight of SMEs (see above) and of the importance of the values they represent for the building of the Community, in particular the spirit of enterprise and the taste for individual responsibility.

- 2.2.2. In addition to these common characteristics which reinforce the legitimacy of an enterprise policy, however, there are target groups with widely differing needs and concerns.

At the very least, two major categories must be recognised:

- Category 1: pace-setting enterprises: involved in internationalization and measures to promote cooperation and technological development, these are frequently the larger enterprises.
- Category 2: traditional SMEs: with their desire for a simpler business environment and lower costs and with their opposition to aid, which they see as distorting competition, these enterprises consider it necessary for SMEs to benefit from a few "cheap and cheerful" tools, particularly in the financing field.

The first category tends to regard the Community as a new opportunity, the second as a threat and a source of increasing complication.

The first group of enterprises, which are generally highly competitive, can play a leadership role for the others, providing them with good examples of successful endeavour and initiative.

A third category is made up of small enterprises which are on the defensive, which are losing market share and finding self-analysis difficult, which are not receptive to the idea of building the Community and are liable to adopt a reactionary stance.

Any breakdown of SMEs into each of these categories is difficult in the absence of a real survey and is likely to vary appreciably from one country to another.

Finally, in establishing policy to assist SMEs, it is important to determine the position to be reserved for employees as opposed to employers, who are generally the priority target.

The messages to be communicated to these different categories are not the same and, if they are to be effective, they must have specific targets. In most cases, DG XXIII's activities tend to be concerned implicitly with the first category (EIC, cooperation, pilot R&D programmes) rather than with the second, even though some horizontal issues also involve them (impact assessments, mutual guarantees, craft industry).

3. THE PRODUCT-ORIENTED APPROACH

3.1. THE DIFFERENT APPROACHES TO ENTERPRISE POLICY

There are two main approaches to enterprise policy:

- the integrated approach, under which there is no need to introduce tailor-made, individual measures in favour of SMEs, but simply to take account of their wishes when legal and financial decisions are made. This approach is generally defended by the authorities which are traditionally responsible for legal, tax and social policy or existing aid procedures (e.g. research and development, regional policy). The organizations which represent both large and small enterprises support this point of view, which stresses the unity of the business world, from the large multinational to the individual craftsman;
- the specific approach, which is based on the idea that as long as programmes in favour of small enterprises in particular are not implemented the decisions of national and local authorities are not naturally favourable to them, in particular because they are poorly represented. Only a specific, tailor-made policy, implemented in agreement with the other authorities involved, allows the needs of small and medium-sized enterprises to be taken into account through an environment and through development instruments adapted to their features. This approach is advocated mainly by organizations representing small and medium-sized businesses exclusively.

The tug-of-war between these two approaches goes on at Community level and within the administrative organization of each Member State. A compromise is generally found between the two, the share of the specific approach being directly proportional to the political influence of the representatives of the different types of small and medium-sized enterprises.

As things stand at present, it has to be said that at Community level the integrated approach has so far dominated in practice, despite the (albeit recent) establishment of DG XXIII.

3.2. RANGE OF POSSIBLE PRODUCTS AND THEIR CHARACTERISTICS

Defining an enterprise policy means surveying what are the measures which can be taken under such a policy.

Table 2 lists the principal measures which are currently available to those responsible for policy to help small and medium-sized enterprises. This is accompanied by a summary of the features of these policies with regard to cost, timelag and overall effect.

The choice of products must depend on:

- 1) the target;
- 2) the budgetary resources available;
- 3) the tone of the message addressed to enterprises.

To be effective, it must fulfil three conditions:

- selectiveness, so as to present a range of products for enterprises;
- adequate critical mass, so as to have a real impact which surpasses that of intermediaries;
- medium-term duration, where necessary with relay centres, so as to move beyond the stage of experimentation.

Examination of DG XXIII's portfolio of products, which in general complements the action taken by other Directorates-General, shows that it covers a large proportion of the possible types of intervention listed in Table 2 (subjects 2, 3, 5, 6, 7, 9, 11). At the present stage of development, preference is therefore given to a broad coverage of the wishes expressed, rather than selectivity and systematic acquisition of critical mass in the measures taken.

3.3. THE CHOICE OF NETWORK USED

- 3.3.1. In view of the number of small and medium-sized enterprises in Europe, it is foolish to imagine that, even with reduced targets, any measure could be devised without support from existing networks.

DG XXIII has taken account of this situation by refusing to subsidize enterprises directly, and by granting financial assistance to relay centres which are responsible for distributing aid to final beneficiaries.

The relay centres for enterprise policy may be:

Public:

- national governments and their local offices;
- local and regional authorities and their agencies;
- chambers of commerce and of trade and other public-interest bodies.

Private:

- professional organizations;
- specialized trade associations (cooperative associations, mutual societies, etc.);
- banks and financial establishments;
- liberal professions, consultancies and other private bodies.

- 3.3.2. DG XXIII observed that the relay centres were not homogeneous across Europe and that in practice they could have a number of weaknesses in regard to disseminating information on Community action.

It has therefore chosen two types of solution:

- the designation of tailor-made relay centres within a number of different existing networks (in the case of Euro Info Centres, BC-Net and BRE).

This method smooths over the joins between national networks and accentuates the European nature of the measure;

- setting up and using individual relay centres at Community level, allowing better coordination of initiatives, such as EVCA, the European Venture Capital Association set up in 1983; or the European Association of Mutual Guarantee Companies, which is currently being established.

Without particularly seeking to do so, DG XXIII has not excluded using, as part of its measures, the network-of-networks technique, which enables a central structure to have a greater overall effect. The calls for tender which have been made, in particular for Euro Info Centres, were open to network structures, in competition with other bodies. A limited number have in this way joined the EIC network.

The selection of networks composed of different operators had three major drawbacks:

- irritation on the part of some Member States, who wish to keep a coordinating role between Community initiatives and their own national policies, and sometimes suggest setting up a single national relay centre for Community initiatives in this area.
- frustration in the traditional networks, which often have many compulsory or voluntary members, but with insufficient access to Community measures;
- sometimes uneven nature of the networks, which include private and public-sector partners with conflicting objectives.

The systematic use of existing specialized networks, depending on the products on offer, and the use of calls for tenders where necessary, could in future ensure greater scope for action for Community initiatives in support of SMEs.

TABLE 2

LIST OF THE MAIN POLICIES TO ASSIST SMES

SUBJECT	MEASURES	COST	HOW SOON EFFECTIVE	MASS IMPACT
1. Setting-up of enterprises	- Simplification of formalities	Low	Rapid	Major
	- Tax incentives	High	Rapid	Major
	- Project support (training, etc.)	Medium	Long-term	Minor
2. Transfer of enterprises and changes in legal structure	- Reduction in taxes and charges	High	Rapid	Major
	- Support for trading - stock exchanges	Low	Long-term	Medium
3. Simplification of administrative and accounting requirements	- Day-to-day administrative and accounting requirements	Low	Rapid	Major
	- Special and professional regulations (standards, etc.)			
	- Social regulations			
	- Professional regulations			
4. Reduction in charges on enterprises	- Taxation and para-fiscal charges	High	Rapid	Major
	- Calculation of social charges	High	Rapid	Major

5. Support for financial development	- Lowering of tax on profits, according to the various legal structures	High	Rapid	Major
	- Contributions of external equity capital (development capital)	Medium	Long-term	Medium
	- Subsidies for, or provision of, special loans	Variable	Rapid	Variable
	- Mutual guarantees	Low	Long-term	Variable
6. Support for technological development	- Funding of research or technological development	Variable	Rapid	Variable
	- Availability of technical and support centres	High	Long-term	Variable
7. Support for market development	- Advisory services	Variable	Long-term	Variable
	- Support for cooperation between enterprises	Low	Long-term	Variable
	- Promotion of exports (financing mechanisms, information)	Low	Long-term	Minor
	- Organization of commercial fairs, exhibitions and symposia	Low	Rapid	Minor
	- Access to public contracts	Low	Long-term	Variable
8. Support for management	- Assistance for management	Variable	Long-term	Variable
	- Setting-up of approved management centres	Variable	Long-term	Medium
9. Basic and continuing training	- Targeted basic training schemes and apprenticeships	High	Long-term	Medium
	- Continuing training for head of firm and employees	Variable	Rapid	Variable
	- Other training under development programmes	Low	Rapid	Minor

10. Specific measures to promote employment	- Reduction of social security contributions in the form of tax credits for the recruitment of employees	High	Rapid	Variable
11. Support for organizations representing SMEs		Low	Variable	Major

4. THE APPROACH BY DEFINITION OF RESPONSIBILITIES

4.1. SUBSIDIARITY IN THE COMMUNITY

- 4.1.1. Defining the measures to be taken by DG XXIII requires clarification of its responsibilities in relation to the other Directorates-General.

Examination of the range of policies which it is implementing reveals that the vast majority also fall within the field of competence of another Directorate-General.

Only the cooperation networks (BC-Net and BRE) and a number of measures aimed at specific sectors or markets (Artisanat, Euromarketing), are in relatively new spheres of responsibility at Community level.

This situation does not give rise to any remarks of principle: any modern administrative measure situated in a complex environment requires a compromise between different points of view, represented by a number of departments or structures which have to reach a joint decision.

However, a practical remark must be made: on the whole the other Directorates-General tend to try to keep DG XXIII out of their areas of responsibility and their policies, even though a considerable number of specific examples of cooperation have already been established:

- with the DGs concerned by impact assessment;
- with DG 1 concerning trade in the countries of Eastern Europe and the organization of the Europartenariat event in Tunisia;
- with DG 2 for statistics;
- with DG 12 for the Value programme;
- with DG 13 for the Esprit club;

- with DG 16 for Europartenariat and seed capital through the Business Innovation Centre network;
- with DG 18 for Venture Consort and Eurotech.

In the course of systematic contacts with the other Directorates-General during the evaluation exercise, the spirit of cooperation with DG XXIII was sometimes found to be relatively poor, the newcomer being seen as introducing an additional constraint in the conduct of business.

This being so, DG XXIII chose a strategy of complementarity, adapting its ambitions to existing resources and seeking to avoid conflict so as to foster its links with the other Directorates-General.

Only a limited number of subjects, such as the Euro Info Centres and information policy concerning enterprises, state aid to SMEs or some impact assessments, were sent up to Commissioner level for decisions, even though several DG XXIII initiatives gave rise to difficult negotiations.

- 4.1.2. **This pragmatic position may be effective, but it tends to introduce a gap between the expectations of SME managers and the policy reality represented by DG XXIII.**

During interviews in the Member States, SME representatives highlighted three priorities for Community action to support them:

- access by SMEs to Community funds using appropriate procedures;
- the introduction of appropriate rules and regulations in the fields of Community competence;
- provision of operational information on cross-border market opportunities.

These three priority areas have two common characteristics:

- they are specific, for immediate implementation, and will affect individual enterprises;
- they are based on better use of the Community's current programmes and measures rather than on the development of new competences.

They require DG XXIII to be involved in the Community's large-scale measures wherever the concerns of SMEs and its own competence make it desirable that it should act.

Several examples of subjects mentioned, corresponding to major current issues, are:

- structural Funds in areas which benefit from them;
- finance for development (European Investment Bank) or technology;
- the place of SMEs in measures to assist Eastern Europe;
- application of directives linked to the completion of the internal market;
- the consequences of the rules and regulations involved in Social Europe.

4.1.3. The survey of Community measures concerning SMEs was carried out by DG XXIII and has led to the publication of a Practical Guide.

The range of products available to SMEs and other consumers is very broad and relatively complex.

Examination of the real impact of these measures on SMEs was not part of this current evaluation exercise.

DG XXIII has not received a mandate to work on the adaptation and improvement of this range of products in order to facilitate access for SMEs.

Its action has focused on three aspects:

- launch of different products aimed at SMEs;
- in two cases, a backup facilitating access by SMEs to existing programmes (feasibility awards for Brite/Euram and Value);
- the launch in 1992 of a joint study with DG XVI on the use of the structural Funds by SMEs.

The gradual development of a Community policy in favour of small and medium-sized enterprises ought to involve greater discussion of how to adapt the often very powerful instruments available under current policies.

4.2. SUBSIDIARITY VIS-A-VIS THE MEMBER STATES

- 4.2.1. To date there has been no thorough discussion of the application of the principle of subsidiarity in the Community's enterprise policy.

The Member States all have business environment policies and enterprise policies, with different characteristics depending on national traditions. They often leave considerable independence of action to the regional and local authorities familiar with local conditions.

Directorate-General XXIII, which uses OECD studies, has referred to a first survey of action carried out by the Member States to support the creation and growth of small and medium-sized enterprises (report dated October 1988 and published by the Commission in 1989). The 1992 action programme provides for the possibility of organizing a conference on national SME policies in the second half of the year. The Commission has also assembled excellent reference documentation on specific subjects in the action programme (mutual guarantees, terms of payment, technological advice).

Given that the action programme was adopted unanimously by the Council, the question of subsidiarity has, in theory, been settled.

In practice, based on the categories in the Annex to Decision 89/490/EEC, the competences of DG XXIII in relation to those of the Member States are defined case by case in the committee composed of representatives of the Member States established by Article 4 of the Decision.

This Committee delivers an opinion on the Commission's proposals by the majority set out in Article 148(2) of the Treaty. If the Commission's planned measures are not in accordance with the Committee's opinion, the Commission communicates them to the Council, which decides by qualified majority.

The Article 4 Committee meets three or four times a year under the auspices of DG XXIII. Examination of its operation is outside the scope of this evaluation exercise.

In addition, DG XXIII has set up a Committee of Directors-General responsible for enterprise policy. It has not met since 1989.

- 4.2.2. At this stage it would be particularly useful to clarify, in the near future, the precise definition of DG XXIII's competences, based on the principle of subsidiarity.

The following outline could be used a basis for discussion:

a) Community competences covering DG XXIII action

- Dissemination of information on European construction and multilateral cooperation.
- Creation of European partnership and cooperation networks.
- Improvement of the impact for SMEs of the policies carried out by the Community in the context of its current competences (drafting of rules and directives, definition and implementation of action programmes).
- Elimination of the differences between national policies which could lead to distortions in competition at Community level.

b) Competences of the Member States which could be delegated to DG XXIII

- Cross-frontier and bilateral cooperation.
- Coordination of national policies on specific subjects.
- Implementation of a number of pilot schemes designed to be extended subsequently, with the support of the national relay centres.

c) Competences of the Member States

The essentials of policy in support of SMEs (framework and legal form of the enterprise, development instruments, decentralized support measures: see para 32).

This classification, established with a view to the application of the Maastricht Treaty, would clarify DG XXIII's action by concentrating more on a number of selective priorities.

5. STRUCTURE OF DG XXIII's RANGE OF POLICIES

5.1. IDENTIFICATION OF ACTION AREAS

5.1.1. The basis for Directorate-General XXIII's range of activities are the four themes listed in the Annex to Decision 89/490/EEC:

- a) removal of undue administrative, financial and legal constraints;
- b) information and assistance to enterprises;
- c) encouragement of business cooperation and partnership;
- d) policy evaluation and development.

Successive annual programmes have been based on this structure. The 1992 programme, structured in the same way, has been used as a reference for the presentation of Part B of this evaluation report.

The evaluation exercise was confined to examining each of the measures carried out under the programme. It was not required to verify the proper use of the grants allocated for implementation. It should be noted that the evaluator did not receive the full list of grants by DG XXIII for 1991 even though he requested it.

5.1.2. The measures carried out by Directorate-General XXIII can be allocated between the following six categories:

- a) coordination of Community texts with other Directorates-General:
impact assessment, administrative simplification, state aid for SMEs, taxation, competition rules;

b) List of new areas where action is possible:

terms of payment, mutual guarantees, transfer of businesses, public procurement, subcontracting;

c) Pilot schemes:

manager training, seed capital, Euromanagement, Value SMEs, craft industry, SMEs in distributive trades;

d) General schemes with the support of other DGs:

feasibility awards under the Brite/Euram programme;

e) Network management:

Euro-Info-Centres, BC-Net, BRE;

f) Events and symposia:

Europartenariat, European Week for Business.

The characteristics of DG XXIII's range of activities are thus:

- a large preponderance of measures relating to new areas of intervention and pilot schemes,
- a substantial proportion of measures defined in terms of resources/methods envisaged and not quantified objectives: network management, organization of events and symposia.

The explanation of these tendencies may be that DG XXIII's policy with regard to SMEs is still not sufficiently mature and that the setting of goals to form a medium-term policy is difficult.

5.2. RELATIONSHIP WITH DG XXIII's OTHER POLICIES

The evaluation exercise examined the position of DG XXIII's other policies in relation to its enterprise policy, although they did not form part of its remit.

5.2.1. **Tourism**

Following European Tourism Year in 1990, a Council Decision of 3 July 1992 introduced a Community action programme for tourism, the main aims of which were:

- improving knowledge of tourism industry statistics
- promoting the staggering of holidays
- support for cooperation between border regions
- diversifying forms of tourism
- promoting European tourism in third countries
- encouraging the participation of tourism businesses in Community programmes.

The amount allotted for implementation of this policy over the period 1989-1993 is ECU 5.5 million.

An Advisory Committee consisting of professionals from the European tourism industry has been set up.

The Community's tourism policy has had no real link with enterprise policy since 1989. A redefinition now seems justified following the Maastricht Treaty, where tourism is mentioned in Article G (new Article 3), and in particular because of the difficulty of putting into practice a genuine Community competence, except as regards consumer protection, because of the existence of strong and often competing national traditions in the field of tourism.

5.2.2. **Distributive trades**

The Council Resolution of 14 November 1989 on internal trade in the context of the internal market asked the Commission to work in particular on the following matters:

- improving the statistical transparency of the sector, by means of surveys and the adoption of a draft Regulation;
- establishing a data bank of legislation, to be available on paper during the second half of 1992;

- involving representatives of commerce in Community policies, through the Committee on Commerce and Distribution set up in 1978;
- undertaking examination of certain areas of special interest such as franchising, or the introduction of new methods of payment;
- drawing up an annual work programme starting in 1990.

The budget available for measures relating to the distributive trades is some ECU 2.5 million for 1992, of which ECU 1 420 000 has been allocated to the Commerce 2000 project, which primarily concerns small and medium-sized enterprises.

The purpose of the Commerce 2000 project is to encourage cooperation between commercial SMEs. Following a call for tenders issued in August 1991, ten projects were selected for assistance out of a total of 89 applications. The ten projects represent a total cost of ECU 9 140 000; of this, ECU 1 639 000 will be provided by the Commission. In view of their current stage of development and the special nature of the problems in the commercial sector, which did not fall within the scope of this evaluation exercise, this report does not examine the relevance of the projects chosen.

The SME action programme has thus served as a vehicle for the initiatives of the Trade and Distribution Unit, which no longer confined itself to information and data collection exercises financed out of its own budget.

The possibility of merging policy on commerce and distribution with general enterprise policy may be examined. However it conflicts with a strong desire of certain protagonists to maintain the unity of the sector between large and small distributors and to favour synergies between them.

5.2.3. **The cooperative, mutual and non-profit sector**

The action programme for the cooperative, mutual and non-profit sector is based on the second paragraph of Article 58 of the Treaty.

Three priorities have been set:

- a) Obtaining statistical transparency. The work carried out has resulted in the publication of a chapter on cooperative, mutual and non-profit organizations in the European Community (page 121 of the Panorama of EC Industries 1991-1992).

- b) Proposing the adoption of texts governing the cooperative sector. DG XXIII has taken the initiative in proposing several Regulations, directly negotiated with the other Directorates-General concerned which define the statutes for a European association, a European cooperative society and a European mutual society (COM(91)273 final of 6 March 1992).
- c) Increasing coordination between the Commission and the professions. Three working groups, each one open to all other participants, have been set up:
- an interdepartmental group consisting of all the other Directorates-General;
 - an informal group with the cooperative movements;
 - a group of senior officials responsible for supervising the cooperative sector in each of the Member States.

Alongside this, a cross-party group consisting of 101 MEPs interested in the sector ("intergroupe de l'économie sociale") has been set up in the European Parliament.

This policy, targeted on a small number of priorities, has produced concrete and visible results in a short time. It has had no real link with enterprise policy although a large number of SMEs are involved in the cooperative sector, through production and purchasing cooperatives, and relations with banks and mutual insurance companies.

The possibility of measures based on solidarity between the major players in the cooperative sector and SMEs deserves encouragement. The Cooperatives unit has launched a study on a new action programme for the future, raising in particular the possibility of financial support for innovative and cooperative measures.

5.3 ANALYSIS OF THE RANGE OF ACTIVITIES BY STARTING DATE OF POLICIES

The starting dates of the policies pursued by Directorate-General XXIII gives an indication of how the range of activities has evolved.

Three major stages can be identified:

1. Measures in place prior to 1989

BRE: came into operation in 1973

Venture Consort: operational in 1985

Statistical programme: started in 1987

BC-NET: pilot project launched in August 1987

EIC: pilot project launched in 1987 and broadened into general use in 1989

Statement of impact: procedure operational from 1986 and reformed in 1990

Seed capital: started in 1988.

Feasibility awards under the Brite/Euram programme

Manager training: started in 1988

2. Measures introduced between 1989 and 1990

Europartenariat:	first event in Ireland in 1988
Craft industry:	Avignon conference in October 1990
Subcontracting:	from September 1989

3. Measures introduced since the beginning of 1991

VANS

INTERPRISE

Euromarketing

The majority of Directorate-General XXIII's measures were therefore in existence before it was created, having been initiated in particular by the Task Force for SMEs.

The establishment of DG XXIII did not lead to a redefinition of enterprise policy but instead to further development of existing tools, while at the same time a limited number of new themes were introduced:

- sectoral themes: craft industry and small firms, Commerce 2000;
- themes connected with identifying new subjects for studies: subcontracting, payment periods;
- themes relating to experimental programmes: partnership, Euromarketing.

This situation partly reflects the youth of Directorate-General XXIII, many of whose policies are very recent, which makes them more difficult to evaluate.

5.4. ANALYSIS OF THE RANGE OF ACTIVITIES BY BUDGETARY ALLOCATION

Taking the implementation of the 1991 budget as a basis, out of total specific commitments of ECU 27 708 176, the order of budgetary priorities was as follows:

1. EIC	11 024 112	39.7% of total
2. BC-NET	3 258 850	11.7% of total
3. Europartenariat Interprise	2 458 214	5.3% of total
4. Contribution to R&D programmes	1 480 860	5.3% of total
5. Promotion (measure connected with EICs)	1 345 026	4.8% of total
6. East Germany (excluding Europartenariat)	1 277 831	4.6% of total
7. Craft industry	1 066 607	3.8% of total
8. Publications and conferences	1 065 776	3.8% of total

The addition of overheads (staff, taxation, data processing, administrative costs) to the new specific commitments increases the total cost of the programme to ECU 32 309 861, but does not appreciably alter the order of priorities.

The EICs and BC-Net alone represent 51% of the total, and this reflects the real priority assigned to them.

Apart from the contribution to R&D programmes (5.3% of the total), most of the other activities receiving more than ECU 1 million relate to publications and the organization of conferences and events (Europartenariat, promotion, publications and conferences), accounting for around 17.4% of the total budget.

In the period 1989 to 1992, budgetary priorities have been slightly different, though the amounts allotted each year for the two most costly measures have remained at similar levels (between ECU 11 and 13.5 million for EICs, and between ECU 1.5 and 3.5 million for BC-Net).

PART B

DG XXII'S POLICIES

EVALUATION

1.1 IMPACT ASSESSMENT FORM

SUMMARY AND RECOMMENDATIONS

Criterion 1:	4:	Major objective of Community policy in support of SMEs, a well-conceived instrument
Criterion 2:	3:	No external evaluation
Criterion 3:	4:	Ensures that more consideration is given to SME constraints at a reasonable cost
Criterion 4:	2:	Problem of consulting intermediaries
Criterion 5:	3:	Quality of analysis sometimes criticized by organizations representing SMEs
Aggregate score:	4:	Procedure meeting a real need and constantly being improved

RECOMMENDATIONS

The impact assessment procedure is a well conceived instrument but there is still scope for improvement on the following points:

- access to information in the possession of the Directorates-General,
- the account taken of the opinions of trade organizations,
- ability of DG XXIII officials with non-specialist backgrounds to carry out assessments in areas which are sometimes highly technical.

The improvement initiated with the 1990 reform could be pursued if the following suggestions are taken into consideration:

- 1) Examine the possibility of DG XXIII itself drawing up certain impact assessments which are of particular importance, with the support, where necessary, of outside experts.

- 2) Increase the time available for consultation by acting at an earlier stage in the drafting procedure. For example, the consultation of organizations representing SMEs could be brought forward, which would allow them to play a greater role in the process of assessing the impact of Community proposals.
- 3) Offset the operational weakness of SME representatives by setting up, and financing if necessary, a group of experts appointed beforehand by the representative organizations on matters of concern to SMEs who could then:
 - play a direct role in the impact assessment procedure, having previously studied the file,
 - take the initiative of proposing to the Commission other measures to simplify or modify the legal framework governing SMEs, which would enable DG XXIII to appear not just as a brake in its action through the impact assessment procedure but as a driving force.

DG XXIII cannot be held responsible for the weakness of the organizations representing SMEs. In the long term, however, it would be responsible if the dialogue initiated with those organizations did not lead to the introduction of more functional procedures.

- 4) Provide more information on the benefits obtained by SMEs. Although internal Commission discussions clearly cannot be revealed to outsiders, regular information on favourable decisions which take account of the desires of SMEs could be provided to increase the motivation of organizations representing them at both Community and national levels. An information campaign in this area, conducted through the SME networks, should increase the actual impact of the procedure on enterprises and their representatives.

1.2 COMPETITION RULES AND STATE AIDS FOR SMEs

SUMMARY AND RECOMMENDATIONS

Criterion 1:	4 :	Topic of essential and practical importance for SMEs. The medium-term objectives of action in support of SMEs in the area of competition have not, however, been defined.
Criterion 2:	not applicable:	The nature of this measure does not justify a applicable : specific evaluation procedure.
Criterion 3:	4 :	Low cost and genuine influence on DG IV instruments.
Criterion 4:	3 :	Broad theoretical impact of measures relating to competition.
Criterion 5:	2 :	Limited scope of the measure.
Aggregate score: 3 : On an essential topic, action has remained limited.		

RECOMMENDATIONS

Because of their size, SMEs are less frequently caught by Community competition laws than large firms.

As regards state aid, DG XXIII has made a useful contribution to the work of DG IV by proposing changes to the texts being drawn up, to allow for the specific characteristics of SMEs. However, vigilance is called for here to ensure that the new regulations do not rebound against SMEs. SMEs are calling for less direct assistance, but against this they want a reduction in costs.

Action by DG XXIII has remained limited in this area. In future, it will be essential to stress the opportunities for SMEs to use the body of Community competition law to their advantage. Action to increase awareness and provide information, and indeed improve provisions which are supposed to protect SMEs, could perhaps be recommended to compensate for organizational weaknesses and the absence of adequate legal back-up.

On this point, DG IV, with the assistance of DG XXIII, is preparing a practical guide to ensure that SMEs are better informed about competition law.

This is a particularly sensitive issue in certain sectors (such as small distribution businesses) or in certain countries where the fabric of SMEs is really breaking down, giving rise in many cases to a searching examination of the application of competition rules (abuse of dominant position by some buyers, discriminatory practices, resale at a loss).

1.3 TAXATION

SUMMARY AND RECOMMENDATIONS

Criterion 1:	5:	Topics dealt with by the Ruding Committee, of major interest to SMEs.
Criterion 2: not applicable:		No evaluation made.
Criterion 3:	4:	Low cost and significant impact in terms of external communication.
Criterion 4: not applicable:		It is not possible to measure the quantitative impact of this action at its present stage.
Criterion 5:	4:	Quality of DG XXIII's contribution to the work of the Ruding Committee appreciated by trade organizations.
Aggregate score:	5:	Very effective specific measure.

RECOMMENDATIONS

The contribution to the Ruding report is a prime example of a specific measure effectively meeting the fundamental concerns of SMEs and involving trade organizations in detailed work.

Apart from this specific initiative and with the exception of a few impact assessments concerning Community tax policy, action by DG XXIII has not gone beyond an area where a great deal of technical know-how is required and the presence of specialists essential.

1.4 TERMS OF PAYMENT

SUMMARY AND RECOMMENDATIONS

Criterion 1:	3:	Scope of measure limited in accordance with the principle of subsidiarity.
Criterion 2:	not applicable	
Criterion 3:	3:	Low cost but lengthy evaluation process prior to any Community initiative.
Criterion 4:	not applicable:	Not enough data for evaluation on this criterion.
Criterion 5:	4:	The green paper is a high-quality document which could give rise to initiatives at national level.
Overall mark:	3:	Sound work on a measure which is not yet properly under way.

RECOMMENDATIONS

DG XXIII has chosen a particularly difficult subject to illustrate its ability to take action on the legal and financial business environment.

A reduction in the period allowed for payments between enterprises is clearly a major factor in improving the financial position of SMEs. It is, however, an area where it is extremely difficult to legislate even at national level. Recent progress in this area has been achieved through agreements within individual industries. Action by DG XXIII therefore comes up against major obstacles (freedom of contract, national competence) and the end result remains uncertain.

1.5 PROGRESS OF MEASURES TO SIMPLIFY ADMINISTRATIVE PROCEDURES

SUMMARY AND RECOMMENDATIONS

Criterion 1:	4:	Major objective for SMEs but limited method.
Criterion 2:	not applicable.	
Criterion 3:	2:	Low cost but limited result.
Criterion 4:	2:	Impact not significant at the current stage of the project.
Criterion 5:	4:	Important report produced.
Aggregate score: 3: Launching phase of action on a topic of major importance for SMEs, which now requires greater political commitment.		

RECOMMENDATIONS

Simplifying administrative procedures is an arduous and complex subject which requires considerable political input to overcome the natural inertia of the administrations in question. Following the circulation of the report, DG XXIII's action could now be concentrated on the objective of carrying out a number of specific projects, based on a clear political mandate:

At Commission level

In addition to the system of impact assessments of new Community legislation, DG XXIII should adopt a more forceful approach with proposals aimed at simplifying existing Community rules and regulations and thus set an example for Member States, as the Article 4 Committee has called on it to do. DG XXIII could identify and analyse in detail Community procedures representing a heavy administrative burden for SMEs to establish their usefulness, and recommend an initial series of practical measures to simplify them.

At the level of the Member States

Observance of the principle of subsidiarity limits Community competence as regards simplification of administrative procedures, with each Member State possessing its own organizational structure at government level and procedures enabling it to evaluate and modify the impact of national laws on administrative constraints likely to affect firms. It is also clear that only if the national political will exists will it be possible to bring in significant improvements.

In this connection, DG XXIII should adopt a high profile and more active role by:

- providing more regular information on the results of its work,
- encouraging closer cooperation between the various bodies responsible for measures to simplify administrative procedures in the Member States,
- selecting a limited number of areas (e.g. the one-stop shop system) and proposing instruments (methods, guidelines) conceived on the basis of the best results obtained in the various Member States.

1.6 TRANSFER OF BUSINESSES

SUMMARY AND RECOMMENDATIONS

Criterion 1:	3:	Benefit to Community to be determined.
Criterion 2:	not applicable:	Measure too recent to evaluate on this criterion.
Criterion 3:	not applicable:	Measure too recent to evaluate on this criterion.
Criterion 4:	not applicable:	Measure too recent to evaluate on this criterion.
Criterion 5:	not applicable:	Measure too recent to evaluate on this criterion.

No score given.

RECOMMENDATIONS

Even though it appears to have taken a long time to give effect to the wish expressed in 1989 by the Article 4 Committee, it is not possible at the present stage in this action to evaluate the results. DG XXIII will have to make sure that it takes into account all the products already produced in this area by the public authorities, trade organizations and chambers of commerce in the various Member States and that it focuses its attention on the cross-frontier aspects of the transfer of businesses.

1.7 REPORT ON THE COORDINATION OF ACTIVITIES IN FAVOUR OF SMEs

SUMMARY AND RECOMMENDATIONS

Criterion 1:	5 :	Topic for study and action which is fundamental to a Community enterprise policy.
Criterion 2:	not applicable	
Criterion 3:	2 :	Relatively long production periods
Criterion 4:	not applicable	
Criterion 5:	3 :	Complete summary of measures in support of SMEs

Aggregate score: 3 : Useful action which has suffered from lengthy production periods.

RECOMMENDATIONS

The coordination report is a working tool which could be improved on the basis of the following proposals:

- a) improve its quality by seeking to assess the actual impact of measures (as DG XXIII has recently done for the structural Funds), and then drawing up proposals which could help to form the basis of a broader policy for SMEs;
- b) speed up the preparation of the report, since it is published too late for it to be used to the full. It might be useful to bring in an outside body to help DG XXIII officials;
- c) step up efforts to make enterprise policy intermediaries better informed and more aware of the content of the coordination report.

2.1 EURO-INFO-CENTRES

SUMMARY AND RECOMMENDATIONS

Criterion 1:	4:	The objectives being pursued match the fundamental needs of SMEs
Criterion 2:	3:	The internal assessment system is laborious, but it is being reorganized. Absence of any external assessment before the new invitation to tender is negotiated
Criterion 3:	2:	The cost of the central unit is high; its quality has been subjected to some criticism
Criterion 4:	2:	The quantitative impact is still moderate
Criterion 5:	5:	A network effect has been achieved
Aggregate score:	3:	A scheme with great potential, needing a thorough review of its mechanisms at this stage in its development.

RECOMMENDATIONS

At the present stage of the Euro-Info-Centre programme a thorough review is needed in order to clarify a number of points as the scheme moves out of the experimental phase and into normal operation.

EICs have to work with inflexible structural costs, a wide variety of requests received and a style of management judged to be too centralized; they are themselves looking for clarification, as could be seen at the recent conference in Funchal. It would be wrong to speak of a crisis: questions are being asked which are normal for any project on this scale.

Leaving aside the suggestions incorporated in previous pages, the following points could be looked at and a clear line worked out on each.

1. Clarification of the products supplied by the Centres

A Euro-Info-Centre supplies products of three kinds.

- General documentation on Community activities and Community rules. This product has reached maturity and is becoming steadily more routine as the single market is achieved; it can now be delivered by a large number of intermediaries and by the documentation centres which DG X operates in the twelve Member States.
- Working information on markets and their environment and on the practical possibilities for taking advantage of the single market. Here demand is developing rapidly, and information of this kind is a major preoccupation with managers.
- Advice which constitutes direct support for initiatives taken by SMEs and amounts to more than one day's research.

In practice all three products may involve both the Community framework and national measures; SMEs do not easily make the distinction, and the Centres are usually organized to be able to supply an answer on both aspects.

It appears desirable that the Centres' efforts should be concentrated on the second type of product, leaving the documentation side to be handled by others. The process will grow easier as sources of documentation are gradually integrated and become a matter of routine. But care must be taken to ensure that this does not result in a shortage of information for SMEs, particularly in areas where economic circumstances are difficult and SMEs do not enjoy the same environment.

Advice should be excluded from the Centres' terms of reference; a private service like this can be provided by a great many intermediaries, which should not have to compete with bodies financed either directly or indirectly out of public funds. The concept of "advice", which is only generally outlined above (third indent in the first paragraph), would have to be clearly defined.

2. Clarification of the Centres' target groups

At the time they were set up, the Centres quite legitimately sought to increase their customer base by taking questions from all comers, whether or not they represented SMEs.

Efforts should now concentrate on the real objective which originally justified the allocation of public funds.

A more active role could be sought here in order to improve the Centres' penetration among SMEs, using various means (see point 1.2). Each Centre could set appropriate objectives.

3. Clarification of channels of financing

Permanent financing for the Euro-Info-Centres, which is essential to the long-term success of the programme, is currently a major concern of the great majority of Centres.

The question has important implications for the development of the very concept of the system.

The following principles might be adopted.

a) Maintaining the financial arrangement initially defined

The rules initially laid down restricted DG XXIII's contribution to the financing of the Centres to five years. The figure set was ECU 50 000 in the first year and ECU 30 000 and then 20 000 the two following years.

In the absence of any redefinition of policy on the Centres there does not appear to be any reason to review this provision.

DG XXIII justifies continuing the ECU 20 000 grant beyond the third year by pointing to the introduction of a new policy oriented towards the quality of the network of Centres and aimed at improving its cohesion and effectiveness. The annual grant of ECU 20 000 is now to be tied to the achievement by the Centre of quality targets defined in advance in an evaluation grid; the Centre assesses its own performance, and reports to the Commission.

DG XXIII believes that the new arrangement, which was announced in Funchal, will take several months to run in, and that certain Centres will ultimately be refused a grant, in consultation with the national governments.

In time this policy may lead to the institutionalization of the grant and to an intensification of the working links between the EICs and the hub, along the lines of the relations between a central administration and its local offices. The objectives given to the EICs in the evaluation grid are not fundamentally new, but rather carry forward their current operations.

Payment for services rendered, which in DG XXIII's view justifies the extension of the grant beyond three years, appears difficult to reconcile with the idea of a network in which the central unit is to service the decentralized units, and not the other way round, so as to generate a momentum which can be left to itself thereafter.

Even after the grant is withdrawn DG XXIII would still have control of the network, thanks to

- . its assistance with documentation, expertise and communications, which are a major cost, and
- . its award of the title "Euro-Info-Centre", which if necessary could be followed up and monitored.

Some funds could then be concentrated on measures to spread and develop the network (establishing subnetworks, network efforts, support for Centres in particularly badly-off areas, for example).

b) Payment for information supplied

The principle that information services should be paid for should be introduced officially in a framework of standard hourly payments defined at Community level.

Each Centre would be free to follow its own invoicing policy inside the guidelines laid down.

Like the ending of the automatic grant, this would make for better regulation of the system. It would provide an incentive for Centres to broaden their quantitative impact and to provide a better service (and at the same time make them more demanding in their dealings with the central unit).

DG XXIII has proposed that such payments could cover up to 50% of the financing of the Centres. This figure does not appear unreasonable, although it seems difficult to set an objective of this kind given the different approaches and roles of the Centres, a feature which ought to be preserved.

2.2 PUBLICITY CAMPAIGN FOR COMMUNITY ENTERPRISE POLICY

SUMMARY AND RECOMMENDATIONS

Criterion 1:	4:	The need for communication with SMEs is a real one.
Criterion 2:	4:	Gallup poll carried out.
Criterion 3:		No score awarded - no professional measurements available.
Criterion 4:	3:	Not yet very well-known, according to Gallup study.
Criterion 5:		No score awarded - no professional measurements available.
Aggregate score:		No score awarded - no professional measurements available.

To form a judgement of a promotion campaign means using the professional tools of specialists in communication. We have taken up certain conclusions of the Gallup study but felt we could not state a view on the real effectiveness of the promotion campaign without devoting resources to the task which went beyond our terms of reference.

RECOMMENDATIONS

Continuation of this type of campaign appears desirable, on condition that:

- evaluation studies are carried out to ensure rigorous and regular monitoring of the return on the investment;
- account is taken of the outcome of those studies in order to redirect the efforts being made in each country;
- quantitative and qualitative objectives are set in advance, and their achievement monitored.

In the light of the study carried out by Gallup, the effectiveness of future publicity measures could be improved in several ways:

- the message might be regionalized, to place the emphasis on the Community services offered in the region concerned;

- international companies might be sought out which would be interested in sponsoring future promotion campaigns. This possibility is currently under study;
- investment in publicity should be directed at the media which are most appropriate in each country.

More generally, there needs to be consideration of the wide variety of names borne by services offered by the European Community, and the absence of a single lead name.

2.3 PUBLIC PROCUREMENT

SUMMARY AND RECOMMENDATIONS

Criterion 1:	4:	The measures seek to meet what is a major need among SMEs
Criterion 2:	Not significant:	Too recent to justify an outside evaluation
Criterion 3:	4:	Limited cost, problems clearly analysed, far-reaching recommendations
Criterion 4:	Not significant:	Too recent - limited application of the measures proposed
Criterion 5:	4:	Quality contribution of Hancock study
Aggregate score:	4:	Useful measures needing to be reflected in practical decisions

RECOMMENDATIONS

The effectiveness of the measures being taken to facilitate SMEs' access to public procurement depends closely upon the influence being exerted by the national and regional authorities in order to improve the transparency of public procurement.

All the measures capable of producing an impact were clearly described in the Hancock report. At this stage it is important that DG XXIII, acting in liaison with DG III, should flesh out the results of all the existing studies in an action plan, with objectives, indicators of success, and a programme of work. DG XXIII could improve its effectiveness here by ensuring tight coordination with independent national bodies (whose creation it could encourage); their function would be to monitor the transparency of markets and the application of Community directives.

2.4 CREATION OF ENTERPRISES AND SEED CAPITAL

SUMMARY AND RECOMMENDATIONS

Criterion 1:	2:	Mechanism limited at Community level
Criterion 2:	4:	Outside evaluation carried out
Criterion 3:	2:	Effectiveness restricted by small scale of funding
Criterion 4:	1:	Small number of projects financed
Criterion 5:	3:	Helps to provide a better picture of the financing of SMEs
Aggregate score: 2:		An experiment whose design and duration make any full-scale use difficult.

RECOMMENDATIONS

The seed capital scheme is an interesting illustration of the problem of SMEs' capital.

Its design means that it has to reconcile two fairly different objectives:

- it is an experiment, aimed at testing a method and demonstrating it to interested parties;
- it aims to set up a network which would achieve a critical mass and generate movement over several years.

It appears now that the small number of projects actually assisted reflects the experimental aspect, and is intended gradually to lead Member States to include seed capital measures among the tools at their disposal for encouraging the provision of outside capital to small businesses, so that its quantitative impact can be genuinely significant.

2.5 MUTUAL GUARANTEE SCHEMES

SUMMARY AND RECOMMENDATIONS

Criterion 1:	2:	Scope relatively narrow
Criterion 2:		Not significant
Criterion 3:		Not significant
Criterion 4:		Not significant
Criterion 5:		Not significant
Aggregate score:		Not significant; the results cannot be evaluated at this stage.

RECOMMENDATIONS

The promotion of mutual guarantee schemes in the Community appears likely to be an added value measure, but the launch is still too recent to allow the results to be expressed in figures.

The objective was defined in terms of the problem to be solved rather than in terms of the elaboration of a policy. It should be clarified in a precise programme of work suggesting more substantial measures to the Member States.

It would appear, however, that the Member States are primarily interested:

- in the possibility of topping up the funds of mutual guarantee schemes with Community financing, and
- the adaptation of financial regulations to the special features of mutual guarantee schemes.

DG XXIII's approach to aid towards the financing of SMEs is relatively fragmented, being based not only on mutual guarantee schemes but on several other instruments too: seed capital, venture capital and Community action on terms of payment.

DG XXIII could take a more global approach to the problem of financing of SMEs, starting by identifying the needs of SMEs in this context and the existing national and Community instruments.

2.6.A. BRITE-EURAM FEASIBILITY AWARDS

SUMMARY AND RECOMMENDATIONS

Criterion 1:	5:	Precise practical objectives meeting SMEs' needs
Criterion 2:	4:	Outside assessment in 1990
Criterion 3:	4:	Low cost. Significant leverage effect
Criterion 4:	4:	Significant impact in terms of the objective
Criterion 5:	5:	Demonstrates the advantages of Community research procedures for SMEs
Aggregate score: 5:		Very good example of an effective measure allowing SMEs better access to Community mechanisms.

RECOMMENDATIONS

DG XII has now incorporated this procedure into its programme.

2.6.B. SMEs AND R&TD

SUMMARY AND RECOMMENDATIONS

Criterion 1:	4:	Making the results of Community research as accessible to SMEs as they are to large companies is a high priority
Criterion 2:	Not significant:	There has been no evaluation of the results of the first programme, and it is too early to analyse real impact on SMEs
Criterion 3:	3:	The rate of assistance generates a good leverage effect
Criterion 4:	1:	The quantitative impact is still weak; the response to the first invitation to tender was very limited
Criterion 5:	3:	The product depends strongly on SMEs' capacity to seek and obtain information
Aggregate score: 3: The procedure is still young; it is based on an excellent principle, but has not yet reached full effectiveness.		

RECOMMENDATIONS

The following measures could be studied in order to improve effectiveness:

- increasing the value of initial exploratory awards (above the new ECU 7 000 ceiling) so as to stimulate interest among SMEs,
- establishing a mechanism to facilitate the search for partners (along the lines of the "contact persons" in Brite-Euram and Craft),
- improving the dissemination of information on the results of Community research and development through the existing European networks such as EIC, BC-Net, BRE, EUROKOM, etc. and national networks.

2.6.C. EUROMANAGEMENT - R&D AUDITS

SUMMARY AND RECOMMENDATIONS

Criterion 1:	3:	A decentralized approach which is effective but restricted
Criterion 2:	3:	An internal assessment was positive; no independent evaluation has yet been carried out
Criterion 3:	4:	Effectiveness appreciated by SMEs; unit costs acceptable
Criterion 4:	3:	Limited quantitative impact
Criterion 5:	4:	Significant contribution to the analysis of the practical needs of SMEs

Aggregate score: 4: Well-run pilot scheme, positive evaluation.

RECOMMENDATIONS

This pilot scheme is generally felt to be helpful and its practical aspect is appreciated. Once the outside evaluation is complete a programme of improvements should be drawn up making use of the results of the pilot scheme, particularly involving DG XXIII's information and cooperation networks.

It appears desirable that pilot schemes should be designed from the outset with a view to their generalization, with back-ups and budgets ready to be called upon, so that the momentum created does not rapidly run out; a succession of pilot schemes which are never followed up in any significant way would soon lead to a loss of interest.

2.7 TRAINING OF MANAGERS

SUMMARY AND RECOMMENDATIONS

Criterion 1:	3 :	Organized from Brussels, operating in the very decentralized environment of continuing training
Criterion 2:	3 :	Thorough external evaluation, but without direct consultation of SMEs which have taken part
Criterion 3:	4 :	Cost-effectiveness satisfactory in pilot scheme
Criterion 4:	2 :	Quantitative impact weak
Criterion 5:	4 :	Qualitative impact in terms of the development of training aids has been good

Aggregate score: 3 : Pilot scheme which has still to identify the mechanisms for normal operation.

RECOMMENDATIONS

The Community has an important role to play in encouraging the bodies providing training for managers to pay greater attention to the Community aspect.

But it cannot generate training activities for managers separately from its general vocational training policy.

The changes made from July 1991 onward have allowed training seminars to be organized which are better adapted to the very varied local circumstances of SMEs. This analysis was emphasized by the evaluator, who found that a majority of training bodies had made changes in the material developed centrally so as to meet SME's needs.

An extension of this scheme in the present form of direct financing for training measures would probably be expensive, and a great many local bodies are already offering specialized seminars.

DG XXIII should therefore concentrate on providing support to national training networks; this role could be given to the reference centre, which would act in liaison with the Euro-Info-Centres to supply these bodies with training materials and information which could be adapted locally to the real needs of the participants.

2.8. CRAFT INDUSTRY AND SMALL FIRMS

SUMMARY AND RECOMMENDATIONS

Criterion 1:	5:	That craft industry and small businesses should be taken into account in the building of the Community is an important demand of the organizations concerned
Criterion 2:		Not significant
Criterion 3:	3:	Each of these measures has a low unit cost
Criterion 4:	3:	The impact is restricted to certain intermediary networks
Criterion 5:	3:	The needs addressed are real. The scale of the approach is still limited
Aggregate score:	3:	A measure still in the initial stages but corresponding to a real need.

RECOMMENDATIONS

At the Avignon conference in October 1990 there was a genuine desire for the initial conclusions drawn to be fleshed out and implemented.

DG XXIII's treatment of craft industry corresponds to a major demand among the business people concerned and a majority of Member States.

For the present policy remains embryonic. It could be useful to intensify the process of consultation with craft industry, through the Member States, in order to draw up a programme of action with a real impact on those concerned, identifying the resources needed.

2.9 EUROMARKETING

SUMMARY AND RECOMMENDATIONS

Criterion 1:	2:	The feasibility of transplanting the American model has still to be demonstrated
Criterion 2:	-:	Not significant
Criterion 3:	4:	Costs low
Criterion 4:	-:	Not significant
Criterion 5:	3:	Better information on marketing methods for SMEs
Aggregate score:	2 to 4:	A one-off measure whose impact is limited, and whose effectiveness will depend on the quality of the documents and their distribution.

RECOMMENDATIONS

Consideration of training and information for the managers of SMEs regarding the Community and the opportunities offered by the single market should be organized in a single, coherent process, working together with the ordinary manager training scheme and with the Euro-Info-Centre network.

3.1 BC-NET (BUSINESS COOPERATION NETWORK)

SUMMARY AND RECOMMENDATIONS

Criterion 1:	4:	Objective of value
Criterion 2:	3:	No external assessment of the system
Criterion 3:	2:	Fundamental problem of measuring efficiency
Criterion 4:	2:	Impact as yet small, the measure being a recent one
Criterion 5:	3:	Problems of defining public service and private activity
Aggregate score:	3:	Measure requiring method of financing to be rethought.

RECOMMENDATIONS

Cooperation activity and the provision of contacts lend themselves, in the long run, to private-sector operation.

The Commission's role in this field would seem to be completely justified at the present stage, however, since:

- it makes it possible to introduce new cross-border practices at Community level which did not exist before;
- it fills a gap which the private sector had really failed to fill;
- it introduces an important qualitative factor, since a public-sector operator provides a better guarantee of confidentiality and of the quality of data input into the network.

It is not therefore proposed, as has been suggested, that BC-Net be privatized.

On the other hand, BC-Net cannot justify receiving public finance on a regular basis, since its ultimate efficiency is extremely difficult to determine given the lack of information about agreements actually concluded. The usefulness of the network will become apparent only if users, whether members of the network or firms, agree to pay for the service supplied.

DG XXIII is itself planning to charge, from January 1993, for the CPs introduced, thus making it possible to offset part of the cost of financing the network.

The EFTA countries are now included in the network, subject to the following financial conditions:

- a flat-rate entry fee of ECU 400 000 paid by each of the governments concerned, and
- a charge of ECU 50 per CP for using the network.

DG XXIII is planning to introduce, from 1 January 1993, a fee of ECU 30 per CP. Assuming 30 000 CPs a year, this would bring in ECU 900 000.

DG XXIII justifies this approach by the need to exercise considerable caution while the network has not reached critical mass, so that existing members are not deterred from remaining in the network or new ones from joining it.

In the light of the evaluation's findings, it is recommended that each member of the network pay a flat-rate contribution to the central unit to cover the latter's expenses.

Given the central unit's costs (ECU 3 million) and the number of members (600), an individual contribution would amount to ECU 5 000, which would seem to be a reasonable sum.

This solution has the following advantages:

- it makes the network market-oriented and promotes its long-term technical optimization;
- it avoids a tiresome mechanism of variable payments according to the number of CPs produced, which tends to penalize the most dynamic members;
- it encourages members to take better account of the instrument in their strategy, as they have to pay for it;
- it leaves them considerable freedom to determine their policy for charging clients, in accordance with services rendered.

To avoid the negative consequences of too rapid a change, the reform could be introduced in two stages, i.e. there would be an initial contribution of ECU 2 500 on 1 January 1993, raised to ECU 5 000 on 1 January 1994.

Transitional exemption measures could be examined as appropriate with the competent authorities to avoid certain particularly less-favoured regions of the Community being totally excluded from BC-Net.

3.2 BUSINESS COOPERATION CENTRE (BRE)

SUMMARY AND RECOMMENDATIONS

Criterion 1:	4:	Cross-border cooperation objectives of value to SMEs
Criterion 2:	2:	No external assessment
Criterion 3:	3:	Low cost
Criterion 4:	2:	Number of agreements concluded not known - number of profiles introduced still limited
Criterion 5:	4:	Simple instrument to use
Aggregate score:	3:	Instrument generally well received; its recent resurgence likely to continue.

RECOMMENDATIONS

Over the last two years there has been a relative resurgence in the BRE network, and this should be taken into account.

It did not seem desirable to merge the BRE and BC-Net. The specific features of the BRE as a non-confidential network need to be kept, as does the more flexible and user-friendly method which is its hallmark.

However, it is recommended that the BRE should be integrated with the EUROKOM network, where a large number of non-confidential cooperation schemes, exchanged through the Euro-Info-Centres (EICs), are handled.

Thus, there would be two clearly differentiated systems:

- BC-Net, financed by network members;
- BRE-EUROKOM, a non-confidential, broadly based means of handling cooperation requests from firms with the support of the EIC networks and of associated bodies, working through the technical solutions afforded by the VANS programme.

At the same time, technical improvement of the system could continue (see point 5).

3.3.A. EUROPARTENARIAT

SUMMARY AND RECOMMENDATIONS

Criterion 1:	4:	Programme welcomed by SMEs
Criterion 2:	3:	No independent assessment
Criterion 3:	2:	High overall cost; number of contracts generated not known
Criterion 4:	3:	Number of participants increasing, even if the overall impact is still limited
Criterion 5:	4:	Improved image of the Community in the regions concerned
Aggregate score:	4:	A sound pilot scheme, where there is a need to emphasize its long-term, structural effects, given the size of the amounts committed, and to lay down a cut-off date.

RECOMMENDATIONS

The following proposals are made in the light of the evaluation:

Monitoring to be improved

Although it has been decided not to judge Europartenariat solely by the number of contracts concluded, it is unanimously held that a better system of monitoring is required. The possibilities include:

- a proper list of agreements to be drawn up, not necessarily including the names of the participating companies (which, although printed in the catalogue, may be confidential), showing what the real numbers are. At present, only the overall percentage of firms willing to cooperate is referred to in the assessment. Many such firms, however, may decide not to sign an agreement;
- there should be a procedure for indicating, in the percentage success rate, whether a given firm has signed more than one agreement;
- information should be given, by country or size of firm, on the type of agreement signed and the sectors involved, as a direct result of the Europartenariat.

Assessment procedure to be improved

An independent annual assessment should be carried out, which should also quantify all the secondary benefits which Europartenariat brings to the region.

Impact over time to be improved

In view of the sums committed, it is essential that the structural effects of Europartenariat should continue to be enhanced: it must be more than a promotion measure with a strong qualitative aspect.

To this end, priority should be given to projects which make it possible to extend the cooperation dynamic, beyond the particular event, so as to create a movement of lasting effect.

In this respect, there is a risk that, although Europartenariat may have an immediate effect on a particular region, its impact will weaken in the long term if it is not followed up by subsequent activities.

It is proposed, in particular, that in certain cases a Europartenariat should be followed up by an Interprise measure.

The use of financial resources should be improved

The instruments are proving very successful and indirectly provide an appropriate means of promoting the Commission's efforts to help small firms.

DG XXIII might examine, with DG XVI, the advantages of reducing the scale of the event in certain cases so as to make it more manageable.

3.3.B. INTERPRISE

SUMMARY AND RECOMMENDATIONS

Criterion 1:	4:	Objectives appropriate to SMEs' real needs. Good mobilization of active networks
Criterion 2:	2:	No external assessment. Internal assessment inadequate
Criterion 3:	4:	Community financial commitments relatively modest but geographically well spread throughout the Community
Criterion 4:	3:	Very limited in absolute terms: relatively good given the resources committed. Catalytic effect expected
Criterion 5:	4:	Better overall impact than Europartenariat, more market-oriented than regional
Aggregate score:	4:	Measure which enables the Community to clarify and enhance initiatives which are well attuned to the reality of the situation.

RECOMMENDATIONS

Three recommendations can be made concerning continued action by the Community:

i) **Envisaged duration and follow-up**

As with Europartenariat, national and regional managers have suggested to us that the effectiveness of contacts with SMEs at regional level depends to a large extent on how long such contacts are followed up and maintained.

ii) **Improving the assessment process**

This point was discussed in section B.2.

iii) Link between Interprise and Europartenariat

It may seem superfluous to promote two different cooperation measures designed at Community level on a regional basis. If Europartenariat evolves towards more structured measures linked with local structural initiatives, a common product should be designed and promoted over a predetermined period, with a predetermined budget.

At all events, and pending such an arrangement, certain Interprises could be organized in a former Europartenariat host region so as to promote the effective follow-up and progressive integration of instruments, thereby ensuring durable results.

3.4 SUBCONTRACTING

SUMMARY AND RECOMMENDATIONS

Criterion 1:	3:	The dissemination of information should be improved
Criterion 2:	2:	No internal assessment - the criteria of success must be clarified
Criterion 3:	3:	Limited budget and resources
Criterion 4:	3:	Low-level impact, but consistent with the resources invested
Criterion 5:	2:	Information inadequate and not well enough disseminated
Aggregate score: 3:		A measure whose value may warrant giving it a wider political dimension.

RECOMMENDATIONS

- The objectives of the subcontracting unit are valid and consistent with the principle of subsidiarity. Nobody has criticized its objectives. It is clear, however, that the unit could be more ambitious and do more than just collect information, i.e. it could carry out a complete action programme. It could in the process re-examine its policy on disseminating information and shift some conferences from a Community to a regional level, making them more specific and more practical for particular sectors.
- The subcontracting unit must examine whether there will in future be a need for legislation and should do its utmost to get the proposal on workers' rights amended. It should think in terms of integrating its efforts with those of national authorities and the Commission's other departments. The Commission must not hesitate to act in this field and propose legislation if necessary.
- Generally speaking, a good start has been made with limited resources. The unit must now enter upon a second, more ambitious stage based on an accepted action programme with greater resources, building on the results obtained thus far and retaining the priorities which it has laid down:
- ensure that the market is transparent both economically and legally;

- thoroughly examine the priority aspects such as quality assurance and certification, the importance of which has been emphasized by all the Member States and all the organizations;
- set up a representative network involving all the representative organizations at both national and Community level so as to Europeanize their activities, in particular through multilingual sectoral terminologies and link-ups between databases or data exchanges.

4.1 STATISTICS

SUMMARY AND RECOMMENDATIONS

Criterion 1:	4:	The creation of Community statistics is of considerable value
Criterion 2:	not applicable	
Criterion 3:	4:	Difficult to measure: results obtained within reasonable time-limits
Criterion 4:	not applicable	
Criterion 5:	3:	Better definition and checks: surveys to be used to solve the problem of obtaining up-to-date information. Positive qualitative impact, but room for improvement
Aggregate score: 4:		Appropriate measure, enabling SME concerns to be taken into account at Community level (highlights the scale of these concerns).

RECOMMENDATIONS

- The Community must concentrate on European (Community and EFTA) statistics and ensure their quality before undertaking comparisons with the United States and Japan.
- The long-term development of statistics at Community level is a priority, but the question should eventually be examined whether there is a need for a significant financial contribution from DG XXIII, beyond the initial pilot classification and the start-up stage.
- Could Eurostat and selected authorities among the Member States provide statistics using their own budgets and in accordance with a jointly agreed nomenclature?
- The Commission should also consider the possibility of using "sample surveys" as one of the means of obtaining recent statistics on SME markets.

4.2 DEFINITION OF SMES

SUMMARY AND RECOMMENDATIONS

Criterion 1:	5:	Clear objectives; grouping and targeting of definitions entirely satisfactory
Criterion 2:	not applicable	
Criterion 3:	not applicable	
Criterion 4:	not applicable	
Criterion 5:	4:	The report discusses a subject of fundamental importance for the Commission
Aggregate score:	4:	Further clarification desirable.

RECOMMENDATIONS

This measure has made real progress possible as regards the definition of SMEs eligible for the various Community measures. The range of definitions must be re-examined at regular intervals and updated.

However a Community definition of SMEs is made difficult by differing national traditions. It might also create problems as regards the principle of subsidiarity.

4.3 EUROPEAN OBSERVATORY FOR SMES

SUMMARY AND RECOMMENDATIONS

Criterion 1:	4:	The lack of summarized information about SMEs warrants the launching of a specific measure
Criterion 2:	not applicable	
Criterion 3:	not applicable	
Criterion 4:	not applicable	
Criterion 5:	not applicable	

Aggregate score: No score - measure due to start shortly.

RECOMMENDATIONS

The measure is likely to have real impact, depending on the quality of the report produced.

Two recommendations can be made, however, at this stage:

- 1) The term "European Observatory for SMEs" seems inappropriate, since the measure is essentially concerned with the production of a report using an informal network. The provisional nature of the contract (three years) backs up this comment.
- 2) The Community might be interested in making more frequent use of the research carried out by all the other institutions working in Europe on small businesses, independently of the Observatory project. Discussions could be started on this point with the Member States.

4.4 VALUE ADDED NETWORK AND SERVICES (VANS)

SUMMARY AND RECOMMENDATIONS

Criterion 1:	3:	Support for the network effect
Criterion 2:	n.a.	
Criterion 3:	n.a.	
Criterion 4:	n.a.	
Criterion 5:	n.a.	
Aggregate score:	not available:	at the project's current stage, it is not possible to assess the results. VANS should be considered more as a channel for transmitting information than as a measure proper.

RECOMMENDATIONS

While the qualitative improvements resulting from VANS are significant in themselves, the success of this instrument should be measured not just in terms of the improvement to the services supplied by the host structures which are members of the EIC, BC-Net and BRE networks but also in terms of its contribution to broadening the customer base.

Installation of VANS should not lead one to forget the other measures for simplification and improving efficiency that can be taken with regard to each of the three networks.

VANS should not be seen as a new instrument but as a technique for improving the efficiency of the other instruments.

PART C

FUTURE PROSPECTS

What are the prospects which tomorrow holds for Europe's small and medium-sized enterprises? What support for their expansion will they receive from the building of the single market? What role and what status will enterprise policy have in the whole range of Community policies?

The people to whom we spoke during the evaluation exercise often asked such questions and voiced their concern that the initiative launched in 1983 should be developed in order better to satisfy the requirements of Community SMEs.

The Commission pointed out in the annual assessment report for 1991 that enterprise policy was to become a stable feature of the Community's macroeconomic strategy.

The legitimacy of this policy no longer needs to be demonstrated. The impact of SMEs on Community employment, their role in local and regional balances, their flexibility and adaptability are all good reasons for taking action.

The completion of the single market and the prospects of applying the Maastricht Treaty have fundamental consequences for SMEs, which must adapt to the new situation and use its potential. SMEs must realize that they have a function in the Community's dynamic, which has too often been seen as the stamping ground of the larger firms.

It is not for the evaluator to adopt a position on the future shape of the Community's enterprise policy. He will limit himself to a brief description of a few topics which reflect the conversations held during the evaluation exercise and generally indicate that the impressive achievements of the programme launched in 1986 and expanded in 1989 should be enhanced and developed.

1. PROSPECTS AFFORDED BY THE MAASTRICHT TREATY

- 1.1. Political momentum in favour of a policy to assist SMEs continues to be strong.

On 18 June 1991 the Council decided to continue and intensify the Community programme and give it greater momentum. Under the heading "Enterprise policy: A new dimension for small and medium-sized enterprises" (COM(90) 528 final of 18 December 1990), proposals had been drawn up by DG XXIII; these served as a reference for the allocation of a further ECU 25 million.

In under two years, the Council has also adopted two resolutions which show the depth of interest on the part of the Member States in this policy:

- on 27 May 1991 the Council invited the Commission and where appropriate the Member States to take account of eight individual points relating in particular to vocational training, administrative simplification, better access by small and medium-sized enterprises to Community procedures in their various forms, and the follow-up to the Avignon conference on craft industry;
- in June 1992 the Council requested the Commission to submit before the end of the year any proposals it deemed necessary to guarantee continuity of the policy towards enterprises, in the light of the evaluation made and emphasizing the financing aspects and the strategies for the Europeanization and internationalization of enterprises.

1.2. The adoption in the near future of the Treaty on European Union will create a new context for the conduct of enterprise policy. Whereas the policy carried out hitherto has been essentially based on Article 235 of the Treaty of Rome, the Maastricht Treaty will create new opportunities:

- Article 130, which is devoted to the competitiveness of industry, lays down that the action of the Community and the Member States shall be aimed at "encouraging an environment favourable to initiative and to the development of undertakings throughout the Community, particularly small and medium-sized undertakings".

Encouragement is also to be given to "an environment favourable to cooperation between undertakings" and "better exploitation of the industrial potential of policies of innovation, research and technological development".

- SMEs are directly concerned by the objective of economic and social cohesion described in Title XIV of the Treaty.
- Article 130f(2) refers to the encouragement of small and medium-sized undertakings "in their research and technological development activities of high quality".
- Lastly, Article 118a, which concerns the introduction of minimum obligations for the protection of the health and safety of workers, has been supplemented by a clause in the Maastricht protocol on Social Policy with the aim that such obligations do not hold back the creation and development of small and medium-sized undertakings.

The prospect that the Maastricht Treaty will be applied thus provides an incentive "to update and improve the SME action programme for the years after 1993", as stated in the Schleyer report to the Economic and Social Committee.

2. IDENTIFICATION OF KEY FACTORS FOR THE FUTURE

The investigations carried out under the evaluation exercise have made it possible to identify certain key factors, often referred to by interviewees, with a view to guaranteeing the success of the new stage now beginning.

2.1. General definition of policy

- It must be possible to present Community policy to assist SMEs as a response to firms' general expectations, and not just as a succession of measures contained in a programme. In particular, the policy must be seen to be fully integrated with the Community's other policies.

- The working mandate given to the Commission when the various measures to assist SMEs were launched should make it possible to clarify and give proper weight to the political objectives selected, so as to give DG XXIII the fullest possible authority for granting assistance. Some interviewees felt that the 1989 programme provided too loose a framework, even if the Article 4 Committee were to give its opinion on each of DG XXIII's initiatives.

- Prior definition of objectives, making it possible to distinguish more clearly what is at stake and the best means of achieving them, is essential in all cases. The consistency of policy discourse depends on this.

DG XXIII's decision not to approach firms direct when launching new measures but to use intermediaries is fully justified. This method is widely used at national level. On the other hand, all measures must be designed with an eye to their real impact on the final beneficiary.

- The importance of two concepts for the definition of enterprise policy - i.e. the selective nature of measures and a necessary "critical mass" - was mentioned on several occasions.

A limited range of visible, fully developed "products" would seem preferable over too widespread a portfolio. Sufficient "critical mass" as regards assistance must be defined, whether overall for budgetary purposes or more specifically as regards establishing rules.

In this respect, it is essential to ensure that the Directorate-General in charge of enterprise policy is given the budgetary resources needed to affirm its priorities and to conduct its relations with the other Directorates-General on a balanced basis.

The fact that there are specific assistance budgets, which make it possible to direct other Community funds more towards what SMEs want, may give excellent results.

It is not for the evaluator to give his opinion as to the level of budgetary expenditure desirable in order to conduct Community enterprise policy in a credible manner. His task is to explain clearly that the recommendations made in part B of this report, including the advisability of budgetary savings in some cases, were not submitted with a view to an overall reduction in the level of the action programme for SMEs, but rather as an additional means of evolving greater freedom of action for preparing subsequent developments. This is the approach, indeed, which emerges from most of the contacts made during the evaluation exercise with business associations and SME representatives.

2.2. Relations with Member States and business organizations

- It was sometimes requested that working relations with the Member States should be strengthened, so as to enrich knowledge of national and regional policies and thereby improve the focus of Community initiatives.

At this point, it would appear very appropriate to define more sharply how the principle of subsidiarity should be applied in the enterprise policy field, so as to clarify the half-spoken debate which has sometimes been perceptible on this subject.

Strengthening working relations with the Member States would at the same time increase their political support for the measures carried out by DG XXIII.

- Similarly, business associations have expressed the wish that they should be very closely associated with the preparation of enterprise policy.

Particular stress was laid on the need for prior consultation when drawing up the new action programme. Such consultation should leave European confederations sufficient time to organize debates within their own national branches, which would lead to greater endorsement of the objectives ultimately selected.

More generally, priority should be given to increasing the involvement of SMEs' natural intermediaries in Community policy, and in particular of public intermediaries and institutions with objectives of general interest (i.e. which do not aim to sell their products to SMEs).

3. PROPOSALS FOR PRIORITY ANALYSIS

The recommendations concerning the individual measures carried out under the improvement programme are presented in part B of the report, after each of the evaluations. They are intended to nurture discussion and trigger debate.

Apart from the individual themes contained in the programme, certain major priorities were highlighted by the evaluation exercise. These priorities generally derive from one particular concern, namely to give SMEs a real possibility of benefiting from Community policies as defined.

It is not for the evaluator to express an opinion about these priorities, which are merely summarized here:

a) Preparation of a programme to simplify Community rules

This would demonstrate the Community's commitment to a subject which requires considerable political input.

b) Close involvement of SMEs in the incipient social dialogue

The construction of social Europe may bring new obligations in a field which is particularly sensitive for SMEs.

c) Improved access by SMEs to the structural Funds

In the areas concerned, the impact of the structural Funds on SMEs is already often considerable, and the Funds are regarded as the Community's real method of

supporting SMEs. General guidelines, in respect of which DG XXIII has hitherto only intervened a little, should be standardized in cooperation with the Member States, which have broad autonomy here, by implementing the priorities laid down.

d) Redefining Community support for financing SMEs

The European Investment Bank does much to promote SMEs. Consultations could be held to transfer this assistance within the framework of Community enterprise policy by examining the advisability of new developments capable of properly filling any gaps in the financial market.

e) Stepping up SME participation in Community research and development programmes

The specific, effective measures taken by DG XXIII in this field could be put on a more systematic footing so as to increase participation by SMEs, in particular by alleviating the difficulties they have in assembling sometimes complex projects. Particular attention could be paid in this context to the problem of standardization.

f) Taking account of the specific problems of SMEs in the preparation of Community vocational training policy

Basic and further vocational training are of considerable importance if SMEs are to adapt to the rapidly changing market. Particular attention must be paid to training for heads of the firms.

The evaluator would like to thank Directorate-General XXIII, and all the interviewees, for the excellent working atmosphere which made this report possible.

He hopes he has made a positive contribution to the development of a policy - to whose importance he was particularly sensitive - for supporting the values of initiative and liberty defended by the Community, for the stimulation, renewal and adjustment of economic activity, for the recognition of groups in society which, often through lack of organization, have sometimes felt excluded from the main developments taking place in Europe.

The hope of small and medium-sized enterprises must not be disappointed.