

# COMMISSION OF THE EUROPEAN COMMUNITIES

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## COMMUNITY ACTIONS TO ASSIST SMEs AND THE CRAFT SECTOR:

1. FOURTH COMMISSION ACTIVITY REPORT ON ENTERPRISE POLICY  
- YEAR 1993 -
2. COMMISSION REPORT ON COORDINATION OF THE ACTIVITIES IN  
FAVOUR OF SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs)

**COMMUNITY ACTIONS TO ASSIST SME'S AND THE CRAFT SECTOR**

On 25 May 1994 the Commission adopted an integrated programme to assist SMEs and the craft sector.<sup>1</sup>

The aim of this programme is to outline an overall programme for the actions - both current and new - to assist SME's, and so to improve the effectiveness and the visibility of the initiatives to be taken both by the Member States and by the European Union. All the current and new actions were presented in the Integrated Programme in the form of a table, which is reproduced on the following page.

To meet these requirements of visibility and cohesion, it appeared necessary to combine the various items of information on the policies of the Union to assist SMEs which the Commission undertook to provide in the context of the Decision concerning a multiannual programme (1993-1996) to assist SMEs and the craft sector.<sup>2</sup>

The object of the present communication is to present in detail the current actions falling under the enterprise policy and other Community policies.

Accordingly, the present document comprises:

- the report on the measures carried out in 1993 under the multiannual programme to assist SMEs<sup>3</sup>, and
- the report on the coordination of Community measures to assist SMEs conducted in the context of other Community policies, with particular emphasis on regional, research and vocational training measures<sup>4</sup>. This report which includes a summary, covers the period from 1991 to the end of 1993, and presents quantitative data on the impact of these programmes on SMEs.

The Commission considers that this overall presentation of the Community measures and policies to assist SMEs will contribute to improving the visibility and coherence of the various policies of the European Union to assist SMEs and the craft sector, thus meeting the concern expressed by the Council and all the parties concerned with enterprise policy.

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<sup>1</sup> COM(94)207 final of 3 June 1994

<sup>2</sup> Council Decision 93/379/EEC of 14.06.1993, OJ L161, 2.7.1993

<sup>3</sup> Report provided for in Article 3 (4) of Decision 93/379/EEC

<sup>4</sup> Report provided for in Article 5 of Decision 93/379/EEC

## INTEGRATED PROGRAMME IN FAVOUR OF SMEs

1.1. CONCERTED ACTION		
Objective : SME Environment	Contents	Financing
<i>Improving the administrative environment</i>	<u>New measure :</u> ◦ Group on Administrative Simplification	-
1.2. CONCERTED ACTION		
Objective : Support Measures for SMEs	Contents	Financing
<i>Stimulating measures in favour of SMEs</i>	<u>New measures :</u> ◦ Forum on services to assist enterprises ◦ Stimulating demand	-
2.1. COMMUNITY CONTRIBUTIONS		
Objective : SME Environment	Contents	Financing
<i>Improving the administrative environment</i>	<u>Measures being taken :</u> ◦ Business impact assessment system - <u>New measure :</u> ◦ Cost benefit analyses	SME Multiannual Programme SME Multiannual Programme
<i>Improving the legal and fiscal environment</i>	<u>New measures :</u> ◦ Examine existing legislation ◦ Transmission of enterprises ◦ Fiscal environment ◦ Late payments ◦ Local Services	SME Multiannual Programme SME Multiannual Programme SME Multiannual Programme SME Multiannual Programme SME Multiannual Programme
2.2. COMMUNITY CONTRIBUTIONS		
Objective : Support Measures for SMEs	Contents	Financing
<i>Improving access to finance and credit</i>	<u>Measures being taken :</u> ◦ SME access to financial instruments : i.e. venture capital, mutual guarantee schemes, secondary markets <u>New measures :</u> ◦ capital markets ◦ private capital for RTD ◦ New financial engineering instruments ◦ Round Table : analysis and follow up ◦ Improving intervention measures of Community instruments	SME Multiannual Programme  SME Multiannual Programme 4th Framework Programme RTD SME Initiative EIB + EIF + SME Initiative Structural Funds and EIB Global Loans
<i>Cooperation</i>	<u>Measures being taken :</u> ◦ Partner search networks (BC-NET, BRE) ◦ Direct partnership : Europartenariat, INTERPRISE ◦ Sub-contracting : market transparency and pilot projects <u>New Measures :</u> ◦ Support after initial partnership contact  ◦ enterprise networks ◦ production and distribution networks ◦ sub-contracting : trade shows, promotion centres, networks, quality strategy	SME Multiannual Programme  SME Multiannual Programme SME Multiannual Programme  SME Multiannual Programme (crafts pilot project) + SME Initiative SME Initiative SME Initiative  SME Multiannual Programme + SME Initiative
<i>Management Quality, adapting SMEs to structural changes and to the Internal Market</i>	<u>Measures being taken :</u> ◦ support pilot project, similar to EUROMANAGEMENT ◦ Small enterprises, craft , retail, social economy ◦ Creators and young entrepreneurs <u>New Measures :</u> ◦ intermediaries potential for assistance ◦ support for SMEs with growth potential (stimulate pilot projects) ◦ assistance for managers and for workers threatened with industrial change ◦ Training	SME Multiannual Programme  SME Multiannual Programme SME Multiannual Programme  SME Initiative SME Multiannual Programme + SME Initiative SME Initiative + ADAPT LEONARDO Programme
<i>Other actions</i>	<u>Measures being taken :</u> ◦ Development and improvement of EIC network <u>New Measures :</u> ◦ Improved access to RTD ◦ Information Society and SMEs	SME Multiannual Programme  4 <sup>o</sup> Framework Programme RTD SME Initiative

### Principal Sources of Finance

- Multiannual Programme for SMEs 1993-1996: Ecu 112.2 million
- Community Initiative for SMEs 1994-1999: Ecu 1 billion
- Objective 4 : ADAPT Initiative 1994-1999: various projects for SMEs within Ecu 1.4 billion allocation
- Structural Funds 1994-1999: Community Support Framework and other Community Initiatives
- 4th Framework Programme RTD-1995-1999: various projects for SMEs within Ecu 12.3 billion allocation
- EIB Global Loans: Ecu 1 billion for SME competitiveness
- Interest rates (2%): Ecu 45 million for 1994 - Ecu 22,75 million for 1995
- EIF: Ecu 2 billion for loan guarantees with future possibility of direct participation.

**FOURTH COMMISSION ACTIVITY REPORT  
ON ENTERPRISE POLICY**

**- YEAR 1993 -**

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## INTRODUCTION

1993 represented a fundamental stage as regards the objectives, measures and development of Community enterprise policy.

The entry into force and adoption of several major pieces of legislation mark a new institutional framework and reinforce and extend Community action to help businesses, and particularly SMEs, in the European Union. Thus, 1993 saw the birth of a second generation Community enterprise policy, closely coordinated with the policies of Member States.

A quick glance at the key dates indicates the importance of the past year from three viewpoints:

### **From the institutional viewpoint:**

- Entry into force of the European Union Treaty on 1 November 1993: Article 130 makes enterprise policy official (it is currently based on legal autonomy) and the 18th final declaration commits the Commission to take account, in its legislative proposals, of costs and benefits to the Member States' public authorities and all the parties concerned.

### **From the general economic viewpoint:**

- Commission proposal of 12 January 1993 on the establishment of the European Investment Fund, which will guarantee loans for investments by SMEs.
- Commission proposal of 9 July 1993 on the provision of Community interest subsidies on loans for SMEs extended by the EIB under its temporary lending facility
- Commission White Paper on growth, competitiveness and employment - the challenges and ways forward into the 21st century. This white paper proposes a complementary strategy to help enterprises, and particularly SMEs, in order to ensure the proper mobilisation of economic operators for growth, competitiveness and employment.

**From the enterprise policy viewpoint:**

- Council Decision of 14 June 1993 on a multiannual programme of Community measures to intensify the priority areas and to ensure the continuity and consolidation of policy for enterprise, in particular SMEs, in the Community. This decision allocates a budget of ECU 112.2 million to enterprise policy for 1993-1996.
- SME Council Resolution of 11 November 1993 on strengthening the competitiveness of enterprises, in particular of SMEs and craft enterprises, and developing employment.
- Conclusions of the European Council held in Brussels on 10 and 11 December 1993, encouraging the creation of a fiscal, financial and administrative environment favourable to SMEs.

This report fulfills the requirement laid down in both Article 6 of the Council Decision of 28.7.1989 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 (OJ L 239 of 16.8.1989), and Article 3 of the Council Decision of 14 June 1993 referred to above (OJ L 161 of 2.7.1993).

## I. REMOVAL OF UNDUE ADMINISTRATIVE, FINANCIAL AND LEGAL CONSTRAINTS

### 1.1 Administrative simplification and assessment of the impact of Community legislation

The Commission continued its work on administrative simplification procedures aimed at minimizing administrative, legal and financial burdens and costs to business. Particular reference continued to be paid to the problems for SMEs and the cumulative impact on them of complying with Community legislation.

The work included consolidating and strengthening the Commission's business impact assessment system and the improvement of consultation procedures with business organisations. In line with the Commission's undertaking to improve the transparency and openness of its working methods, the Commission's proposed legislative programme is now published in the Official Journal. Advance warning is given of the Commission's intentions for legislation with an indication of those proposals which will be subject to the completion of a business impact assessment, and those which will be subject to broad advance consultation procedures with interested outside parties.

Impact assessments themselves are also made publicly available through notification of their existence in the Official Journal. Under the impact assessment system around 30 proposals for legislation from the Commission's 1993 programme were identified as needing an impact assessment. A number of these proposals were presented by the Commission and discussed at the regular meetings with the SME business organisations.

On 29 April 1993 the Commission held a working seminar with Member States and business organisations to discuss the impact assessment system critically and consider possible improvements. The main outcome of the seminar was the need for the Commission to consider the use of more sophisticated cost-benefit analysis when considering legislative proposals, although it was recognised that this would have considerable resource implications.

### 1.2 Improving the financial environment of enterprises

#### 1.2.1 Round table of senior members of the banking sector

At the request of the Commissioner for enterprise policy, Mr Vanni d'Archirafi, the Commission set up a Round Table comprising senior members of the banking sector from several Member States. This group had two objectives:

- *in the medium term*: to improve the allocation of private finance for SMEs (in consultation with financial circles, to identify best practices, assess the possibility of transposing them to Member States, and suggest new approaches fostering effective partnership between financial institutions and SMEs);
- *in the short term*: to prepare recommendations on the use of the European Investment Fund (EIF) (with respect to its status and independence) and subsidized loans (SME facility). The main points of the recommendations were submitted to the Council of Ministers responsible for SMEs at the Council meeting on 11 November 1993.

The services responsible for enterprise policy provided the secretarial services for the Round Table (organizing 5 members' meetings and the expert working party). Several other Directorates-General concerned were invited to attend its discussions.

The work led to adoption by the Round Table of the recommendations submitted to the SME Council on 11 November 1993.

#### 1.2.2 Payment periods in commercial transactions

In order to determine to what extent the question of payment periods should be dealt with at Community level, and what measures, if any, should be proposed, consultation took place with the circles concerned during the first half of 1993 on the basis of the Commission staff working paper SEC (92) 2214.

Over 130 written positions were received by the Commission following publication of the working paper. The ESC gave its opinion on 30.6.1993. In its Resolution of 21 April 1993 on subcontracting and public procurement, the European Parliament considered that this question necessitated harmonization at European level and requested the Commission to submit specific proposals. A public hearing was arranged by the Commission following the request from the European Parliament on 7-8 July 1993 in Brussels. Some 30 professional organizations were represented.

Consultations confirm that enterprises face serious problems in most Member States and sectors, and the situation has recently been deteriorating. The majority of the organizations consider that Community measures should be envisaged. The results of the consultation are currently being evaluated internally.

Business circles were pleased that the Commission was taking an interest in a problem of very practical concern to enterprises and had given all groups concerned the opportunity to express their point of view.

### 1.2.3 Stimulating the financial environment

A Communication to the Council was prepared in order to analyse the financial problems facing small and medium-sized enterprises in the European Community and to indicate possible solutions worthy of further examination. The Communication was approved by the Commission on 19.10.1993<sup>1</sup>

The main targets are the Council of Ministers and the governments of the Member States, as most action will have to be taken at national and/or regional level; financial institutions and organizations providing advice and training to SMEs are also concerned.

During the preparation, widespread discussions were held with interested parties and within the Commission services. Formal inter-service consultations were carried out between June and October 1993; the Article 4 Consultative Committee discussed the draft Communication on 16th July, 1993, as did the Trade and Distribution Consultative Committee on 22nd October, 1993.

### 1.3 Transferring businesses

Every year, too many businesses, and particularly SMEs, disappear because they have been unable to resolve problems relating to their transfer. Aware of the economic repercussions which this difficult operation can entail, the Commission is currently examining possible measures to safeguard the fabric of SMEs. It is basing its ideas on the proposals which emerged from the symposium which it organized on 29 and 30 January 1993 with around a hundred experts from all Member States.

These proposals concern mainly measures aimed at reducing tax pressure and creating a legal environment which facilitates the transfer of an SME in order to ensure its continuity and the volume of employment.

The conclusions of the symposium were submitted to participants, professional organizations and the Article 4 Committee.

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<sup>1</sup> COM(93)528

The proceedings of the symposium are being prepared.

Other consultations are in progress.

There is growing interest among those concerned in the subject of transferring businesses, including a proliferation of seminars, conferences, articles, etc.

#### 1.4 Cooperative societies, mutual societies and associations

On 11 March 1992 the Commission submitted to the Council three proposals for regulations on the statutes for a European Association, a European Cooperative Society and a European Mutual Society. The purpose of these proposals is to institute European legal statutes permitting cooperative societies, mutual societies and associations to develop cross-border activities without losing their specific status as partnerships or suffering discrimination compared to companies with share capital.

Following the opinion issued by the European Parliament in January 1993, the Commission submitted amended proposals on 6 July 1993.

During the second half of 1993, the Belgian Presidency provided the necessary impetus to complete the first technical reading of the "cooperative society" dossier (ECS).

The progress made in finalizing the legislation laying down the statutes of the European Company permitted faster headway, as it was possible for several of the wordings which had been approved by the delegations to be reused for the ECS (e.g. transfer of the registered office, hierarchy of laws applicable, conditions of eligibility for members of the governing bodies, etc.).

Furthermore, a study was launched in September 1993 on "Direct taxes applicable to associations".

#### 1.5 Improvement of external consultation

##### *European business organizations*

In the spirit of openness and transparency which it has applied since its establishment, the Commission maintained close contact with trade organizations representing the particular interests of SMEs, craft enterprises, commerce and the social economy.

Monthly meetings with representative organizations permitted discussion of the activities of the services of the Commission and other departments. Representatives of other Directorates-General were invited to explain their work and discuss it with business people. Commissioner Vanni d'Archirafi, responsible for enterprise policy, took part in two of the meetings. Commissioner Flynn came with him to discuss with the organizations the questions raised by the White Paper on Growth, Competitiveness and Employment.

The Commission was pleased to find that agreement on mutual representation had been reached among seven European organizations representing SMEs and craft enterprises with a view to implementing consultation and negotiation procedures under the Protocol on Social Policy.

### Commerce

Consultation of the commercial sector on legislation affecting its activity continued under the CCD, which was renewed for 1993-1995. The main subjects considered by the CCD in 1993 were: payment delays, statistics, continuing work on codes of practice, particularly on new methods of payment, consumer affairs, foreign trade and the problems of commercial SMEs.

The plenary meeting of the CCD on 5 March 1993 was held on the subject of "Trade, the pillar of the single market" and was attended by over 250 participants (CCD, experts, officials from the Commission and Member States, and the press). It was a significant event, as it is every year: declarations made on this occasion, and contacts established between the Commission, trade representatives, officials and the press, facilitate better understanding.

### Social economy

As did the Third Conference, the Fourth Conference on the Social Economy, held on 8 to 10 November 1993 in Brussels, stressed the need for a system of consultation with Community institutions. Initiatives for the establishment of a Social Economy Forum are in progress.

### Member States

At the request of Commissioner Vanni d'Archirafi, a first informal meeting was held on 21 June 1993 with the Directors General responsible for SMEs in the Member States, in order to enable the Commission to conduct an exchange of views on the overall situation of small and medium-sized enterprises in the Community. In particular, the Commission's activities

as regards information and the search for partners, and those relating to the implementation and development of measures such as those regarding the preparation of managers and the improvement of the administrative environment for businesses, were reviewed. Similarly, the various initiatives to assist SMEs at Community and national level, particularly as regards conditions of access to finance, participation in research and technological development and the use of the structural funds, were discussed.

This first meeting had already made it possible to place the problems facing SMEs and the action taken in their favour within the broader context of cooperative management of the internal market, and that information and simplification were emerging as the preferential means of action at both Community and national level. The Commission intends to repeat this type of meeting, in particular in order to permit the development of action coordinated with Member States.

## II. INFORMATION AND SUPPORT FOR BUSINESSES

### 2.1 Information for businesses

#### 2.1.1 Euro Info Centre network

The creation of the Euro Info Centre (EIC) network in 1993 is directly connected with the developments which took place regarding recognition of the importance of SMEs for the revival of the European economy, as defined, in particular, at the European Councils in Edinburgh in December 1992 and Copenhagen in June 1993. One of the aims of this network is to introduce new forms of partnership on a triangular basis, as the network becomes more operational, comprising the Commission, enterprises and their representative organizations at regional and local level (chambers of commerce and trade, focal points for local development, trade organizations, etc.).

With this in mind, the EICs aim to encourage European enterprises to become more European and more international through their various functions (production, marketing, management, finance, promotion). By means of continuous, interactive dialogue with local economic operators, the Euro Info Centres have thus found themselves in the front line for translating the new dimension of enterprise policy into reality. This mission on the ground is also in perfect synergy with the action of the Member States.



From this point of view, the particular activities of the EICs had a threefold mission in 1993: greater depth, quality and performance.

As regards greater depth, the network improved the EICs' capacity to provide information, particularly by extending and systemizing the partnership measures between the EICs and the specialist Directorates-General of the Commission. Four specialist EIC working parties were set up on the Internal Market, R & D, external relations and Community programmes. Among other things, these developments enabled the EICs to play an active part in the work of the VAT Monitoring Committee, to collaborate - on the basis of a detailed questionnaire - in monitoring the effective implementation of the internal market, and to contribute directly to the preparation of sectoral guides on the environment for enterprises. This work enabled the Directorates-General concerned to promote knowledge of their programmes among businesses, through the EICs, and hence to promote greater participation by businesses in their initiatives.

This exchange mechanism also permitted emphasis on the EICs' work of providing feedback while promoting the circulation of targeted, advance information. Finally, it helped to refine the work of assistance/advice offered through the EICs by encouraging the identification and selection of the businesses affected by Community initiatives and by stimulating more informed participation.

The extension of the network to interested third countries continued throughout the year, by the establishment of Correspondence Centres in Budapest, Sofia, Reykjavik, Nicosia, Ljubljana, Bratislava, Ankara and Tel Aviv.

As regards the quality of the services provided, special attention was paid to adjusting and perfecting the information tools and to intensifying and diversifying the continuing training programmes, with the twofold aim of achieving a more professional network and increasing the operability of services to businesses. The monitoring of the work of the EICs was also stepped up and reorganized by the implementation of quality management, based directly on the technique of management by objectives.

Finally, major technical changes were also made to improve both the speed of information distribution and the efficiency of the services. In particular, the organization of a Value Added Network (VANS) covering all Commission networks permitted a significant increase in

possibilities for communicating and transferring files while ensuring greater synergy between information and cooperation measures for the benefit of enterprises. A "hot line" was installed to permit direct, continuous consultation between the EICs and the information service of the central structure of the network on any question relating to Community policies and programmes. An ad hoc database was developed from a selection of questions which enterprises put to EICs and questions which EICs put to the central structure (a total of 5,000 questions in 1993). Finally, a significant effort was made to promote the network in order to stimulate a direct and systematic exchange between members themselves and with their sub-networks (over 2500 exchanges listed in 1993).

As a result of the dynamism created by the new Community-level enterprise dimension, the EICs thus became talking partners valued by the Commission in its relations with SMEs, through flexible, multi-purpose instruments. In particular, their field work ensured that services to businesses were more flexible, faster and more systematic in 1993.

### 2.1.2 Development of the Social Economy EIC

The ARIES (Social Economy Information Network Association) programme of work was implemented in 1993 in order to make available to Social Economy enterprises the information resources specific to this sector.

ARIES covers the following activities:

- Database development programme
- Information products - standardization system
- Seminars, demonstration networks and stands
- Development of a standard ARIES member package (training, software, installation and pilot test networks).

Demonstration sessions were held in the various member countries.

### 2.1.3 European Week for Business

A second Week for Business was held on 4 to 8 October 1993 to promote the measures and instruments used by the Commission to assist businesses and encourage their use, particularly by SMEs.

A series of events (lectures, round tables, open days, workshops, media campaigns, fairs and exhibitions) were organized in the 12 Community countries aimed at SMEs, representative organizations, local, regional and national authorities and any intermediaries concerned with SMEs.

2,500 events were organized by members of the networks (EIC, BC-NET, BRE) with the support and participation of the Commission in almost 600 towns. 60,000 entrepreneurs took an active part (over 100,000 if one includes the public reached by radio and television broadcasts).

The events related to all Community programmes and policies with the emphasis on topical aspects of concern to small and medium-sized enterprises (VAT, environment, implementation of the internal market, partnership, R & TD, public procurement, etc.).

The Commission's participation took the form of leaflets, posters and, in a small number of cases, grants for the organization of certain events. Officials from a dozen Directorates-General took part in over 250 events. Several members of the Commission also gave lectures, including Mrs Scrivener, Mr Bangemann, Mr Deus Pinheiro, Mr Matutes, Mr Millan and Mr Vanni d'Archirafi.

In comparison with the results of the first European Week for Business in 1992, the following conclusions can be drawn:

- overall, the events were more specialised, more targeted and geared more closely to the immediate concerns of businesses (many sessions on VAT, transport and the environment, for example). At the same time, there were fewer big, general events. However, these two trends do correspond to the real aim of the services of the Commission, which is to stimulate a dialogue between specialists at regional and local level which is as close as possible to the real concerns of businesses;
- media coverage was very extensive: several hundred press cuttings have already been listed, and the number of radio and TV recordings is up;
- overall, coverage by country followed the same pattern as in 1992, with Italy the most active country. More initiatives were seen in Germany, Ireland and Denmark, and rather fewer in France and Greece (in Greece the decline was due to the proximity of the general election).

A summary report comprising the comments of officials who took part as speakers, the press, the organizers and the services of the Commission is being prepared for the purpose of assessing the results of this Week.

Two examples of the most original events:

- \* Organization of a question and answer project with businesses from the Rhône/Alps region, coordinated by ERAI (Entreprises Rhône/Alpes International) and the EIC network information service. This interactive exchange, which extended over several months, gave rise to daily publication, during the Week, of a selection of questions and answers in the local press (one topic per day). The nature of the questions and the diversity of questioners provided the Commission with an exhaustive view of the needs and concerns of businessmen in the region as regards the implementation of the internal market.
- \* Excellent regional coverage by several British EICs such as Leicester, Newcastle and Liverpool, each of which organized over fifteen events and press campaigns during the Week. Among the "capillarization" efforts (dissemination of information at regional level), mention should also be made of the Sligo CCI in Ireland, the Economic Chambers Liaison Committee of the Languedoc Roussillon Region (Montpellier EIC) and the Dodecanese CCI in Greece.

#### 2.1.4 Miscellaneous information measures

##### Information on the European Economic Interest Grouping

Since the beginning of January 1993 the Commission has been circulating a brochure entitled "European Economic Interest Grouping (EEIG): the emergence of a new form of European cooperation - report on three years' experience", setting out information and examples of the use of the European Grouping by economic operators and particularly SMEs. Based on a survey launched in 1991 among all existing EEIGs, this document reports on the situation and responds to a need for practical information expressed by SMEs on the nature of this new form of cooperation and when it is appropriate to use it.

Following the interest aroused by this brochure, the services of the Commission decided to step up their action on EEIGs. A European EEIG Network (called REGIE), which will collate practical, accurate information on all EEIGs currently in existence, is now being set up. Ultimately, this will permit compilation of a database which can be used, in particular, for the benefit of SMEs wishing to develop some of their activities via cross-border cooperation, using the EEIG.

#### Practical guide to competition for SMEs

The Commission encourages SMEs to conclude cooperation agreements among themselves and is particularly concerned to establish and ensure compliance with rules guaranteeing free competition. The brochure "SMEs and competition - a practical guide", for direct use by SMEs, provides information on essential points, specifies the mechanisms and states the principles governing competition law at Community level. Practical examples and tables make it easy to ascertain whether an agreement concluded with another business is legal or whether it has to be notified for the purpose of obtaining exemption, and the measures and procedures applicable (notification, complaints, appeals). This guide is available in the 9 Community languages simply on request.

#### Continued publication of Euro-Info

Euro-Info is a quick-delivery information bulletin intended for small and medium-sized enterprises and craft enterprises. It is sent free of charge to enterprises, organizations, trade associations and groups, BRE correspondents, members of the BC-NET network and the EICs.

Euro-Info gives concise information on the measures and instruments set up by the services of the Commission responsible for enterprise policy and the action taken by other Directorates-General of concern to SMEs and craft enterprises.

Euro-Info is published ten times a year in the nine Community languages, and its circulation will soon reach 70,000 copies. Special editions on subjects such as craft enterprises and subcontracting are also planned in the forthcoming months, in view of their special importance.

#### Mobile stands

The Commission currently has two modern mobile stands, more adaptable than the previous one. These stands are used to represent the enterprise policy at fairs and exhibitions, seminars and conferences for managers of small and medium-sized enterprises or craft businesses.

Twelve activities concerning enterprise policy can be presented visually on a stand measuring about 30m<sup>2</sup>, on panels accompanied by logos and texts in the language of the country being visited, while a smaller stand is used to display activities relating to information and cooperation. In addition, a video clip is also shown and both general and targeted documentation is available to the public in the appropriate language. Finally, there is always a representative of the Commission's services on hand to give visitors further information.

During 1993, the Commission's services responsible for enterprise policy took part in some thirty fairs and exhibitions in the countries of the European Union, and also in North Africa (Tunisia). In all cases, thousands of visitors including many business managers were able to improve their acquaintanceship with the Commission, and in particular with its activities to help SMEs and craft industry.

## 2.2 Measures in support of businesses

### 2.2.1 Training and consultancy

#### EUROMANAGEMENT - Preparing SMEs for the internal market

The Commission continued its training activities in order to help SME managers to define a strategy for their business as the internal market opens up. From this point of view, 1993 not only saw the finalization of around a hundred training schemes and studies of the impact of the large market, but also permitted the launch of the Euromanagement network comprising training and consultancy bodies from all Member States.

On 17 May 1993 a seminar was held in Brussels, attended by 57 training/consultancy bodies which had taken part in the work of preparing SMEs for the internal market. It had two objectives: to evaluate all the action taken and to produce guidelines on the characteristics of the network to be set up.

As regards evaluation, the work done enabled:

- SME managers to improve their knowledge of the new opportunities offered by the large market and to identify specific measures for seizing them;

- training/consultancy bodies to familiarize themselves with the impact of the internal market on SMEs and take the initiative in organizing other seminars and activities downstream, such as establishing businessmen's clubs or marketing consortia.

The conclusions of the seminar were as follows:

- the participating bodies unanimously recognized the existence of a need for training in the process of European integration among most SME managers;
- it was established that the main weakness of business managers lies in strategic management. In order to fill this gap, it is necessary to give them access to rigorously selected, appropriate information and to improve their ability to exploit that information and to implement appropriate measures in an effective way;
- if the network is to be able to make a useful contribution to the competitiveness of SMEs, it must encourage the exchange of information ("success stories"), tools and experts. It should also permit the development of new cross-border measures.

Finally, the participating bodies proposed proceeding with the establishment of the network by stages: first, a phase in which a relatively flexible structure is consolidated, followed by opening up the network to new interested bodies.

## EUROMANAGEMENT - standardization, certification, quality assurance and safety at work

The Commission is pursuing two objectives with this pilot project:

- to assess the impact of European standardization, certification and quality assurance on SMEs;
- to provide information and advice to support SMEs' efforts to adapt to the requirements entailed.

Following an invitation to tender, 52 consultants were selected by the Commission in 1993 to assess and advise 780 SMEs. In addition, an external coordinator, also selected by invitation to tender, was given the task of developing the methodology for assessing SMEs, providing assistance for consultants during the project and preparing a report summarizing the results achieved by the consultants.

The project began in June with a training seminar aimed at updating the knowledge of consultants in the field of Community policy on standardization and certification and training them in methods of assessing SMEs.

The assessments are going well and will be completed in February 1994. The coordinator will then be able to produce a final summary giving the Commission:

- a better idea of the problems of adapting to European requirements regarding standardization, certification, quality assurance and assurance of safety at work, encountered by this representative selection of SMEs;
- an initial indication of divergences by country and by sector.

AFNOR, the French standards institution, has been chosen as coordinator.

The Commission finances 50% of the assessment costs. Consultants are required to find other sources of finance, either public or private, e.g. in the form of financial participation by the SMEs assessed.



### Small enterprises and craft businesses

The measures launched in this field aim to promote the adaptation of small enterprises and craft businesses to the new parameters of the internal market.

An initial 3 year pilot plan (1991-1993) is followed by the multiannual programme (1993-1996).

Measures implemented under this initial pilot plan included:

- invitations to tender issued in 1991 and 1992 following recommendations made by the European Conference on Small Enterprises and Craft Businesses and the monitoring of the performance of the 25 contracts awarded;
- organization of the 2nd European Conference on Small Enterprises and Craft Businesses and 11 preparatory symposia.

In 1993 the main focus was on:

- preparing the 2 preliminary symposia (Luxembourg and Rome) for the 2nd European Conference;
- launching the 2 pilot projects concerning meetings of experts from professional organizations and exchanges between businesses;
- preparing SME/craft business guidelines in the Poseidom programme;
- issuing an invitation to tender concerning frontier zones;
- preparing an invitation to tender concerning cooperation between small enterprises.

### Pilot project on vocational training for craftworkers

The purpose of this project, launched in 1990, is to provide young craftworkers with vocational training to enable them to pursue an occupation in their country of origin or ultimately to set up their own business. Forty five young people were selected from Greece, Spain and Portugal, aged 16 to 20 years, who had completed compulsory education in their country.

These young people receive three to three and a half years' vocational training in Germany under the "dual" system (alternating periods in training centres and on the job). The training was preceded by a six-month language course.

Several meetings have taken place:

- the fourth meeting to assess the pilot project was held in Ohlstadt (Germany) on 18 March 1993, attended by representatives of the young people, master craftsmen, trade organisations of the countries concerned and the German institution in charge of the project;
- a seminar on cooperation between European craft enterprises in the vocational training sector (Ohlstadt, 19 March 1993) was attended by the same participants and by entrepreneurs from the countries concerned;
- a conference on "Training for Business Managers" (Luxembourg, 15/16 November 1993) was arranged when the pilot project was presented (140 participants attended).

This is the only Commission project which aims to provide full craft training in a foreign country.

In this third year, 28 young people are continuing the experiment, which corresponds to the success rate for their fellow trainees from Germany.

The pilot project is co-financed via the PETRA programme.

### 2.2.2 Finance

#### Seed capital

1993 was the fourth year of the Pilot Plan, which covers a five year period (1990-1994) and aims to encourage the establishment of businesses in the Community and improve new businesses' chances of survival. 24 seed capital funds were selected by an invitation to tender. These received reimbursable advances to fund 50% of their operating costs over 5 years and 15 of them additionally benefited from capital contributions.

Investment activity slowed down in 1993 as a result of economic problems.

Three new members joined the network. Several events were organised:

- Seville (27/28 May 1993) - 7th network seminar - 55 participants: "The role of the public sector in early stage investment"

- Brussels (2/3 December 1993) - 8th seminar - 150 participants "Investment in enterprise creation and growth: raising funds - co-financing - withdrawal".

The Article 4 Committee was informed of the progress of the pilot action at its meetings in February and July 1993.

A progress report was submitted in January 1993.

The Warwick Business School carried out an external assessment in 1992.

After almost four years, the pilot plan has produced the following results:

- the 24 seed capital funds disbursed a fund of 40 MECU of which 57 % were provided by private sources, 37 % by public regional sources and 6 % by the Commission;
- 20 MECU was invested by the funds in the creation of 187 new enterprises;
- 161 enterprises of the 187 created were still active at the end of 1993 representing a failure rate of 14 % over 4 years;
- they created 1706 direct jobs and a further number of indirect subcontracting jobs;
- 75 % of the jobs went into advanced technology sectors.

#### Mutual guarantee societies

The second congress of the European Mutual Guarantee Association was held in Hamburg on 5 and 6 October 1993. Some 300 people from the Community and from third countries took part. As a result of this congress, both officials from SME development institutions and associations representing SMEs were made aware of the role that mutual guarantees can play in improving SME finance.

The results of a recent comparative study on mutual guarantees and SMEs were presented, together with a pilot project, with the object of creating a mutual guarantee system in Portugal. This project is being run in close collaboration between IAPMEL, AECM and IMPI.

#### 2.2.3 Access to markets

##### Euromarketing

The purpose of this study (launched via an invitation to tender published in the OJEC of 26.6.91) is to help SME managers to define an appropriate marketing strategy for their businesses in the context of the internal market.

### EUROMARKETING objectives

To examine marketing policies pursued by SMEs and ways of adapting their methods to the changing commercial environment.

To identify an optimum Euromarketing strategy for SMEs wishing to seize the new opportunities offered by the large market.

To draw up a guide for SME managers to help them define their own Euromarketing strategy.

The study was completed in 1993 and its conclusions were presented in the form of two documents:

- a final report and a summary for the Commission. The latter document - which is to be widely circulated among Member States' public authorities and bodies - contains the study's main conclusions and puts forward some suggestions:
- for businesses, to enable them to implement a Euromarketing strategy, and
- for the Commission and public authorities, to enable them to make a useful contribution to SMEs in this area.
- a guide for SME managers, setting out the details of a Euromarketing strategy, illustrated by numerous case studies. The guide is intended to give the business manager some ideas and help him define the most appropriate marketing policy for his business in the context of the internal market.

### Helping SMEs to work with central and eastern Europe

This action is intended to help Community SMEs to find new markets in central and eastern European countries.

By means of a pilot action launched in 1993, the Commission aims to promote joint action to compile, disseminate and exchange information and know-how concerning foreign trade, investment and cooperation: seminars, conferences, staff exchanges and information tools.

The invitation to tender was finalized in September 1993. 11 contracts were awarded. 10 further contracts are to be awarded subject to an additional budget appropriation.

### SMEs and public procurement

In order to improve the opportunities for SMEs to access public procurement markets, the Commission has commenced work on the preparation of a work programme in order to insure a follow up of the broad lines of approach indicated in the Communication "SME Participation in Public Procurement in the Community" - SEC(92) 722 final.

The majority of the considerable amount of preparatory work undertaken has involved the further examination of obstacles to SME participation already identified and to define all credible options for action. Consideration has also been given to the effective use in relation to this problem of the new Community financed instruments agreed by the European Council in Edinburgh and Copenhagen, as well as the structural and cohesion funds among others concerned with the development of a certification and testing infrastructure in the less favoured regions. The Commission's services have launched studies into how to improve the overall availability of information on the public procurement market, not least through the information and technical assistance to enterprises network. In this context some of the Euro Info Center have developed a specialisation in public procurement.

A call for tender has been launched involving the analysis of irregularities in tender notices published in the Official Journal. In addition preparations are well advanced for a further call for proposals on the writing of a practical guide to management on effective preparation for participation in public procurement markets.

A Seminar on SME access to public procurement was organized by the Commission services on 14/15 January 1994, which was attended by representatives from a broad range of organizations, public, semi-public and private.

The Advisory Committee on Public Procurement was consulted on these tasks, most recently on 13 October 1993.

#### 2.2.4 Technology

##### SMEs and Community RTD activities

A Commission communication to the Council entitled "SMEs and Community research and technological development (RTD) activities" was adopted by the Commission on 30.9.93 and submitted to the Council on 11.11.93.

This document was intended to summarize the situation of SMEs in relation to Community RTD programmes, and to state the progress achieved and adjustments to be made in order to increase participation by SMEs.

Between 1.1.1987 and 31.12.1991, only 1140 enterprises with fewer than 500 employees (or 11% of all participants and 13% of the total budget) took part in Community RTD programmes, excluding information technology. As a result, the Fourth Framework R & D Programme (FRDP 1994-1998) should bring about a substantial increase in SME participation in its programmes, among other things by the extension to other research topics of the system of feasibility/expansion awards, devised under BRITE/EURAM.

Following the adoption of this document, the Commission set up a working party to improve coordination of the various departments' action concerning SMEs in the context of Community research.

##### EUROMANAGEMENT RTD II

After consulting the Advisory Committee on Enterprise Policy (Article 4 Committee), the Commission decided to launch a second phase of the RTD Euromanagement pilot action in 1994. This new action will aim to identify a substantial number of SMEs (some 1500) which can take part in calls for tenders under the Fourth FRDP concerning information technologies, industrial and scientific technologies and bio-technologies. It will also focus special attention on the exploitation by SMEs of the results of Community RTD.

##### VALUE-SME pilot action

This action aims to promote the transfer of innovations from Community R & D programmes to SMEs. The object is to improve the exploitation and dissemination of Community research results.

**EXPLORATORY AWARDS:** allowances designed to cover travel costs (and directly associated expenses) incurred by SMEs seeking to conclude a technology transfer agreement on the basis of Community research results (up to 75% of the actual costs: Maximum: ECU 7,000).

**TECHNOLOGY EXCHANGE AWARDS:** allowances designed to cover all costs (labour, general expenses, equipment, etc.) associated with the assessment of the feasibility of transferring and using a technology (up to 50% of the actual costs: Maximum ECU 100,000).

During 1993:

- 10 contracts were signed for exploratory awards worth a total of ECU 42,000.
- 5 contracts were signed for technology exchange awards worth a total of ECU 270,000.

10 VACRO-DAYS (Value Crossroads Days) were organised to promote the results of Community research among SMEs (5 on the ESPRIT programme, 2 on the BAP programme and 2 on BRITE/EURAM).

### III. PROMOTION OF COOPERATION AND PARTNERSHIP

#### 3.1 The Business Cooperation Network (BC-NET)

##### Structure of the network

On 15 December 1993 the network had 571 members (advisers and intermediaries). 539 of them are located in Member States and 32 in 24 non-member countries.

This situation is the outcome of the non-renewal of memberships which were not very active at the end of 1992 and the selection of new candidates by a call for proposals published in the Official Journal in January 1993 (93/C17, 93/S15 of 22.1.93).

These regular revisions of the composition of the network improve its quality while ensuring that it remains sufficiently large.

On 15 December 1993 the situation was as follows:

Belgium	35	Italy	91
Germany	91	Luxembourg	3
Denmark	16	Netherlands	28
Greece	35	Portugal	22
Spain	63	United Kingdom	67
France	78	Non-member countries	32
Ireland	10		

The gradual opening of the BC-NET to non-member countries, making it possible to monitor and benefit from the internationalization of the economy, continued.

The membership agreements of Canada and Morocco were officially signed on 2 July 1993 at the annual Conference, PARTENARIAT '93. This extension gives the BC-NET a stronger presence in the Mediterranean area and an initial foothold in North America. It currently has a presence in 24 non-member countries.

#### Activity of the network and results

In 1993, the Central Unit recorded 10 053 CPs ("cooperation profiles"), or an average of 838 CPs per month.

Although the bulk of cooperation requests were still commercial (60.7%), there was a slight increase in requests for technical cooperation (27%) at the expense of financial cooperation (6.8%) compared with 1992.

The breakdown of cooperation requests by sector of activity is also stable, with the manufacturing sector still dominant (65% of requests as at 30 November 1993 compared with 64% as at 31 December 1992).

#### Activities of the Central Unit

##### a. Specialized working parties and sub-networks

The Central Unit set up a working party comprising BC-NET financial bodies. This working party met in January 1993.

A "Flash Profile" working party also met in January 1993. Its work led to the establishment of a selective distribution system for FPs.

A "Training" working party met in February 1993. A training programme was redefined on the basis of its conclusions, presented to the Advisory Working Party for Monitoring in March 1993.



Finally, a "Public Procurement" sub-network is being set up.

b. Advisory Working Party for Monitoring

The Advisory Working Party for Monitoring met in March 1993. As a result, it was decided:

- to step up support for members, in particular by continuing the quality management programme;
- to implement a further promotion programme;
- to optimize the efficiency of the network (public procurement, amendment of the Code of Practice, extension to non-member countries).

c. National meetings

In the first half of 1993, BC-NET organized national meetings in Ireland and Denmark, plus - in connection with Europartenariat - a national meeting in Lille, France (June 1993) and a meeting of British and Irish members in Glasgow, Scotland (December 1993)<sup>2</sup>.

In addition, the Swedish and Finnish NCPs ("national contact points") arranged a meeting of their sub-networks, which was attended by the Commission services responsible for enterprise policy.

Other national meetings, organized jointly by the Central Unit and the members concerned, are planned in each Member State. The first of this series was attended by Belgian and Luxembourg members in November 1993.

d. Annual conference

This year, the annual BC-NET conference was extended to the other cooperation activities promoted by the services responsible for enterprise policy. The conference, entitled "Partenariat '93 - The dynamics of growth", was attended by BC-NET and BRE members plus the main partners concerned with Europartenariat, Interprise and Subcontracting. Altogether, some 744 participants attended.

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<sup>2</sup> In December 1992 a Europartenariat meeting of Italian members was organized at Bari.

e. Training

Following selection of the new advisers, an initial series of BC-NET training sessions was organized in the various Member States (11 national training sessions) in May and June 1993.

Training sessions were also organized for the new NCPs in Argentina, Canada, Chile, Hungary, Morocco, the Philippines, the Czech and Slovak republics and Uruguay, and their sub-networks.

Supplementary training sessions were organized for the Swedish and Finnish NCP sub-networks and for other members with sub-networks.

A second series of 26 training sessions open to all members began in the fourth quarter of 1993. The training material was fully updated on this occasion.

f. Charges

Charges came into force on 1 January 1993 for Community members<sup>3</sup>, which meant that they had to sign an additional agreement<sup>4</sup>.

g. Quality management

The quality improvement policy continued through various measures, including:

- the introduction of charges
- renovation of the network with the new selection procedure, including a personal interview with candidates whose file merits additional information
- stepping up the training programmes.

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<sup>3</sup> They already applied to the EFTA countries, Israel, Turkey and Australia.

<sup>4</sup> For new members the additional clause is incorporated in the BC-NET agreement.

The Central Unit has now started a programme of measures to improve operations. In this context, it launched a Quality Help Desk in the second half of 1993.

h. Use of BC-NET for technological innovation

Two measures were launched in connection with adapting BC-NET to technological innovation:

- a short-term project to place certain authorized technical and technological CPs in a database which can be consulted interactively and accessed via VANS;
- a long-term project to review the foundations of the BC-NET system, in particular as regards requests for technical and technological cooperation.

i. Development of applications - BRS and VANS installations

All the above activities are supported by data-processing developments. Apart from maintenance of existing applications, several developments were carried out in 1993:

- version 4.1 of the BRS software for sub-network members was successfully brought into service by over 30 intermediaries;
- a program known as RPS, which helps members to prepare their half-yearly activity reports, was produced in 1993;
- the BC-NET team developed a consolidated database on the services responsible for enterprise policy networks (this was used to prepare the consolidated directory of BC-NET networks distributed at the European Week for Business, which took place from 4 to 8 October 1993);
- a program enabling the Central Unit to charge its members from 1993 onwards was developed in 1993.

The BRS and VANS installations continued: since 1 January 1993, 42 new BRS installations have been completed. The Central Unit also arranged a dozen VANS installations and seven training courses in the use of the services offered by VANS.

### 3.2 Business Cooperation Centre (BRE)

During 1993 the BRE evaluated the results achieved by the qualitative and quantitative improvements carried out in 1991 and 1992.

The network currently has 412 correspondents in 54 countries.

The 6,580 cooperation profiles received and the continual applications for membership of the network from new organizations bear witness to the increasing importance and success of our work.

At the same time, other measures to improve and stimulate the instrument have been set up.

The measures adopted during the year followed the development projects already begun during 1991 and 1992 and are evolving in three basic areas:

#### Technical and operational improvement of the network

The computer system was improved.

Working documents were finalized. The work of drafting more detailed information guides, one for use by correspondents, the other for businesses, was started some while ago.

As regards translation, operational improvements were made and a project is under consideration for translating advertisements automatically into all Community languages to speed things up.

#### Qualitative improvements and enlargement of the network

Members of the network were "evaluated" on the basis of their individual activity in terms of cooperation offers sent, advertisement circulation capability and participation in the various network activities.

A "survey" was conducted among correspondents in order to obtain statistics relevant to the development of the network and to stimulate reactions and/or suggested improvements. Points covered by the survey included the way in which correspondents work at sectoral or geographical level, the monitoring of contacts made for clients, and distribution and promotion methods and techniques.

A new half-yearly activity report form was made available to network members.

Enlargement continued within the Community and outside. In particular, apart from new Community members, Costa Rica, Uruguay, Algeria, Lebanon and the Occupied Territories joined the network during 1993. It is planned to complete geographical coverage for the Mediterranean and Latin American countries under the MED-INVEST and LA-INVEST programmes.

### Stimulation and leadership of the network

- A newsletter on cooperation continues to be produced.
- Two closed monitoring meetings were organized.
- The plenary meeting was held in Brussels on 1 and 2 July 1993 during the Conference on Cooperation.
- National meetings for French, British and Irish members were organized during the "Lille" and "Scotland" Europartenariats. Meetings were also organized in Denmark and Ireland in order to stimulate the activity of members in those countries.

## 3.3 Europartenariat and Interprise

### 3.3.1 Europartenariat

Europartenariat, a programme run jointly by the Directorate-General for "Enterprise Policy, Trade, Tourism and Social Economy" and the Directorate-General for "Regional Policies" aims to stimulate the development and growth of a less favoured region<sup>5</sup> by cross-border SME cooperation. The method of arranging Europartenariat events is set out in Annex 2.

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<sup>5</sup> Objective 1, 2 or 5b regions.

a) Analysis of events in 1993

Since 1991 the number of events has risen to two per annum.

"Europartenariat North-East France"

In 1993, Europartenariat held the Lille event for objective 2 regions: Nord-Pas-de-Calais, Picardy, Champagne-Ardenne and Lorraine. The aim was to promote cross-border partnership between SMEs from the four regions of northern and eastern France and SMEs from Community countries, the Mediterranean perimeter, central and eastern Europe (CEECs) and EFTA.

Also, under the policy on opening up regions where development is lagging behind, Corsica and the Overseas Departments (Guadeloupe, Martinique, Guyana and Réunion) took part in the Lille event as host regions.

The North-East France Europartenariat was the largest event ever organized in Europe for inter-firm cooperation, with numerous visiting firms from non-member countries (EFTA, CEECs, Mediterranean countries).

At Lille the proportion of listed enterprises concluding cooperation agreements can be expected to exceed 40%. The agreements concluded cover a very wide range (financial, technological, subcontracting and patent agreements, etc.), thus confirming the pattern which has been emerging since the Leipzig Europartenariat in 1991.

The figures on the "North-East France Europartenariat" can already be summarized as follows:

Number of French businesses selected from North-East: 414
Number of businesses selected from Overseas Departments: 63
Number of businesses selected from Corsica: 18
Number of participating countries: 42
Number of visiting businesses recorded: 1,768
Number of meetings requested: 10,650
Average number of meetings per French business: 21

### "Scotland" Europartenariat

"Scotland" was the 9th Europartenariat. Altogether, 1,259 visiting businesses from 55 countries - including 626 from the Community - were in Glasgow on 13 and 14 December 1993.

Businesses from North America (United States and Canada), China and the Occupied Territories took part in this event for the first time.

Some 6,000 meetings were pre-planned with the 334 Scottish businesses selected.

The largest sectors represented were agri-foods, textiles and made-up goods, commercial services and training, electricity, electronics, optics and opto-electronics.

The initial reactions of the participants testify to perfect logistical organization and excellent quality business contacts.

#### b) Programme development

##### Quota system

The quota system was tested for the first time at the "France North-East Europartenariat". Each national adviser has to arrange the participation of a certain number of businesses in the event, the number being calculated in proportion to the budget submitted to the principal contractor. This system not only guarantees that a minimum number of Member States' businesses will be present, but also ensures additional commitment on the part of national advisers.

##### Internationalization

The programme is open to the EFTA countries and those of central and eastern Europe. Thus, PHARE co-finances promotions and business missions organized by national advisers from those countries.

Similarly, the MED-INVEST programme facilitates support for this type of activity for advisers from countries bordering the Mediterranean.

##### Monitoring

It is planned to step up the monitoring of events. Thus, a supplementary report will be requested from the principal organizer one year after the event. This evaluation forms an integral part of the work programme of the principal organizer and the national advisers.

### Structuring effects

It must be stressed that Europartenariat acts directly on the following points:

- improving or developing the image of the region concerned;
- the important role of the partnership strategy;
- increasing SMEs' awareness of the opportunities offered by the single market;
- the need to internationalize business.

### Next events

The next events will be held in:

- Poland: Gdansk, 9 and 10 June 1994;
- Spanish Basque country: Bilbao, 21 and 22 November 1994.

### 3.3.2 INTERPRISE

The purpose of the INTERPRISE programme (Initiative to Encourage Partnership between Industries and/or Services in Europe) is to support local, regional and national measures throughout the territory of the Community which are aimed at stimulating direct contact between businessmen in order to develop cooperation agreements between small and medium-sized enterprises.

The INTERPRISE objectives and methodology are based on the operation of Europartenariat, but on a larger scale, involving industrial and developed regions as well as assisted regions. Projects have to include at least three regions of three Member States of the Community, although they may extend to regions outside the Community.

Annex 4 provides details of how INTERPRISE events are organized.

This programme facilitates:

- cross-border cooperation for small and medium-sized enterprises and guidance with a view to training them and encouraging them to form partnerships;



- by means of joint action on the part of the regions, cooperation between trade organizations, chambers of commerce and industry, development agencies promoting economic development and the efficient operation of the internal market and the private sector;
- greater contact between businessmen, organizations and political institutions;
- the establishment of direct contact between Community measures and businesses, which can thus be aware of the existence of specific programmes of interest to them, in particular for the purpose of exploiting the opportunities of the large market.

44 projects involving 290 regions were approved in 1993.

### Participation by Member States

These projects represent a total of 47 events distributed as follows: France hosted 14 events, Italy 9, Spain 4, the UK, Germany and Belgium 3, Greece 2, the Netherlands 2, Denmark, Ireland and Portugal 1. Outside the Community, Poland, Hungary, the Czech and Slovak Federation and Malaysia each hosted an event.

However, if we analyze the number of co-organizers per project we find that all member countries play a balanced part in the various projects: France (27 participations), Germany (22), Spain (22), Italy (21), UK (18), Belgium, (13), Netherlands (13), Denmark (8), Portugal (7), Greece (7), Ireland (4) and Luxembourg (1).

As regards participation by non-Community partners (EFTA, CEECs, Baltic countries, Malaysia), the involvement of Sweden (3 times) and Poland (5 times) is particularly noteworthy.

For example, the "Euro-Malaysian Partnership Days" INTERPRISE has already resulted in preparation of joint ventures in electronics and motor vehicles, and trade agreements have reached an advanced stage of negotiation, particularly for pharmaceutical instruments and air conditioning, in liaison with German, British, Italian and Dutch firms.

### Principal sectors

Agri-foods, electronics, chemicals, environment, metals, textiles, building, services and timber were the most popular sectors for cross-border cooperation in 1993. Some

projects are highly specialized, such as the one on composite materials which led to the signing of 5 R & D CRAFT dossiers.

#### Synergy between instruments on enterprise policy

EIC: nine Euro Info Centres presented INTERPRISE projects in 1993 and 32 EICs took part as co-organizers.

BC-NET: the projects sometimes incorporate the use of BC-NET in their methodology in order to improve the "Arrangement of meetings" phase.

#### Quantitative evaluation

Over 5,500 businesses took part in various events in 1993, while the figure for 1992 was around 4,200.

An overall evaluation of activities in 1993 is in progress. Attention should be drawn to the results of a survey based on a questionnaire sent to organizers of projects held in September to December 1992. The questionnaire, launched in February 1993, related to the outcome of meetings during the 3 months following the event. The results are as follows:

Number of participating firms:	1876
Number of meetings:	9247
Contracts already signed:	68

#### EC-China Seminar (Antwerp, 6-8 December 1993)

Finally, it should be mentioned that a seminar accompanied by business meetings was organized for the first time between the Community and China.

The aim was to point out means of access to the Chinese market and to develop cooperation between SMEs. Thus, 40 Chinese businessmen had a large number of meetings with some sixty Community businessmen in areas such as magnetic telephone cards and meat processing.

### 3.4 Subcontracting

The growing importance attached to subcontracting in the Community was reflected in the prominent position of activities to promote it in the Council Decision of 14 June 1993 and in the emphasis placed upon it by the European Parliament in its Resolution on subcontracting.

In this context, the Commission decided to step up current coordination measures and develop a range of promotion measures.

Moreover, the guidelines of the Pan-European Forum on Subcontracting, held in Madrid on 14 and 15 December 1992, have been implemented, particularly in the priority areas of transparency and cooperation networks.

#### Improving the transparency of the European market in subcontracting

Following analysis of the surveys of the economic importance of subcontracting in all Member States, which showed the need to achieve greater transparency in the subcontracting market, the Commission continued the statistical exercise in direct liaison with national statistical institutes and trade organizations. The first phase of this exercise, which aims to add a subcontracting section to existing statistical instruments, relates to five areas of activity (motor vehicles, aeronautics, building, textiles/clothing and electronics), for which the crucial role of subcontracting was demonstrated by the economic surveys.

The Commission is also making the necessary arrangements for regular updating of the practical guides to the legal aspects of subcontracting, and is examining whether a European subcontracting contract should be drawn up.

#### Communication and improved cooperation between main contractors and subcontractors

The Commission is pleased with the obvious interest in its subcontracting information policy. In response to specific requests it sent out some 10,000 documents published by its departments during the period following the Pan-European Forum in Madrid.

#### Quality control and certification

The Commission also actively supports and participates in an initiative by trade organizations aimed at mutual recognition of certificates, which should result in the establishment of a widely accepted code of practice.

On the basis both of the initiatives launched and of the further encouragement from the Council, the Parliament and trade organizations or subcontracting intermediaries, the Commission decided to develop a framework of measures to promote subcontracting in the Community. In view of the increasing importance of well-organized, structured subcontracting in new inter-industrial relations, its encouragement is a strategic choice for improving the competitiveness of businesses and hence the growth of the Community economy.

Thus, in order to respond to businesses' growing need for practical measures on subcontracting, the Commission is carrying out measures to encourage the networking of a number of subcontracting exchanges and databases in the Community. This decentralised set-up will aim to provide businesses with various types of information, e.g. on market situations, public contracts and legal, technical and certification questions.

In addition, the pilot programme to promote the competitiveness of subcontractors in the consumer electronics sector was launched at a conference in Brussels on 24 and 25 March 1993, attended by a large number of key figures and businessmen from this sector in the Community and Japan. A first phase of this programme, comprising a study mission on the organization of this sector in Japan, has already succeeded in encouraging the use of best practices by European components producers.

#### IV. POLICY ASSESSMENT AND DEVELOPMENT

##### 4.1 Improved knowledge of SMEs

###### 4.1.1 Statistics

The work aimed at obtaining the most recent picture possible of the European enterprise population, conducted in collaboration with Eurostat, continued with the emphasis on using existing sources of information.

The European Statistical System on SMEs, i.e. the data on enterprises broken down by size, was updated (it now contains figures for 1988-1991) and extended to other countries (it currently covers 22 countries), sectors of activity (the whole economy except agriculture is now covered) and size classes (it now comprises nine employment classes, and some countries have supplied data broken down by turnover). The latest figures which it incorporates are of better quality than before, partly as a result of the methodological documentation carried out by national statistical institutes.

Research on the construction of a system of cyclical indicators proved fruitful in the three areas studied, namely demography, employment and output. As regards demography, several countries already have information on business creations and cessations and are even able to calculate survival rates. As regards the other two areas, the initial results seem to show that SMEs follow a separate cyclical trend from that of large companies.

This progress is now being utilised to produce "Enterprises in Europe - Third Report", scheduled for publication early in 1994.

#### 4.1.2 Definition of SMEs

This question underlies all measures to assist SMEs.

Following its 1992 Report to the Council<sup>6</sup>, the Commission continued to work with the Statistical Office on producing updated ratios between the various recommended definition criteria: turnover, number of employees and balance sheet total.

An update of the list of definitions used in Community measures has been launched.

#### 4.1.3 European SME observatory

Following its launch on 10 December 1992, the European SME Observatory sent the Commission an initial, independent report on the situation and prospects of small and medium-sized enterprises in the Community.

This first annual report provides a considerable quantity of useful data, accompanied by a number of policy recommendations. Since the prime objective of the Observatory is to provide an overall, horizontal and coherent view of subjects relevant to SMEs, this report may become a basic reference document for those responsible for enterprise policy and SME development both at regional and national level and at Community level. In particular, this report - like those to follow - may be an important source of information on the development of different types of SME and the conditions under which they operate, and the information in this report is of considerable potential value for assessing the effects of the implementation of the single market on small and medium-sized enterprises.

In order to help initiate a general discussion on subjects relating to small and medium-sized enterprises, the Commission decided to publish its own comments on the Observatory's first annual report<sup>7</sup> and forward them to the Council, the European Parliament and the Economic and Social Committee.

In particular, since the main aim of Community action is to ensure a high value added for Community enterprise policy and to help to relaunch economic activity in a context of growth generating more jobs, the Commission is pleased to note the convergence between the analyses, conclusions and recommendations of this report and the guidelines adopted in the

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<sup>6</sup> SEC (92) 351 final of 29.4.1992

<sup>7</sup> COM (93) 527 final of 5 November 1993

new programme of Community measures to intensify the priority areas and ensure the continuity and consolidation of its policy for enterprise<sup>8</sup>.

## 4.2 Policy development and preparation of new projects

### 4.2.1 Commerce and distribution

#### Commerce 2000

The Commerce 2000 programme aims to promote cooperation links between SMEs by using modern management methods and new technologies in the commerce and distribution sector.

The programme relates to a number of pilot projects, conferences and project assessments in connection with a call for tenders launched in 1991 (OJEC 1991 C 209). 11 pilot projects involving aid worth ECU 1,789,000 were completed in 1993.

An Evaluation Conference was held in Brussels on 14 and 15 June 1993: the completed projects and their assessment were presented to over 300 participants (businessmen, trade representatives, officials and the press). A summary of the speeches was produced and 2000 copies were distributed.

A group of professionals and officials from the Commission met after the conference on 14 and 15 June 1993 to assess the resulting action to be taken in the course of the second initiative.

An Evaluation Report on the first initiative was produced by Deloitte & Touche: "Evaluation of the Commerce 2000 Programme" dated 30 June 1993.

There was a request for the expression of interest in feasibility studies, and a call for tenders was issued for pilot projects (OJEC C277/20 of 15.10.1993) for the purpose of continuing this action, stressing its aim of encouraging cooperation between commercial SMEs (feasibility studies) and the exemplary way in which they are carried out (project subsidies).

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<sup>8</sup> Council Decision 93/379/EEC of 14 June 1993, OJ L 161 of 31 July 1993

### Example of a project under Commerce 2000

The Scheins company (D) conducted an original experiment in cross-border liaison: this wholesaler is now linked to its suppliers and retailers in the horticultural sector in two neighbouring countries (L and B) by a bilingual data exchange system (French and German): this software, which is applicable worldwide, speeds up trade and promotes the volume of business between partners (total investment cost: ECU 93,000 including ECU 30,000 in Community aid, or 32.3%).

### Trade statistics

The main activities are:

- Publication: "Retailing in the European market of 1993".

This work was submitted to government experts and the Committee on Commerce and Distribution in February. A mailshot was sent out to over 1200 European commercial operators to advertise this publication, which was also sent to over 300 representatives of the trade and the competent authorities.

This publication has been very successful and there have been requests to extend the study to wholesaling.

- Pilot study on forms of selling in Community retailing.

The initial conclusions of the study were presented in the form of a provisional report in October 1993 (the report will be produced and circulated only in its final form).

- Since the existing information does not correspond adequately to current demands, the Commission has planned a statistical annexe on "commerce" in a regulation on the structural statistics of enterprises.

Many meetings of statistical experts and a joint meeting between government and trade experts (GCI/CCD) were held on this subject and led to agreement in principle on the draft regulation. The need for harmonization was recognized. There was a request that SMEs should be suitably taken into account by simplifying the questionnaires; "more rapid implementation of the Commission initiative" was requested.



## Studies on commerce

Over 1,000 copies of five studies completed in 1991 were circulated in 1993. These were studies on franchising, bulk-buying organizations, new commercial intermediaries, the impact of new technologies and forms of internationalization.

Two new structural studies were presented on 5 February 1993 at a joint meeting between government (GCI) and trade (CCD) experts. They concern:

- foreign investments in the wholesale and retail trade in the EC (300 copies of the study circulated in October 1993);
- the trend in forms of commerce in the EC and the United States (to be circulated).

A request for a declaration of interest was issued as regards studies on commerce and distribution (OJEC no. C 123/15 of 5.5.93), followed by two restricted invitations to tender concerning:

- production of 4 brochures on national and Community legislation of direct concern to commerce: commercial town planning, freedom of establishment, consumer protection and competition.
- trade missions relating to central and eastern Europe: formation of groups of experts representing the distribution sector in the Community, in order to establish contacts between businessmen and officials of the EC and the CEECs (cooperation between operators, support for the creation of trade associations).

The presentation of each year's studies at a joint meeting between government (GCI) and trade (CCD) experts, to which the press was invited, was very successful and resulted in a request that the subjects be examined in greater detail.

Circulation of these studies generates the same type of positive reactions.

### Execution of the work programme

As requested by the conclusions of the Council of 30 June 1992, submitted to the Commission (Bull. EC 6-1992, no.1.3.58), a Report to the Council on the progress of the work programme in the field of Commerce was prepared.

This report aims to analyze the sector's needs in terms of adjustment to the realities of the single market, in order to redefine the guidelines for Community action and report on the measures taken.

It was submitted for consultation to government experts, members of the CCD and the other Commission departments, and to the heads of Member States' Departments of Trade. It should be included on the agenda of the Council in the second quarter of 1994 under the Greek Presidency.

#### 4.2.2 Cooperatives, Mutual Societies and Associations Statistics

After the Commission services had sent out a questionnaire in 1992 to associations and foundations in the 12 Member States, and in view of the large number of replies (2300), the Social Economy Unit had to call in an outside agency to encode, process and analyze the replies. The ISG - Sozialforschung und Gesellschaftspolitik company was commissioned to do this work.

The SPSS (Statistical Package for the Social Science) data processing system which they intend to use has the advantage of permitting an exchange of information with the John Hopkins University - Institute for Policy Studies, which is conducting a parallel and complementary study on the association sector. The MS-DOS data bank will be readable and compatible with the systems used by the Commission and most external bodies with which it is in contact, while preserving the anonymity of replies.

The final report was submitted on December 1993.

#### Classification of social economy enterprises

The Commission ordered several studies to facilitate access for social economy enterprises to means of financing their investments. These studies led to practical measures to set up a financial package. It is now essential to identify the most efficient operators in the sector in order to establish the said financial package on an ideal basis (investor confidence).

This was the reason for the initiative entitled "Classification of the 500 largest enterprises and the 500 most dynamic enterprises in the social economy of the European Community" in December 1992.

The Social Economy needs to be given a positive image by being presented from two viewpoints which demonstrate its competitiveness and by selecting 1,000 competitive enterprises from the social economy, to describe their strong points and potential, publicize them and quantify their performance. The contractor was selected on the basis of a call for tenders.

The final report is to be submitted by 30.6.94.

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**LIST OF PRINCIPAL TEXTS ADOPTED IN 1993 RELATING TO THE  
COMMUNITIES' ENTERPRISE POLICY**

**COMMISSION**

- Proposal for a Council's decision on Community membership of the European Investment Fund  
O.J. C 37 of 11.02.93
- Communication from the Commission of 30 September 1993 - SMEs and Community activity in research and technological development.  
COM(93) 356
- Communication from the Commission of 5 November 1993 - the European Observatory for SME comments by the Commission on the first annual report (1993).  
COM(93)527
- Communication from the Commission of 10 November 1993 on the financial problems experienced by SMEs.  
COM(93)528
- Proposal for a Council decision on the provision of Community interest subsidies on loans for SMEs extended by the EIB under its Temporary Lending Facility.  
COM(93)577 11.11.93

**COUNCIL**

- Council decision of 14 June 1993 on a multi-annual programme of Community measures to intensify the priority areas and to ensure the continuity and consolidation of policy of enterprise in the Community, in particular for small and medium-sized enterprises.  
O.J. L 161 of 02.07.93
- Presidency Memorandum SMEs: Driving force of European growth (October 1993).

- Council Resolution of 22 November 1993 on strengthening the competitiveness of enterprises, in particular of small and medium-sized enterprises and craft enterprises, and developing employment.  
O.J. C 326 of 03.12.93
- Conclusions of the European Council in Brussels on 10 and 11 of December 1993 encouraging the creation of a tax, financial, and administrative environment favourable to SMEs.

## **EUROPEAN PARLIAMENT**

- The opinion of the European Parliament on the Commission proposal for a Council decision on a multi-annual programme (1993-1996) of Community measures to intensify the priority areas of policy for enterprise, in particular SMEs in the Community.  
OJ C 150 of 31.05.93
- Resolution of Parliament on the Commission communications: "Towards a European sub-contracting market" and on "The participation of SMEs in public procurement in the Community".  
O.J. C 150 of 31.05.93
- Report of 31.03.93 by Mr Robert SPECIALE, Member at the EP on sub-contracting.  
Session document of EP N° 203.858./final

## **ECONOMIC AND SOCIAL COMMITTEE**

- Opinion of the Economic and Social Committee on the proposal for a Council decision on a multi-annual programme (1993-1996) of Community measures to intensify the priority areas of policy for enterprise, in particular SMEs, in the Community.  
O.J. C 161 of 14.06.93
- Opinion of the Economic and Social Committee on the Commission staff "Working paper on the problem of time taken to make payments in commercial transactions"  
O.J. C 249 of 13.09.93

### EUROPARTENARIAT Methodology

A Europartenariat is organized as follows:

1. Identification by the Commission of a Community host region requiring specific action for its development based on requests from interested regions.
2. Identification by the Commission of one or more organizers.
3. Identification and selection by the organizers of a number of SME/SMIs in the host region which meet very specific criteria such as enterprise size, partnership projects, ability of the enterprise to conclude a cross-border partnership and financial soundness.
4. Publication of a catalogue in 80,000 copies and 5 Community languages (French, German, Spanish, Italian and English) introducing the enterprises selected and their cooperation projects (export promotion is not regarded as an objective).
5. Promotion of the event in all participating countries (EEC, Mediterranean countries, CEECs, EFTA) through a network of national advisers, the cooperation and information networks of the Commission (Business Cooperation Centre (BRE), Business Cooperation Network (BC-NET) and Euro Info Centres (EICs)) and the network of European business and innovation centres (BICs). The role of the national adviser is decisive: in addition to his promotion and information activities, he accompanies enterprises at the event and assists them during meeting days.
6. Organization of two meeting days on the basis of appointments fixed in advance and submitted by the enterprises themselves.

### Commission support

1. Two-thirds of the total budget for the operation is provided by the Commission (one third per Directorate-General) and one third by the host country. In the case of Europartenariat promotions in Mediterranean countries and CEECs, finance is also provided by the Directorate-General for External Relations under the MED-INVEST and PHARE programmes respectively.
2. Representatives of the Commission's services assist and advise the principal organizer during the various preparatory phases.

INTERPRISE Methodology

In order to be eligible for the Commission's services responsible for enterprise policy support, a project must now adhere to the programme's own methodology, which stipulates the following phases:

- 1) Identification and selection of at least 15 enterprises per participating region with genuine cooperation projects (commercial, financial, technical, joint venture, transfer of know-how, etc.).
- 2) Publication and circulation of a catalogue containing the profiles and cooperation projects of all or some of the participating enterprises (single region or multi-region catalogue), all other procedures for exchanging information on enterprises and their cooperation projects between the enterprises themselves being permitted provided that the principle of choice of meetings by the enterprise is respected.
- 3) Organization of contact days (logistical aspects, interpreting) and arrangement of meetings. For this purpose, the partners centralize requests for cooperation from enterprises and organize a programme of individual meetings on the basis of those requests.
- 4) Evaluation and monitoring of meetings to establish the number of cooperation agreements concluded.

Criteria

The following criteria must be respected:

- the project may be presented at any time of year, and generally six months before the event;
- the programme must relate to cooperation between enterprises;
- the programme must be organized by at least one body per participating region or country (minimum of 3 Community regions or countries);
- the bodies concerned must make a financial contribution to the programme;
- the methodology described above must be followed;
- the support of the Commission - Directorate-General XXIII must be mentioned in each document published in connection with the initiative;
- the budget must not show any loss or profit.

Commission support

The Commission provides support in two ways:

- technical assistance for the organization of the programme on the basis of the Commission's experience of cooperation programmes;
- granting aid, which may not exceed 50% of the organizer's total budget.

**COMMISSION REPORT ON COORDINATION OF THE ACTIVITIES IN  
FAVOUR OF SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs)**



## PROLOGUE

The purpose of this present report is to establish an overview of Community interventions and programmes that favour SMEs but which are not within the framework of the Council decision relating to the SME multi-annual programme<sup>1</sup>. The coordination of Community interventions is twofold, on the one hand, it is to ensure that the specific features of SMEs are better taken into account when defining Community actions and on the other hand, to increase the participation of SMEs in these programmes.

The report demonstrates that the coordination has borne fruit in fields such as research and technological development, international cooperation and vocational training. However, the analysis of the impact the Structural Funds have on the development of SMEs depends on information which the Member States must furnish notably for the ex-post and ex-ante evaluations required by the new regulations. The enlarged partnership introduced in the new regulations can improve the coordination. Therefore, it is incumbent on the Commission, the Member States, and the economic and social partners to join their efforts to ensure a tight coordination which is indispensable to the efficiency of the measures favouring SMEs.

It is useful here to recall the approach of the Community in defining SMEs. In the report of the Commission to the Council of 29 April 1992 (SEC (92) 351 final), a unique definition for SMEs at Community level was not considered possible. The report nevertheless introduced a greater coherence into the Community definitions notably by using certain criteria. The Commission proposed in that report "to avoid an undue multiplication of thresholds, the Commission will give preference to those of 250 and 50 employees". The main definitions presently in use at Community level are shown in the annex at the end of this report. From this, we can see a certain convergence of the definitions presently in use at Community level. The Commission will take steps to promote a better transparency of the definitions used at national level, particularly within the context of Operational Programmes or global grants which are cofinanced by Structural Funds.

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<sup>1</sup> 93/379/EEC, OJ L 161 of 02.07.93, p. 68

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## SUMMARY

### FINANCIAL INSTRUMENTS, COMMUNITY PROGRAMMES AND SMEs

The programme concerning enterprise policy (Council decision 93/379/EEC of 14th June 1993) provides for a coordination with other Community policies, apart from a certain number of specific actions with a budget of ECU 112.2 million for the period 1993-1996, favouring SMEs. This coordination aims to ensure that the conditions specific to SMEs are taken into better consideration by the other Community policies and also to encourage the participation of SMEs in the Community programmes.

#### I. THE UNION'S FINANCIAL INSTRUMENTS

The bulk of support given by the EU to SMEs is carried out through the Structural Funds in the form of co-financing with the object of assuring economic and social cohesion within the European Union. The financial support to SMEs is also effected through EIB global loans and New Community Instrument loans.

#### THE STRUCTURAL FUND OPERATIONS (ERDF, ESF, EAGGF)

From 1989 until 1993 the estimated amount provided for enterprises from the Community Support Framework and other measures was **ECU 5 billion** for objectives 1 and 2 and **ECU 1 billion** for objective 5b, being a total of **ECU 6 billion** under these objectives, which represents 13% of the CSF budget. The growing use by SMEs of the Structural Funds requires an increased visibility of the measures favouring SMEs, a greater involvement by SME intermediaries and a simplification of the grant aid procedures. The expanded partnership provided for between the Commission, the Member States, the local or regional authorities and the social and economic partners will improve the Structural Fund operations in favour of SMEs during the period 1994-1999.

#### THE EUROPEAN INVESTMENT BANK

The EIB uses global loans to support small and medium scale investments and particularly those by SMEs. Since 1988 nearly **36,500 SMEs** have benefited from credits amounting to more than **ECU 9.7 billion**, being more than 50% of the finance allocated to industry and services. In 1992, Italy, Germany, France, and Belgium were the principal beneficiaries of these global loan credits to SMEs.

#### THE NEW COMMUNITY INSTRUMENT

As of the 31.12.92 the total loans agreed under NCI III and NCI IV headings rose to **ECU 3.5 billion** of which ECU 682.8 million were under NCI IV. These loans were used to finance new investments worth ECU 7.2 million corresponding to over 9,600 projects and contributing to the creation of 60,000 jobs. These loans are concentrated on enterprises with fewer than 50 employees. Under NCI IV, Italy, Spain, and the UK benefited most.

## II. RESEARCH AND TECHNOLOGICAL DEVELOPMENT: R&TD

R&TD is a key element in competitiveness amongst SMEs. This is why the Commission is doing its best to encourage greater participations of SMEs in community research programmes and to set up the means to facilitate the diffusion of new technologies.

### Industrial technologies and materials, the environment, bio-science and technologies and energy

In 1991 and 1992 SME participation in R&TD programmes for all sectors reached a rate of 11.5% and the number of SME contractors reached 1004. The total sum allocated to SMEs was 167 MECU, 12% of the global budget.

As far as industrial orientated programmes are concerned, such as BRITE EURAM (industrial and material technologies), rates of participation are much higher: 32% involvement of SMEs with an allocation of 25% of available funds. This shows therefore a growing participation of SMEs in this programme, two specific schemes of which concern SMEs: "feasibility premiums" and "Cooperative Research Action For Technology" - CRAFT. These specific schemes have enabled SMEs to acquire and develop new technologies and know-how directly linked with their activities and to be involved in a process of apprenticeship whereby they have had the opportunity to discover the growing importance of R&TD in increasing their competitiveness.

### Information and Telecommunications technologies:

SME participation has been on the increase since the ESPRIT programme took off in 1980. Now the rate of SME participation in projects has reached 80% for communication technologies, 65% for information technologies, and 95% for telematics.

Most of the SMEs which are partners in the projects are from high-technology or technology-intensive sectors of industry. They are R&TD service providers or components or semi-finished goods manufacturers and are essentially involved in the development of R&TD applications.

### Exploitation of research results: VALUE

300 SMEs have benefited from the VALUE-SME pilot scheme to a total of 2.1 MECU. The aims of VALUE-SME is to promote the transfer of Community research results to the SMEs themselves. VALUE-SME is a good example of coordination between Commission services.

EUROMANAGEMENT-R&TD enabled 657 SMEs to benefit from the intervention of 47 technological advisers who identified more than 1000 R&TD projects. By 1993 these projects resulted in the submission of 120 research proposals replying to calls to tender from the commission, of which 30% were eventually selected.

### Innovation and technology transfer: SPRINT

With a budget of 90 MECU for the years 1989-1993 the SPRINT programme has given support to technological cooperation between SMEs through inter-SME transnational cooperation networks and technology transfer open days. The diffusion of new technology has been helped by research and technology networks and specific projects designed to transfer inter-community technological innovations.

Results concerning SMEs show that since 1989 :

- 7200 SME have acquired new technology
- 24,000 SME have tested or evaluated new technology
- 64,000 SME have become aware of new technology

Altogether a total of 95,200 have benefited from the SPRINT Programme.

Other research activities outside the R&TD Framework Programme have affected SMEs for example in the field of energy (THERMIE programme), transports (EURET), and ECSC.

The effective coordination between these R&TD programmes has made it possible to establish the SME dimension of the 4th R&TD Framework Programme allowing a greater transparency in community R&TD actions in the SME sector notably through joint promotion and coordination among existing networks.

### III. VOCATIONAL TRAINING PROGRAMMES

A number of community programmes are designed to raise the level of qualifications throughout the Union in order to master the process of economic, technological, social, and cultural change.

Amongst these programmes EUROTECNET (innovation in vocational training as a result of technological change), COMETT (training and education in technology), and FORCE (continuing vocational training) relate more directly to the SMEs.

In EUROTECNET, 18% of the projects making up the network are targeted at SMEs. In COMETT, it is thought that 7000 SMEs are directly involved, giving a 75% rate of SME participation and a total of 30,000 SMEs benefiting either directly or indirectly from this training scheme. Under FORCE 1250 SMEs or groups of SMEs are associated with projects representing a 62% rate of direct participation.

As far as Community action undertaken to develop local employment is concerned, the programme for Local Employment Initiative for Women (LEI) has given support to 700 women businesses between 1986 and 1990.

#### IV. OTHER PROGRAMMES

Amongst the other programmes in operation it is useful to mention here those which are designed to promote the internationalisation of SMEs within the framework of cooperation with third countries.

##### INTERNATIONAL COOPERATION

Cooperation between SMEs is not limited to the EU territory but it has developed to include other countries such as those in EFTA who have already participated in the BC-Net networks and Euro Info Centres (as correspondence centres). Cooperation has also been developed with Central and East European countries through the PHARE programme, with the Commonwealth of Independent States (CEI) and Georgia as well as with the developing countries in Asia, Latin America, and the Mediterranean.

Within the PHARE programme the Commission has put in place programmes for SME development with a budget of ECU 95 M that provide technical assistance to 8 countries of Central and Eastern Europe and 3 Baltic states. This support provides support services to SMEs, financial instruments and help in preparing an enterprise policy. The new partners in the Central and Eastern European countries are progressively getting involved in the information networks (EIC) and cooperation networks (BC-NET) as well as in the partnership programmes (Europartenariat, JOPP). The JOPP programme (Joint Venture Phare Programme) aims at stimulating the creation of joint ventures between SMEs in PECO. ECU 17 M has been given to SMEs since 1991 for up to ECU 400 M worth of investments.

The cooperation with the Commonwealth of Independent States and Georgia is carried out through the TACIS programme which has a budget of ECU 20 M in 1992. 7 development agencies and 9 "Business communications centres - BCC" are to be created and connected with the BRE and BC-NET networks.

The cooperation with developing countries is effected through the MED-INVEST (ECU 12,2 M from 1993 to 1995) programmes for third countries in the Mediterranean, LA-INVEST (ECU 18.5 M from 1993 to 1995) programme for Latin american countries and ECIP (ECU 20 M in 1992 and ECU 39 M in 1993).

Finally measures to promote Community exports to third countries are equally pursued.

#### V. CONCLUSION

The consideration given to SMEs in community programmes is increasing and the Commission will continue its efforts in association with the Member States and the representatives of SMEs and craft industries to facilitate the full participation of SMEs in the process of Euro integration highlighted by the measures introduced in the white paper on "Growth, Competitiveness, and Employment".

**FINANCIAL INSTRUMENTS, COMMUNITY PROGRAMMES AND SMEs**

<u>Community interventions</u>	credits allocated to SMEs in ECU	number of SMEs	SME participation as a % of all projects	SME participation as a % of total budget
<u>Financial interventions</u>				
- Structural Funds (1989-1993) (estimation of allocations)	6 Bn			13%
- European Investment Bank global loans (1988-1992)	9,7 Bn	36 500		
- New Community Instruments (NCI III et IV) - loans	3,5 Bn			
<u>Research and Technological Development Programmes</u>				
- all programmes together in 1991 and 1992 among which	167 M	1004	11,5%	12%
• BRITE-EURAM which includes			32%	25%
- Feasability premiums	5,6 M	192 (projects)	100%	100%
- CRAFT	26 M	255 (projects)	16%	19%
• JOULE				
- telecommunications and information technologies :			80%	
• Communication technologies			65%	
• Information technologies			95%	
• telematic systems				

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<u>Community interventions</u>	credits allocated to SMEs in ECU	number of SMEs	SME participation as a % of all projects	SME participation as a % of total budget
- VALUE SME	2,1 M	300	100%	100%
- EUROMANAGEMENT-RDT		657	100%	100%
- SPRINT 90 MECU (1989-1993)		95.200		
- THERMIE (90-93)	175 M	311 projects	59%	41%
- ECSC	26 M			48%
<u>Vocational training programmes</u>				
- EUROTECNET		46 projects	18%	
- COMETT		7000 (direct)	75%	
- FORCE		30.000 (indirect) 1250	62%	
<u>International cooperation programmes</u>				
- PHARE-SME Programme	95 M		100%	100%
- JOPP (1991-1993)	17 M		93,3%	
- MED-INVEST (1993-1995)	12,2 M		100%	100%
- LA-INVEST (1993-1995)	18,5 M		100%	100%
- ECIP 1992	20 M	186 projects		
1993	39 M			

(X) The reader's attention is drawn on the fact that this table lists community interventions of different nature and therefore, figures are not always comparable from one line to the other. On the one hand, figures cover different time periods and, on the other, amounts refer to either grants or loans. Therefore, the amounts allocated to SMEs cannot be added up in columns.

## INTRODUCTION

An initial Commission report on *"the coordination of activities in favour of SMEs falling outside the scope of Council Decision 89/490/EEC"* has already been adopted on 26 May 1992<sup>2</sup> covering the period from July 1989 to the end of 1990. That report met the requirements laid down by the Council Decision of 28 July 1989<sup>3</sup>, which has since been replaced by the Council Decision of 14 July 1993<sup>4</sup>.

Taking account of the information already supplied in the first report, especially the programme descriptions, which is still valid for the period covered by this report, the Commission preferred to concentrate its efforts in the present report on the actual coordination of the Community programmes and initiatives. In addition, aspects not already covered in the first report, such as evaluation of the impact of the programmes on SMEs, will be examined.

The purpose of this report is to cover the years 1991 and 1992, plus part of 1993, as far as possible.

The importance of small and medium-sized enterprises in the recovery of growth and employment in Europe, generally recognised by Community and national bodies, fully justifies a horizontal approach to ensure both the coherence of Community action in favour of SMEs and better integration of the SME dimension in other Community policies and initiatives. Although, in the face of the changes confronting large enterprises in the traditional economic sectors, SMEs have potential advantages because of their flexibility, their capacity to adapt to the needs of the market and their capacity for innovation. They face serious challenges as well, - completion of the internal market and industrial changes - which SMEs must face up to in order to remain competitive. Hence the need to ensure that SMEs can play a full part in the process of European integration.

This report does not aim to review all the Community programmes or initiatives which could have a direct or indirect impact on SMEs. Taking account of the diversity of Community intervention and the horizontal character of SMEs, such an analysis would amount to studying virtually all the Community programmes. Besides, the action plan for SMEs established by Council Decisions 89/490/EEC of 28 July 1989 and 93/397/EEC was subject to separate reports.

Instead, this report centres on four main chapters: SMEs and the structural funds, SMEs and the research and technological development programmes, SMEs and the vocational training programmes and finally SMEs and the other Community programmes of obvious interest to SMEs and craft industries.

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<sup>2</sup> SEC (92) 704 final.

<sup>3</sup> 89/490/EEC, OJ L 239 of 16.08.89, p. 33-34.

<sup>4</sup> 93/379/EEC, OJ L 161 of 02.07.93, p. 68.

## **I. THE COMMUNITY FINANCIAL INSTRUMENTS AND SMEs**

### **I.1 THE STRUCTURAL FUNDS AND SMEs**

The first period of the reformed Structural Funds ran from 1989 to 1993 and by the end of this period virtually all of the funds had been committed. The effort to achieve economic and social cohesion in the Community will continue during the new 6-year programming period (1994-1999) on the basis of the conclusions of the December 1992 Council of Edinburgh, which decided on the amount to be allotted to the Structural Funds for the next few years (141 MMECU), and of the new regulations adopted on 20 July 1993<sup>5</sup>.

The previous report gave an exhaustive account of the Community's structural measures as regards their broad principles (concentration, additionality, programming, partnership), instruments (ERDF, ESF, EAGGF - Guidance), financial resources and mode of operation.

This chapter of the report will deal with Community operations under Objectives 1, 2 and 5b, Community initiatives, the European Social Fund, then the financial instruments of the European Investment Bank and the New Community Instrument, and finally the lessons learnt from an initial evaluation of the use of the Structural Funds by SMEs.

#### **I.1.1 COMMUNITY OPERATIONS UNDER OBJECTIVES 1, 2 AND 5b**

The Community's structural measures for 1989-1993 represented a budget of ECU 60.3 billion (at 1989 prices) by way of structural fund commitment appropriations plus ECU 3 billion for 1991-1993 representing the Community's outlay on the recovery and integration of the new German *Länder*. Table 1 describes the ERDF-commitments per year, per country, and accrued from 1989 to 1993.

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<sup>5</sup> OJ L 193 of 31.07.93: Framework Regulation No. 2081/93 (amending Regulation No. 2052/88), Coordination Regulation No. 2082/93 (amending Regulation No. 4253/88), Regulation No. 2083/93 (amending Regulation No. 4254/88 on the ERDF), Regulation No. 2084/93 (amending Regulation No. 4255/88 on the ESF), Regulation No. 2085/93 (amending Regulation No. 4256/88 on the EAGGF Guidance Section) and Regulation No. 2080/93 (establishing the financial instrument of fisheries guidance).

**Table of ERDF commitments per year and accrued from 1989 to 1993 up to 31.12.93 for objectives 1, 2 and 5b and innovative actions (article 10 ERDF) in thousand ECU**

	89	90	91	92	93	accrued
<b>B</b>	40.686	66.803	74.435	48.386	93.711	324.021
<b>DK</b>	8.948	18.390	26.122	14.216	12.074	79.750
<b>D</b>	178.507	113.941	246.201	211.578	350.217	1.100.444
<b>EL</b>	642.029	561.693	882.586	1.427.840	1.081.129	4.595.277
<b>ESP</b>	1.220.927	1.802.226	1.741.648	1.924.284	2.283.905	8.972.990
<b>FR</b>	219.809	442.739	334.898	621.859	761.188	2.380.493
<b>IRL</b>	308.373	291.997	280.096	636.022	519.472	2.035.960
<b>I</b>	910.846	837.113	1.440.666	1.017.014	2.441.724	6.647.363
<b>L</b>	-	2.975	2.511	19.142	732	25.360
<b>NL</b>	3.462	45.677	27.473	56.425	64.414	197.451
<b>P</b>	592.567	533.722	938.883	1.497.162	1.374.600	4.936.934
<b>UK</b>	505.588	469.548	590.808	654.559	897.614	3.118.117
<b>COM</b>	34.895	40.747	125.223	257.448	152.193	610.506
<b>EC</b>	<b>4.666.637</b>	<b>5.227.571</b>	<b>6.711.550</b>	<b>8.385.935</b>	<b>10.032.973</b>	<b>35.024.666</b>

Source : Direction General for Regional Policies and Direction General for Budgets.

**OBJECTIVE 1: development and structural adjustment of regions whose development is lagging behind**

The Community aid entered in the Community Support Frameworks (CSFs) of Objective 1 regions under the Structural Funds totals ECU 36,200 million (at constant 1989 prices), to which should be added the total for other financial instruments: additional lines in the Integrated Mediterranean Programmes (IMP) and the Specific Programme for the Development of Portuguese Industry (PEDIP), representing ECU 1,084 million. Both the IMPs and PEDIP predated the entry into force of the new Structural Funds Regulations.

Most of the operational programmes and other forms of intervention under the CSFs were approved in 1990 and 1991. Thus, about 300 operational programmes, 63 projects and major projects as well as 13 global grants have been approved.

Mention should be made of PEDIP, the specific programme for the development of Portuguese industry, set up by a Council decision because of its relatively weak position as regards the rest of industry in the EU. PEDIP covers a wide range of actions to stimulate the industrial sector, including measures to support small and medium-sized enterprises, industrial quality and competitiveness. The following actions in favour of SMEs have been supported: establishment and development of technological centres, centres of excellence and the dissemination of new technologies, acquisition of testing and metrological equipment, support for industrial associations, partnership projects between large enterprises and SMEs and aid for the acquisition of production equipment.

Between 1989 and 1992, direct aid for SME projects under PEDIP totalled ECU 370 million for investments worth ECU 1600 million in over 1300 enterprises. This aid total represents roughly 21% of total public (national and Community) expenditure on the programme.

More specifically, intervention of the EAGGF Guidance Section in the case of Objective 1 regions takes place mainly in the form of operational programmes, falling under one fund or several, and Community initiatives (including LEADER). Total commitments during 1991-1992 came to ECU 978 million for operational programmes. Those allocated to Community initiatives totalled ECU 174 million, including ECU 124 million for LEADER. The specific programmes, POSEICAN, POSEIDOM and POSEIMA, received ECU 30 million in commitment appropriations. In addition, ECU 183 million were committed over the same period for operational programmes carried out in the new German *Länder*.

The main aims of the finance provided are: diversification of production, development of alternative resources, development of practices which do not harm the environment, and creation of permanent jobs in rural areas. SMEs are eligible for all the measures described, and in practice, SMEs and one-man businesses receive almost all the finance made available for these measures.

As regards the intervention of the European Social Fund, experience over the past 4 years has made it possible to identify a certain number of operations as regards SMEs, particularly for the period from the end of 1991 to the present day.

The ESF supports vocational training projects for "persons working in small and medium-sized enterprises". The aim is to enable working people to adapt to the jobs available. The promotion of retraining and hence occupational mobility upgrades the potential of the labour force in these regions.

Between 1989 and 1993 over ECU 10 billion were budgeted for vocational training, employment and the development of human resources in Objective 1 regions. The expenditure in favour of SMEs mainly takes the form of continued training, which benefits the staff of SMEs. Although there is not always an "SME" line of action in Objective 1 regions, a great number of projects envisaged in operational programmes and other forms of intervention support SMEs, especially the major programmes on "Industry and Services" for Ireland, the "Tourism" and "Business Competitiveness" lines of action in Greece or PEDIP in Portugal.

*For example, two measures introduced at the end of 1991 in the operational programme on "Industry and Services" in Ireland benefit SMEs. These are:*

- job training schemes: in-service training. These schemes are a new approach to vocational training problems in Ireland and fulfil the expectations of employers who feel that existing structures are not yet sufficiently appropriate to the business world;*
- employment premiums: for the first time, this employment aid should receive financial support from the private sector (25%, the remaining 75% coming from the ESF).*

*These two new measures tie in with the conclusions of an ad hoc working party at national level, which stressed the need to exploit the potential of local enterprises in Ireland.*

**OBJECTIVE 2: conversion of regions or parts of regions seriously affected by industrial decline**

The first phase CSFs relating to Objective 2 regions covered a 3-year period (1989-1991) and the total allocation was fixed at ECU 3,900 million (constant 1989 prices). The second phase CSFs (1992-1993) relate to a total allocation of ECU 3,354 million (constant 1992 prices). More than 200 of the operational programmes and other forms of intervention (15 major projects and 4 global grants) included in the CSFs were approved.

*Analysis of 18 operational programmes for the United Kingdom shows that aid for the development of enterprises, particularly SMEs, was provided in the objective 2 regions.*

*The support comprises: business services (financial, management, design and marketing), local employment initiatives promoting new businesses, part-financing of industrial investment in the form of grants or loans and loan guarantee support, services to facilitate access to venture capital and launch capital for the growth and expansion of enterprises. The creation or promotion of economic conversion structures or regional development teams including investment in "Enterprise Agencies", running costs of enterprise centres, the promotion of marketing and exports to facilitate participation by small enterprises in the internal market. This example shows the variety of measures undertaken.*

An evaluation of ERDF operations under Objectives 1 and 2 was launched by the Commission in 1993. It should show the impact on SMEs of Community operations in these regions.

The European Social Fund intervention for Objective 2 regions is ECU 1,762 million was scheduled for training and employment in these areas during 1989 to 1993. One of the priorities of the CSFs renegotiated for 1992-1993 is to strengthen the fabric of SMEs in the zones concerned, by expanding local industrial subcontracting, encouraging innovation in SMEs and modernizing the craft sector.

A great many sectors are concerned in both industry (biotechnology, maintenance) and services (transport, office automation, telecommunications, health care). In the majority of Member States a priority line of action has been identified in favour of SMEs "to encourage the creation and development of enterprises" (France, Italy, UK, Luxembourg, Belgium, Netherlands....), with training funded by the ESF intended to accompany the modernization and restructuring of enterprises.

In certain cases, priority has been given to vocational training intended to develop a veritable "enterprise culture" based on training and qualifications, not only for managers but also for all staff involved in the different functions of business administration and management.

*Example: in the Basque country in Spain, the National Institute of Industry set up a project in 1992 based on the concept of "integral quality", designed as a management technique to place all aspects of business operation on a profitable basis. The Institute chose an enterprise for this experiment in the capital goods and iron and steel/metallurgy sector.*

*All functions (from manual worker to product manager) and all the networks of the enterprise (administration, finance, distribution) are involved. Working parties are set up in which the emphasis is on specific activities and methodological problems.*

*This process is intended to lead to the systematisation of good practices and a study of each job to promote quality awareness and motivation. In seeking customer satisfaction at minimum cost, the whole enterprise becomes more competitive.*

#### **EUROPEAN ENTERPRISE AND INNOVATION CENTRES: CEEIs**

The European Enterprise and Innovation Centres (EC-BIC European Community Business Innovation Centres) are a particularly important aspect of Community regional policy in favour of SMEs; they were specially created to promote the establishment or growth of innovative SMEs and to make optimum use of local potential in the form of human, physical and financial resources. The Commission supported the formation of the association "European Business Innovation Centre Network" (EBN), which encourages the BIC network by training, promotion and information measures. The EBN's members include financial institutions, international networks, technical institutes, professional consultants and international business groups, which improve the network by effectively coordinating the individual activities.

The BICs have adopted an integrated approach to local economic development in making available to enterprises a complete programme of efficient services with the aim of improving their managerial and entrepreneurial capability by preparing a strategic development plan (business plan) which includes market analysis, a financial package, technology, and setting up and monitoring the enterprise. Community support for the BICs is granted in all regions eligible for ERDF finance.



Set up in 1984, the BICs now number 92, distributed not only throughout the Community but also in central and eastern Europe. So far, almost 3000 innovative industrial SMEs have been set up or developed by the BICs, employing an average of 5.5 persons per enterprise.

Furthermore, 15 of the existing 25 launch capital funds (supported by the enterprise policy via repayable advances on their operating costs) have been supported by the BICs, which contribute towards the funds as shareholders. The launch capital funds comprise the "European Seed Capital Fund Network" financed jointly under regional policy and enterprise policy.

## GLOBAL GRANTS

Apart from the operational programmes, one of the innovations introduced by the 1988 reform was the possibility of using global grants. "The Commission may entrust to appropriate intermediaries, including regional development bodies designated by the Member State in agreement with the Commission, the management of global grants, which shall be the preferred method of intervention in favour of local development initiatives"<sup>6</sup>.

14 global grants were awarded in 1991 and 1992: 13 to Objective 1 regions and one to Objective 2 regions of France. Table 2 shows the amounts granted for each country. In 1991 and 1992 over ECU 238 million were allocated to global grants, which should engender investment in the order of ECU 756 million. The rate of Community part-financing averages 31%, provided mainly by the ERDF, and 50% in the case of Italy. The majority of global grants provide for specific measures for SMEs.

In Italy, ERDF aid for global grants is devoted to the "Industry, craft activities, services" line of action of the CSFs of Objective 1 regions (except for a global grant to develop tourism).

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<sup>6</sup> Article 5 (2) of Regulation No. 2052/88.

GLOBAL GRANTS
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COUNTRY	Amount of global grant (MECU)	Total Cost (MECU)	Part-financing EC (%)	ERDF (%)	ESF (%)
<b>1991</b>					
<b>FRANCE (Objective 2)</b>					
Stride (ANVAR)	17.3	35.02	50 %	90 %	10 %
<b>SPAIN (Objective 1)</b>					
Andalucia (IFA)	46	338	13 %	100 %	
Murcia (IFM)	18.9	36.2	52.3 %	100 %	
<b>1992</b>					
<b>Objective 1</b>					
<b>ITALY</b>					
"Industry, Crafts, Services"					
Apulia (BIC-APULIA)	218	4	70 %	100 %	
ASM)	10	20	50 %	100 %	
EP1)	8	16	50 %	100 %	
"Tourism" (INSUD)	87	216	40.28 %	100 %	
FM/Edilizia)	3	6	50 %	100 %	
NFAPI)	5	10	50 %	100 %	
FIBANCA)	10	20	50 %	100 %	
UNIONCAMERE)	6.35	12,7	50 %	100 %	
Sardinia (CONSORZIO 21)	7.6	12.04	63 %	100 %	
Mezzogiorno (FIME)	6.5	13	50 %	100 %	
<b>IRELAND</b>					
Internally Generated Development Area Management Development Ltd	10	17,5	57 %	63.7 %	36.3%
<b>TOTAL</b>	<b>238.45</b>	<b>756.46</b>	<b>31.5 %</b>		

Actions in favour of SMEs in this area include the following: creation of a network of agencies to provide data processing services and management aid for SMEs in the building industry, support for set-ups supplying specialist services for SMEs, support for innovation in SMEs (new processes and products), creation of consortia between SMEs for guaranteeing loans, exports and advanced services, start-up aid and financial services such as venture capital, launch capital, participation premiums and participation loans.

The global grant to the Andalusian Development Institution (IFA) is structured in 5 sub-programmes in favour of SMEs: productive investment aid, aid for business services, local development, industrial and craft zones, and technical aid. The global grant to Murcia, unlike that for IFA, also contains measures to promote tourism.

The global grant to Ireland aims to support internally generated development, i.e. to promote and support local economic development initiatives by aid for the creation and development of enterprises, education and training and, finally, technical assistance.

The STRIDE global grant to France, awarded to ANVAR (National Agency for the Exploitation of Research) concerns research and the transfer of technologies in Objective 2 regions of France.

It is still too soon to know how effective the global grants are for SMEs, since they have only just been awarded. However, as for other actions, it is planned to evaluate these global grants.

## **PARTNERSHIP BETWEEN ENTERPRISES**

The two programmes linking entrepreneurs, EUROPARTENARIAT and the INTERPRISE, are described in the report on the application of the Council Decision of 28 July 1989<sup>7</sup>. These programmes are coordinated by the regional policy and enterprise policy staff.

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<sup>7</sup> COM (93) 365 final of 23.07.93.

## COMMUNITY OPERATIONS UNDER OBJECTIVE 5 b: DEVELOPMENT OF FRAGILE RURAL AREAS

### 1. Reminder of the breakdown of the allocation of the three funds in the CSFs 1989-1993 and state of commitments

Objective 5b concerns 50 zones in 9 Member States. It covers 5% of the population and 17% of the territory of the Community. 73 operational programmes have been approved under Objective 5b, worth ECU 2,607 million. By 31 December 1993, all the credits allocated to this objective were committed. Table 3 shows the breakdown by country, the state of commitments as to 31.12.1993 and the breakdown of ERDF operations under Objective 5b.

### 2. Operations of the various funds

The ERDF has acted to diversify economic activity in rural areas. The programmes have had a spin-off/lever effect on other sources of public or private finance. One "ERDF" ECU has in fact generated investments worth about ECU 5. Thus, Community aid worth ECU 2 billion has generated projects costing ECU 7.5 billion, of which 2.7 billion came from the private sector and 4.8 billion from the public sector (Community, national and regional).

The ERDF operations complement those of the EAGGF in the field of agri-foods, timber, tourism (agri-tourism) and rural infrastructures; and those of the ESF, in helping to create and renovate professional structures for training.

ESF intervention in 5b areas is scheduled to total almost ECU 450 million during 1989-1993. In these regions it is mainly a matter of developing training in new skills and promoting employment to permit diversification of the economy, particularly in favour of farmers.

*Example: the renewal of a traditional cutlery industry in France (Laguiolle): although the know-how had entirely disappeared, specific training over a 9-month period enabled 7 trainees to learn their trade from course instructors (professional cutlers). One of them also received management training. A private limited liability company was then set up to assemble parts from Thiers. It employs around twenty people, and its competitiveness is based on the quality of its products.*

Table 3

<b>OBJECTIVE 5b</b>
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Breakdown of the amount allotted to the 3 funds entered in the CSFs (1989-1993)		
COUNTRY	MECU ('89 prices)	Aid per head of population (ECU)
FRANCE	960	170
GERMANY	525	113
ITALY	385	133
UNITED KINGDOM	350	235
SPAIN	285	289
NETHERLANDS	44	99
BELGIUM	32.5	125
DENMARK	23	215
LUXEMBOURG	2.5	735
<b>TOTAL</b>	<b>2607</b>	<b>158</b>

Commitments as at 31.12.1993				
COUNTRY	EAGGF	ERDF	ESF	3 FUNDS
FRANCE	535	405,2	161	1101,2
GERMANY	223	288	78	589
ITALY	231	158,3	46	435,3
UNITED KINGDOM	22,2	290,3	52,45	364,95
SPAIN	204,1	76	44,3	324,4
NETHERLANDS	14,2	29	11,5	54,7
BELGIUM	12,2	15,2	14,8	42,2
DENMARK	3,8	15	9,8	28,6
LUXEMBOURG	1,604	1,037	0,052	2,693
<b>TOTAL</b>	<b>1247</b>	<b>1278</b>	<b>418</b>	<b>2943*</b>

Breakdown of ERDF operations	
SME and craft industries	40%
Tourism	32%
Environment	13%
Basic infrastructure	10%
Promotion of the local economy	5%

\* ERDF 2 MECU not distributed.

### 3. Report on ERDF operations

The sectoral breakdown of ERDF operations in Objective 5b programmes shows that the main beneficiaries are the SMEs and craft enterprises followed by tourism, with 40% (or over ECU 1 billion) and 32% respectively of the loans.

The ERDF acts to support:

- the creation of activity zones, enterprise nurseries, "ateliers-relais" [skill centres], common services centres, training centres, research and development centres;
- productive investments and office automation equipment or robotics;
- measures to revive or transfer commercial and craft activities and shop renovation projects in town centres and villages;
- promotion and support measures, such as advice and innovation aid, incentives to improve training, aid for the relocation of activities in rural areas, promotion of tele-working or the creation of multi-media centres;
- financial engineering to encourage an increase in equity capital (acquisition of holdings, participation loans, launch capital) and to reduce debt (joint guarantee, interest subsidy, leasing).

Measures to modernize and adapt production machinery, to support the establishment and expansion of enterprises by using start-up accommodation ["bâtiments-relais"] and activity zones are obviously implemented more rapidly than "non-material" support such as business advice, transfer of technologies or financial engineering.

Tourism has been given priority as a line of action in almost all the operational programmes. However, there are still insufficient funds to meet the growing demand. Projects funded by the ERDF are concerned mainly with the creation and development of accommodation, facilities to exploit the full potential of tourist centres and the stimulation and promotion of tourism.

However, operations have related principally to accommodation, these being the easiest to implement.

As regards the environment, some of the ERDF operations have related to investment by enterprises (SMEs, craft and service businesses) aimed at limiting pollution in their production systems.

The first programming report reveals a number of shortcomings. In some Member States, the volume and distribution of the funds were determined in advance and not on the basis of the needs set out in the development plans. Most of the zones do not readily accept innovations such as new communication techniques or financial engineering. Thus, under the "SME support" programme, there was heavy emphasis on material investments, to the detriment of non-material investments such as advice or training. Furthermore, measures to promote the integration of SMEs in the single market or to limit the effects of opening up frontiers and increasing competition (taxation, standardization) are inadequate.

Some partners, particularly enterprises, have been forced to alter their investment programme because of the downturn in the economy from 1991 onwards. In some Member States, local authorities have even had to set new priorities to take account of budget austerity. Thus, in some cases it has not been possible to create productive infrastructures (industrial areas) or tourist facilities. Measures to stimulate trade and rural craft activities centred around towns have not always been preceded by an analysis of location priorities. The concept of a "focal point" is still lacking.

In the light of this first report, analysis of the handicaps of rural zones has identified the needs of SMEs in rural areas which must be met by the priorities of the new planning period.

The great majority of rural zones feature the following:

- insufficient and inappropriate advisory services and reception structures
- remoteness from information and innovation centres;
- few subcontracting SMEs
- inadequate standard of vocational qualifications
- low propensity for executives to move there
- shortage of financial instruments.

Thus, the needs of SMEs relate to finance, including public aid, the supply of services, training and the integration of enterprises into the network.

In the next programming period (1994-1999) support for SMEs should therefore focus on three priority lines of action:

- expanding the supply of services for SMEs, including training and telematics;
- helping SMEs to adapt to the constraints of the internal market;
- encouraging the participation of local SMEs in a system of organised cooperation networks.

This general pattern corresponds to the objectives of the enterprise policy.

#### **I.1.2 OPERATIONS UNDER OBJECTIVE 5a: speeding up the adjustment of agricultural structures and the improvement of the processing and marketing of fishery and aquacultural products**

Community financial aid for these operations is granted by the EAGGF Guidance Section.

##### **1. Structural aid for the modernization of farms**

Community legislation<sup>8</sup> provides for the possibility of granting structural aid to farmers and/or groups of agricultural producers. The EAGGF Guidance Section aid was in the order of ECU 983 million in 1992 and concerned the part-financing of three principal measures, namely:

- investment aid at a rate of approx. 50,000 new farmers each year, encouraging the diversification of activities, greater consideration for the environment and higher rates of part-financing for backward regions;
- compensation in the form of allowances for over 1.2 million farmers in disadvantaged regions: these may represent over 30% of the income of such regions;

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<sup>8</sup> Regulation (EEC) No. 2328/91, OJ L 218 of 06.08.91; No. 1096/88, OJ L 110 of 29.04.88 and Regulation (EEC) No. 1360/78, OJ L 166 of 23.06.78.



- start-up and investment aid for young farmers (essential in order to rejuvenate the agricultural population).

These measures were successful for viable farms and young farmers, and in countries such as Spain and Portugal which have used them recently in connection with the modernization of their agriculture.

## 2. Aid for modernization of the processing and marketing of agricultural and forestry products

There are two regulations providing for Community support for the modernization of the processing and marketing of agricultural products (Regulation (EEC) No. 866/90) and forestry products (Regulation (EEC) No. 867/90). While the first provides for the possibility of supporting investments by natural or legal persons or groups, the second gives priority to financing investments which concern SMEs.

In 1991, among the 846 projects supported by EAGGF aid worth ECU 396 million, 506 SMEs (almost 60% of the projects) received Community aid worth ECU 218 million (or 55% of EAGGF aid). In 1992, of the 1,137 projects supported, corresponding to EAGGF aid worth ECU 440 million, 890 SMEs (or 78% of the projects) received aid worth ECU 271 million (or 62% of EAGGF aid). Although SMEs represent the majority of the beneficiaries in many projects, they submit smaller projects so that EAGGF aid to SMEs is proportionately less than for large enterprises.

Furthermore, the importance of SMEs varies greatly from one Member State to another: for example, 33% of projects in Denmark concerned SMEs as opposed to 100% in Spain and Greece in 1991. The participation of SMEs increased between 1991 and 1992, rising from 60% to 78% of projects and from 55% to 62% of EAGGF aid. The average EAGGF contribution per project carried out by SMEs also varies considerably. In 1991 it ranged from ECU 61,260 in France to ECU 801,530 in Germany, the Community average per SME project being ECU 431,527 (excluding Luxembourg). In 1992 the difference between Member States diminished (from 65,649 for the Netherlands to 559,838 for Ireland) and the average per SME project was ECU 304,600. Finally, in 1991 the average EAGGF-orientation contribution funded for other projects not concerning SMEs was 21% higher than for SMEs and over double in 1992.

### 3. Improvement of the processing and marketing of fishery and aquacultural products

Community regulations<sup>9</sup> provide for the possibility of part financing public, semi public, and private investment projects which involve the improvement of production methods including the processing and marketing of fishery and aquacultural product. These investment projects include the construction and modernisation of commercial premises and infrastructure, the improvement of sanitary conditions, the introduction of new technologies and the development of new processes and products. Priority is given to projects submitted by groups of producers and cooperatives, as well as to projects which meet the specific needs of SMEs. In 1993, ECU 74 M were granted to approximately 60 projects.

#### I.1.3 THE EUROPEAN SOCIAL FUND AND SMEs

The task of the European Social Fund is to improve job opportunities in the Community. Essentially, it supports vocational training operations (accompanied, where necessary, by vocational guidance), employment aid and the development of appropriate training structures.

As stressed in the previous report, since the 1980s the ESF has placed the emphasis on supporting vocational training and employment for workers in small and medium-sized enterprises, in view of their importance in the varied fabric of the economy and in job creation.

This applies, for instance, to the 1988<sup>10</sup> regulation, which gives preference to vocational training and employment aid for the purpose of modernizing SMEs, including co-operatives and associations.

The new regulations approved on 20 July 1993<sup>11</sup> further reinforce this trend. SMEs are to be given special attention under the new Objective 4 (devoted to adapting workers to industrial change and changes in production systems).

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<sup>9</sup> Regulation No. 4042/89, OJ L 388 du 30.12.89.

<sup>10</sup> Regulation No. 4255/88 of 19 December 1988.

<sup>11</sup> Council Regulation (EEC) No. 2084/93 of 20 July 1993 amending Regulation (EEC) No. 4255/88 laying down provisions for implementing Regulation (EEC) No. 2052/88 as regards the European Social Fund.

For this purpose, training operations are to be linked to the requirements which SME workers have to fulfil as a result of changes in production systems, the need to promote quality products and to preserve the environment.

Similarly, under Objectives 1, 2 and 5b, where the Social Fund aims to promote stability and growth of employment in the regions concerned, it is clearly stated that part-financed projects will in particular include continuing vocational training, advice and guidance for workers of either sex in SMEs.

#### Horizontal Objectives: Objectives 3 and 4

The ESF spent over ECU 7 billion on combating long-term unemployment and integrating young people into working life during 1989-1993.

In providing vocational training for the long-term unemployed and the young under these two Objectives, in order to give them basic training associated with work experience and/or training in new technologies, the ESF aims to raise the standard of qualifications of the labour force throughout the Community, which could benefit SMEs.

In connection with these Objectives, the ESF also supports vocational training projects in favour of the most vulnerable people, particularly the disabled, in order to integrate them into the ordinary, unprotected work environment and enterprises.

*One example in Luxembourg: from market analysis, two foundations confirmed a significant increase in demand for labour in horticulture and gardening (activities most commonly performed by craft enterprises and SMEs, which offer an opportunity to integrate physically or mentally handicapped people into the economy).*

*They set up worker training "under glass" for the physically and mentally handicapped, with ESF support, which reached "cruising speed" in 1991. This type of action is sometimes accompanied by a campaign to increase awareness among employers (by brochures, seminars), in order to encourage them to take on disabled staff (e.g. in the UK).*

The ESF also aims to support the creation of enterprises by the long-term unemployed and the young.

Vocational training part-financed by the ESF aims to eliminate a major obstacle to the creation of enterprises, namely the lack of theoretical and practical knowledge in this field: research has shown (e.g. in Belgium) that only the best-trained people want to set up their own business.

In conclusion, it should be remembered that the operation of the Social Fund is governed by the principles of Structural Fund reform, and thus by the principle of partnership. In accordance with this principle, all Member States are responsible for selecting projects locally and subsequently submitting them for Community funding. In this situation, the Commission's staff cannot always know about the projects (if they are not the projects which the Member States themselves chose to emphasize, particularly in the monitoring committees).

It should also be noted that the principal responsibility for informing the final beneficiaries of structural operations in the field of training and employment rests with the Member States; this obligation is reinforced in the new legislation which has just been approved for the Structural Funds. It is therefore necessary to ensure that Member States improve the distribution of information on structural operations, particularly for enterprises.

#### **I.1.4 COMMUNITY INITIATIVES**

There are two new measures to be added to the Community initiatives presented in the previous report:

KONVER in favour of areas affected by the reduction in the activities of armament industries and military bases. Launched at the request of the European Parliament, the KONVER initiative was adopted on 6 April 1993 under Article 11 of Council Regulation EEC No. 4253/88. It follows the financing of pilot projects in 1991 and 1992 under the PERIFRA budget heading. This action is included in the 1993 budget with a credit of ECU 130 million (ECU 85 million for the ERDF and ECU 45 million for the ESF) and will continue in 1994 and beyond. The new German Länder are eligible. The measures covered include training, innovation and environmental measures generally used in conversion programmes. A number of Member States, such as the United Kingdom and Belgium, have submitted measures in favour of SMEs in their programmes.

The RETEX initiative, adopted in 1992<sup>12</sup>, is intended to speed up the economic diversification of the areas concerned, in order to reduce their dependence on the textile and clothing sector and to facilitate the adaptation of viable enterprises in all industrial sectors. The contribution of the Structural Funds is estimated at ECU 100 million up to the end of 1993 with a budget of ECU 400 million planned for 1994-1997. Partially financed measures include the improvement of know-how, encourage innovation by means of advisory services, technical assistance, co-operation programmes, vocational training, renovation of buildings and improved access to venture capital and loans.

Among the Community initiatives launched, a number can be grouped under the heading of "integration of the least developed regions into the Internal Market" were of special interest to SMEs. These are STRIDE, TELEMATIQUE and PRISMA.

STRIDE: ECU 460 million from the ERDF and the ESF (1990-1993)<sup>13</sup>

STRIDE aims: 1) to increase the capacity for innovation and technological development of Objective 1 regions, where a lack of facilities and investment has been identified in relation to Community averages;  
2) to increase participation by research centres and institutions and by enterprises from these regions in Community or international research programmes and networks.

The initiative is also helping to develop links between industry and research in the regions of both Objective 1 and Objective 2. 80% of STRIDE resources are allocated to Objective 1 regions.

TELEMATIQUE: ECU 233 million from the ERDF (1991-1993)<sup>14</sup>

TELEMATIQUE aims to promote the use of advanced telecommunications services in Objective 1 regions, including improved access to advanced services located in other regions of the Community. The initiative reinforces the process begun by the STAR programme by encouraging SMEs to use advanced telecommunications services and helping them to establish or develop such services themselves.

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<sup>12</sup> Commission decision, OJ C 142 of 04.06.92, p. 5.

<sup>13</sup> OJ C 196 of 04.08.90, p. 18.

<sup>14</sup> OJ C 33 of 08.02.91, p. 7.

PRISMA: ECU 114 million from the ERDF (1991-1993)<sup>15</sup>

PRISMA aims to improve infrastructures and services to enterprises in Objective 1 regions so that enterprises in these regions can participate and obtain full benefit from the completion of the single market.

Eligible measures concern:

- the creation or expansion of calibration and metrology services for enterprises in order to contribute towards the quality policy of the enterprises;
- technical assistance to SMEs as regards the opening up of public procurement and to help them to cope with the abolition of measures within the meaning of Article 115 of the EC Treaty.

As regards rural development, the leader Community initiative should be mentioned because of its interest to SMEs, craft industries and tourism.

LEADER - (Links between actions for the development of the rural economy): ECU 450 million from the 3 funds (1991-1993)<sup>16</sup>

LEADER aims to encourage a local development approach based on the consideration of programmes run by local development structures in zones of Objectives 1 and 5b. Part-financing is provided by means of global grants. In this context, LEADER supports integrated programmes comprising a wide range of eligible measures: stimulation of rural development, vocational training and employment aid, rural tourism, small and medium-sized enterprises, craft industries and services, developing local agricultural and forestry products, providing facilities for local development groups, including telecommunications equipment.

LEADER has benefited 217 local groups. An initial "snapshot" of the programme shows that 25% of the budgets are devoted to SMEs and craft industries with a higher proportion in 5b zones of France and Italy.

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<sup>15</sup> OJ C 33 of 08.02.91, p. 9.

<sup>16</sup> OJ C 73 of 19.03.91.

Support for SMEs and craft enterprises is often supplemented by measures relating to human resources or the development of local agricultural products. Tourism is the most highly developed area of action under LEADER, representing over 42% of expenditure. Tourism can be regarded as also concerning SMEs as this sector consists mainly of SMEs.

The Community initiatives in connection with the Community Human Resources NOW, HORIZON, and EUROFORM have to be mentioned for which the ESF intervenes. They emphasize the transnational dimension of the projects funded. More particularly, NOW (equal opportunities for men and women) aims to promote the creation of businesses by women.

*Example: under NOW, the project set up in 1991 by the Saint Gabriel Family Social Centre near Marseilles, for women wishing to achieve social and occupational reintegration. There are plans to create two enterprises in the clothing and catering sectors. At the same time, child-care facilities have been organised for women undergoing training. This project is being run in partnership with a similar project in Naples (Italy).*

An evaluation of Community initiatives has been launched, and the conclusions should be available in 1995.

## **THE FUTURE GENERATION OF COMMUNITY INITIATIVES**

On 16.06.1993 the Commission published a green paper on the new generation of Community initiatives for 1994-1999 which caused widespread discussion of Community initiatives. All the partners were requested to state their opinion by the end of September 1993. In doing so, Member States' representatives responsible for SMEs (Article 4 Committee) and the professional organisations representing SMEs were also informed and consulted so that they could express their opinions and, if appropriate, submit proposals for meeting the specific needs of SMEs, and thus increased the participation of SME organisations.

By definition, Community initiatives have an obvious value added because of their Community dimension. Unlike the CSFs, they can include measures which extend beyond national frontiers and offer an appropriate framework for promoting transnational co-operation and the pooling of know-how in areas facing the same problems. They help to implement innovations by enabling new approaches to be tried out, which can subsequently become an integral part of the CSFs.

On the 16.02.1994, the Commission adopted its overall approach on the Community Initiatives for the period 1994-1999. Total resources amount to ECU 13.45 bn being 9% of total Structural Fund resources.

Among the 9 themes proposed by the Commission, there are some which are a continuation from before. This is so for INTERREG II; internal and external cross border cooperation, LEADER II, rural development, REGIS II, outmost regions, the initiative for EMPLOYMENT-HUMAN RESOURCES with NOW and HORIZON, the initiative to assist regions affected by industrial change RECHAR, RESIDER, RETEX, and KONVER. Significant initiatives were proposed to respond to industrial change and to follow through with the measures introduced in the White Paper on "Growth, Competitiveness, and Employment", for example EMPLOYMENT-YOUTH START, EMPLOYMENT-ADAPT, the URBAN and PESCA initiatives and finally and above all the SME initiative.

The SME initiative with a budget of ECU one billion of which ECU 800 M is directed to objective 1 areas will fund projects designed to improve production systems, the diffusion of technological innovations, cooperation between SMEs and access to credit and venture capital. This initiative will be an integral part of the "2nd generation" of Community actions favouring SMEs.

The proposed initiatives were submitted to the European Parliament, the Committee of the Regions, the Economic and Social Committee, as well as the new management committee for the Community initiatives which is composed of representatives from the Member States. The Commission decided the initiatives on 15 June and the texts were published in the Official Journal on 1 July 1994.

#### **I.1.5 AN INITIAL EVALUATION OF THE USE OF THE STRUCTURAL FUNDS BY SMEs**

Structural fund aid is made available to national and regional authorities on the basis of Community Support Frameworks devised in partnership between the Commission and Member States. The CSFs are concentrated on a small number of priority lines of action and do not define specific projects. They therefore do not permit any precise breakdown of the amounts allocated to SMEs or any indication of the resources which SMEs actually received during 1989-1993.



As regards Objective 5b, however, analysis of the services does indicate entirely satisfactory results. 40% of ERDF operations under objective 5b (for 1989-1993), namely over ECU 1 billion, concern SMEs and craft industries. This high rate of intervention in favour of SMEs and craft industries illustrates the importance of the potential role of SMEs and craft industries in the development of rural areas. On the other hand, as regards regions eligible under Objectives 1 and 2, there are no figures available to show the breakdown of ERDF operations in favour of SMEs and craft industries in particular.

One should however mention the results of a study carried out in February 1993 for the Commission on "The use of the structural funds by SMEs". This study was based on national reports and reflects the difficulty in identifying specific projects.

A whole range of measures and instruments have been set up to support enterprises, e.g. in the following fields: productive investment, access to finance - financial engineering (venture capital, launch capital, guarantee funds, interest subsidies, etc.), business modernization and restructuring, establishment of enterprise nurseries, technology parks, vocational training, technological innovation centres, research, creation and development of enterprises, advice for enterprises (management, marketing), international promotion, exports. However, SMEs have not always succeeded in benefiting from the support intended for them.

The study shows that out of ECU 10 billion reserved for supporting enterprises under CSFs for the regions of Objectives 1, 2 and 5b (or 20% of the total budget of the CSFs), only ECU 2.5 to 3 billion was allocated to SMEs in operational programmes, among which SMEs would actually have received only a small proportion of the available funds, particularly in regions eligible under Objective 1.

The study proposes a number of recommendations which are worth considering:

- involve organizations representing SMEs (such as chambers of commerce and industry, craft chambers, regional development agencies, and small business federations) in the preparation, implementation and monitoring of operational programmes. In its contacts with Member States, the Commission should insist on greater involvement in the partnership for the professional organisations of SMEs;

- simplify Community aid application procedures and make them more transparent for SMEs, and speed up the allocation of loans;
- increase efficiency and diversify the networks of intermediaries who can actually deal with Community aid applications from SMEs at local and regional level;
- persuade national authorities to use the loans and global grants available;
- improve structural fund monitoring and evaluation procedures in order to be in a better position to evaluate the specific impact of Community intervention on SMEs.

However, one finds that the SMEs themselves impede their ability to absorb Community aid because:

- they lack the necessary management capability or business development strategy;
- owner-operators are unwilling to dilute their business capital, a pre-condition for obtaining most forms of venture capital;
- SMEs have limited ability to structure their projects in a commercially viable manner and to supply the information required for evaluating the ventures associated with granting aid (lack of "business plans").

The situation is complex. The Commission's staff themselves face a number of problems in measuring the impact of the structural funds on SMEs, particularly because of: the programming approach, which does not permit identification of projects which might be submitted by SMEs, the large number of operational programmes (over 500 just for Objectives 1 and 2) and the actual definition of SMEs, the criteria for which differ from one Member State to another. It is also difficult, in the CSFs, to distinguish direct measures in favour of SMEs from measures which could be indirectly beneficial to SMEs. Moreover, measures in favour of SMEs can be classed under several lines of action: "industries and services", "business competitiveness", "local development", "research and technological development", which may benefit SMEs even though not specifically aimed at them.

Finally, Member States also tend to give preference to infrastructure rather than to measures to support SMEs, which has the advantage of consuming loans more rapidly and producing immediate, tangible results, which is not always true of measures in favour of SMEs.

Nevertheless, the Commission's staff have examined the CSFs and a large number of operational programmes in regions eligible under Objectives 1 and 2. On this basis, they have estimated the loans allocated to SMEs. These estimates show that almost ECU 5 billion (1989 prices) has been allocated to direct measures in favour of enterprises, particularly SMEs. If we add to this ECU 5 billion the amount of intervention under 5b of ECU 1 billion, **total intervention under Objectives 1, 2 and 5b can be estimated at almost ECU 6 billion allocated to SMEs, or almost 13% of the volume of the CSFs for these 3 Objectives.**

Taking stock of measures and summarizing budgets in this way is well beyond the scope of this report and requires closer coordination not only by the Commission's staff but also by Member States (particularly the regional authorities) responsible for implementing the programmes.

One possible way of improving knowledge of both the measures actually implemented and the amounts which in fact benefit SMEs would be to persuade Member States to distinguish measures in favour of SMEs from other measures. For this purpose, inclusion of a sub-programme or "SME development support" line of action in the CSFs would have the dual advantage of rendering measures in favour of SMEs more visible and adopting a differentiated, integrated approach to take account of the specific needs of SMEs. Targeting action in this way would enable SMEs to be better informed of the possibilities of Community support, find answers to their problems and thus improve their access to this aid. This would also make it easier to identify examples of particularly innovative good practices and transfer them to the regions facing greater problems.

The Commission wishes to improve the visibility of projects carried out in favour of SMEs as part of regional policies. For this purpose, it is endeavouring to persuade Member States and responsible authorities to pay special attention to support for SMEs in the new Community Support Frameworks.

One way of attaining this objective also lies in the implementation of Article 4 of the new framework regulation, which provides for **extending the partnership** to "the competent authorities and bodies - including, within the framework of each Member State's national rules and current practices, the **economic and social partners** designated by the Member State."

In proposing this expanded partnership, the Commission intended to foster participation at national, regional and local level by competent authorities and bodies which can help to increase and improve the effectiveness of structural fund operations. While it is clearly up to Member States to designate the economic and social partners, the implementation of this partnership could be a chance for businesses, especially SMEs, to gain representation and hence influence over the use of the Structural Funds in their region.

The framework of the next set of programmes is fixed. It is now up to all the partners to decide on the role that SMEs might play.

## **I.2 THE EUROPEAN INVESTMENT BANK (EIB) AND SMEs**

### **I.2.1 Within the Community**

Set up to facilitate the financing of investments encouraging European integration with funds borrowed on the capital markets, the European Investment Bank, financial independent institution of the European Community, has performed as a financial institution supporting Community policies.

The EIB finances investments fulfilling the objectives of Community policies, the priority being to support regional development and to help to develop communications networks, but also to support environmental protection and a better standard of living, and finally to increase the competitiveness of industry. It also contributes towards policies concerning co-operation with non-member countries.

In order to increase industry's international competitiveness and encourage its integration at Community level, the EIB finances large-scale investments by means of individual loans and small-scale investments, particularly by small and medium-sized enterprises, indirectly via its global loans.

The EIB uses global loans to support small and medium-scale investments, particularly by SMEs, which could not be financed by individual loans on grounds of administrative efficiency. Global loans are concluded with financial intermediaries operating at national, regional or even local level, who use them in agreement with the Bank and according to its economic, technical and financial criteria. Global loans have gradually extended their scope to adapt to changing needs and the diversification of Community policies.

Global loans usually fulfil several Community policy objectives and concern:

- in disadvantaged areas, small and medium-sized enterprises in industry, services (especially tourism) and agriculture and small-scale infrastructures;
- outside these areas, investments by small and medium-sized enterprises in industry and tourism;
- and whatever their location, small and medium-scale investments which contribute towards Community objectives in the sphere of environmental protection, energy, transport and advanced technologies.

The EIB collaborates with almost a hundred partners, financial institutions or commercial banks.

The figures in Table 4 show the importance of the EIB's role in supporting investments by SMEs.

Since 1988 the EIB has provided considerable support for the funding of SMEs. Thus, almost 36,500 SMEs have received loans worth a total of over ECU 9.7 billion, or more than 50% of the finance allocated to industry and services. More than 23,000 operations (ECU 6.4 billion credit) concern investments in assisted areas and about 13,500 projects outside these areas (of which 11,600 and ECU 3 billion represent own resources, 1,700 and ECU 660 million are NCI resources).

**THE EUROPEAN INVESTMENT BANK**

**The EIB in figures:**

The volume of EIB loans totalled:

in 1992: MMECU 17 (up 10.7 % in 1991), of which MMECU 16 was loaned in the Community and MECU 893 in connection with non-member country cooperation policies.

in 1991: MMECU 15.3

**The EIB and regional development:**

1992: MMECU 11.8 (93 % in regions eligible for structural fund intervention: Objectives 1, 2 and 5b).

1991: MMECU 8.49

Between 1989 and 1992, EIB finance in favour of regional development totalled over MMECU 35, including MMECU 31 in assisted zones (Objectives 1, 2 and 5b).

**The EIB and SMEs:**

In 1992 the EIB concluded global loans totalling ECU 3,258 million, compared with 3,758 million in 1991. Altogether, 8,788 credits worth 4,071 million were granted in 1992 compared with 10,271 worth 2,991 million in 1991 (of which respectively 17 million and 71 million on global loans of the current NCI).

40 % of the volume of credits under global loans was granted for small and medium-scale investments in the infrastructure and energy sectors, usually carried out by local authorities.

60 % of credits under global loans go mainly to support SMEs in the least developed regions. A breakdown of SMEs by the number of persons employed shows a concentration of enterprises with fewer than 50 employees (over half the amount and almost 75 % of the number of credits).

Finance granted by the EIB in the Community to support the competitiveness of enterprises totalled

in 1990: MMECU 3.7 of which almost MMECU 2 was for 7,447 SMEs

in 1991: MMECU 3.3 of which MMECU 2.3 was for 9,548 SMEs (including credits under global loans from the NCI)

in 1992: MMECU 2.6 of which MMECU 2.1 was for 7,223 SMEs. Italy (MECU 913), Germany (MECU 321), France (MECU 318), Belgium (MECU 183) and Spain (MECU 162) have benefited most from global loans for SMEs in 1992. Moreover, the EIB supports SME investments as far as the environment or the rational use of energy are concerned.

The European Council in Edinburgh on 11 and 12 December 1992, recognising the importance of the role of the EIB, particularly in the unfavourable economic climate, requested it to implement a temporary loan mechanism totalling ECU 5 billion (for 1993 and 1994), more commonly called the "Edinburgh facility", in order to speed up the funding of infrastructure projects, particularly those relating to trans-European transport networks, telecommunications, energy and environmental protection. The mechanism is already in place and the EIB has already granted loans for an amount of ECU 3.5MM in November.

At the same Council it was also decided to create a **European Investment Fund**, as part of the European growth initiative, to grant loan guarantees for projects relating to trans-European networks and SMEs. With a capital of ECU 2 billion underwritten by the EIB (40%), the Commission (30%) and banks (30%), this instrument will be able to grant guarantees up to an ultimate total of eight times its subscribed capital, or ECU 16 billion. Later on the EIF could acquire shareholdings. Thus, this new fund will be able to benefit SMEs throughout the Community by guaranteeing them loans.

The European Council of Copenhagen on 21 and 22 June 1993 requested the EIB, in cooperation with the Commission, to increase the temporary loan mechanism adopted in Edinburgh (the "Edinburgh facility") by ECU 3 billion and to extend it beyond 1994. Of these ECU 3 billion, **one billion** will go to improve the competitiveness of SMEs, now called the "SME facility". The loans will have a 2% interest rebate granted within a period of 5 years. Only investment projects which will ensure job creation will benefit from these interest rebate.

#### I.2.2 Outside the European Community

Outside the Community, the EIB operates within the framework of the Policy for Cooperation with third countries. It provides finance for investments in industry, agriculture and services, mainly through global loans with financial institutions and development banks.

In the countries of Africa, the Carribean and the Pacific as well as the overseas countries and territories the EIB cofinances such investments partly from its own resources and partly from risk capital from the budget resources.

From 1976 to 1992 within the 4 Lomé Agreements more than ECU 1900 million (57% of the total assistance) was accorded to investments in the production sectors, of which about 500 million was given to approximately 1100 small enterprises in the private sector.

In the countries of the Mediterranean basin various financial protocols in force from 1988 to 1992 permitted the funding of projects in industry, agriculture and services of up to ECU 400 million (24% of the total) of which 200 million went to 1400 investments by small enterprises in the private sector, mostly in partnership with enterprises from EU countries.

In Central and Eastern Europe the activity engaged in since 1990 has permitted the support of investments mainly in the infrastructural sector and the energy sector. In industry the progressive development of the banking sector made it possible to provide global loans up to a total of 290 million (from a total of 890 million at the end of 1992) for about 20 first credits operations amounting 42 million.

### I.3 THE NEW COMMUNITY INSTRUMENT (NCI) AND SMEs

To be eligible, the projects which are submitted must comply with the objectives fixed by the Council in its decisions "enabling the commission to contract loans to promote investments in the community". These objectives are detailed in the implementation decisions authorizing the various sets of loans. The Commission and the EIB negotiated cooperation agreements for the mandates given to the Bank to act on behalf of the community, for the account and at the risk of the community.

The general objectives change little from one NCI tranche to another, and concern the funding of investment projects contributing to a growing convergence and integration of economic policies (NCI I, II and III) to industrial change and to the competitiveness of the Community, notably in the application of new technologies and innovations (NCI IV).

As regards the guidelines, they are more specific and turn the various NCI tranches into instruments meeting the requirements of the economy of the moment.

Therefore, the implementation decision for NCI II<sup>17</sup> provided for the funding of SME productive projects together with funding energy and in infrastructural projects.

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<sup>17</sup> Council decision 82/169/EEC of 15.03.82, JO L 078 of 24.03.82, p. 19.



The NCI III<sup>18</sup> retains the same priority. The guidelines established by the Commission ensure that the SME-NCI loans which are not submitted to any geographical limitation, could be used to complement the EIB operations in non assisted areas.

The NCI IV<sup>19</sup> was confined exclusively to funding projects for SMEs in industry, particularly those projects that include new technologies and innovation as well as the rational use of energy. Furthermore, these loans could be used to fund certain intangible activities such as those connected with patents, know-how, research and development.

The Council of Ministers in their decision empowering NIC IV<sup>20</sup> "invited the EIB to set aside a fund of ECU 750 M from its own resources" for loans covering the same fields. In authorising the EIB to intervene in favour of SME projects outside assisted areas with its up to 750 million, the Council of Bank governors has also authorised the Bank to pursue if necessary that type of investment beyond that tranche.

*The NCI in figures:*

*On 31.12.1992, loans granted under NCI III and NCI IV totalled ECU 3,544.4 million, of which ECU 682.8 million were for NCI IV. These loans were used to finance new investments worth ECU 7.2 million, corresponding to over 9600 projects and helping to create almost 60,000 new jobs. In addition, most of the loans are concentrated on enterprises with fewer than 50 employees, in terms of both the number of projects financed and the amounts granted.*

*The major part of the global loans under the last 3 tranches (NCI II, NCI III and NCI IV) went to industrial enterprises (89%), particularly the engineering industry (19%), the food industry (13%), the textile industry (10%) and the paper industry (8%). A significant proportion went into services (7.5%) and particularly business services (5.4%). Moreover, the bulk of the individual loans was concentrated in the assisted regions of the Community. More particularly, in the case of NCI IV (ECU 682.8 million), the breakdown of loans by country shows that Italy received the most (ECU 285.7 million), followed by Spain (ECU 132 million) and the UK (ECU 96.1 million).*

<sup>18</sup> Council decision 83/200/EEC of 19.04.83, JO L 112 of 28.04.83, p. 26.

<sup>19</sup> Council decision 87/182/EEC of 09.03.87, JO L 71 of 14.03.87, p. 34.

<sup>20</sup> Council decision 87/182/EEC of 09.03.87, JO L 71 of 14.03.87, p. 34.

#### I.4 The ECSC and SMEs

SMEs in some areas of industrial decline benefit preferentially from this type of Community resources within the context of the loans granted by the ECSC . They are loans granted under favourable market conditions with interest rebates (max. 3%) in connection with job creation.

## II RESEARCH AND TECHNOLOGICAL DEVELOPMENT (R & TD) AND THE SMEs

The attention being paid by the Commission to strengthening the cohesion and coordination between Research and Technological Development (R & TD) policies and action in favour of SMEs is clearly expressed in the Commission's proposal to the Council on the 4th R & TD Framework Programme<sup>21</sup>.

R & TD is a key element in the competitiveness of SMEs in a context of heightened international competition. That is why the Commission has endeavoured to increase the participation of SMEs in Community research programmes. The Commission has in fact opened up its R & TD programmes to SMEs and is taking action to disseminate new technologies.

The communication from the Commission entitled "SMEs and Community activity in research and technological development"<sup>22</sup> makes a detailed analysis of the participation of SMEs in existing programmes, particularly those under the 3rd R & TD framework programme, and sets out the prospects offered by the 4th R & TD framework programme for the achievement of more effective co-ordination.

In the present report the Commission has concerned itself with R & TD programmes which have formed the subject of particularly close coordination between the Commission's staff, especially programmes more specifically aimed at SMEs and programmes in which SMEs have played an active part.

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<sup>21</sup> Fourth R & TD framework programme. COM (93) 276/OJ 93/C 230/04.

<sup>22</sup> COM (93) 356.

## II.1 PARTICIPATION BY SMEs IN R & TD PROGRAMMES CONCERNING INDUSTRIAL TECHNOLOGIES AND MATERIALS, THE ENVIRONMENT, BIO-SCIENCES AND TECHNOLOGIES AND ENERGY

Under Community framework programmes for research and technological development, the participation of SMEs is a strategic priority. This priority is reflected in the implementation of individual specific programmes, which shows an active move to encourage greater participation by SMEs in all the research projects undertaken. Contracts signed in 1991 and 1992 under all the specific R & TD programmes, taking all sectors together, with the exception of information and telecommunications technologies, include: 1004 contractors (or 11.5%) are SMEs, representing a commitment of ECU 167 million (or 12% of the total budget). The corresponding percentages for industrial programmes such as BRITE-EURAM industrial and material technologies (32% of contractors and 25% of funds) and JOULE non-nuclear energy (16% and 19%) are less than the general average, as one might expect. SMEs are playing a growing part especially in the BRITE-EURAM programme (industrial technology and materials), under which there are two specific projects aimed at SMEs entitled Feasibility Premiums (FPs) and "Cooperative Research Action for Technology (CRAFT)".

Feasibility premiums are aimed at individual SMEs with research capacity which wish to prepare a proposal for the BRITE-EURAM programme. This action grants financial aid up to a maximum of ECU 30,000 and covering up to 75% of the total cost of feasibility studies lasting 9 months and intended to test or prove the feasibility of a concept, process or material for a BRITE-EURAM project.

CRAFT enables SMEs with few if any R & TD resources to gain access to research by the allocation to a transnational group of industrial SMEs of financial aid equivalent to 50% of the total cost of an R & TD project carried out by a third organisation (research centre, university or enterprise). Individual projects must involve a minimum of 4 independent SMEs from at least 2 Member States and the budget must be between ECU 400,000 and ECU 1 million over a one or two-year period.

One of the basic criteria for projects under the framework programme is transnational cooperation (shared-cost research projects, concerted action and accompanying measures).

This cooperation should entail close contact with businesses, universities or research centres in other regions of the Community. In this context, CRAFT has the specific aim of stimulating close collaboration between SMEs themselves by bringing together businesses in a particular sector or from different sectors to consider a common technical problem which can be dealt with jointly for the benefit of all.

In order to improve access to CRAFT for potential customers of SMEs and to obtain a support and advice instrument for SMEs wishing to participate in CRAFT, a network of "National Focal Points" has been set up by the Commission, covering all Community and EFTA countries. This is an informal, flexible network not financed by the Commission, but it is through this network that information is distributed and many CRAFT accompanying measures are organised (promotion targeted on SMEs, sectoral studies, workshops), helping SMEs to identify their R & TD needs and their partners before submitting their candidature to CRAFT.

The promotion of CRAFT has also been particularly fruitful via the R & TD sub-network of the Euro-Info-Centres. There have been similar contacts between Commission departments and the VALUE relay centres recently set up.

Apart from programmes aimed specifically at SMEs, other measures are taken in favour of SMEs, such as the inclusion of special mention in all information documents and wider circulation of R & TD results among SMEs.

The Feasibility Premiums action implemented since 1989 currently has a budget of ECU 6 million for 1991 to 1993. The CRAFT programme has a budget of ECU 57 million for the same period. These 2 programmes represent 10% of the BRITE-EURAM programme budget and concern exclusively activities specific to SMEs.

SME participation in Feasibility Premium and CRAFT, actions under the Brite-Euram programme is shown in Table 5.

Although it has not yet been possible to evaluate CRAFT as the first CRAFT contract did not start until 1993, experience with a number of pilot projects completed in 1991 and 1992 has proved very positive.

Table 5

**Table Summarizing SME Participation in Feasibility Premium  
and Craft Actions under the BRITE-EURAM Programme**

Actions	GLOBAL BUDGET		Up to 15.12.92	From 15.12.92 to 10.09.93	TOTAL
Feasibility premiums	6 MECU (1991-93)	Number of proposals	270	270	540
		Number of projects selected	99	93	192
		Funds committed in ECU	2,890,717	2,740,392	5,631,109

Actions	GLOBAL BUDGET		Up to 15.01.93	From 15.01.93 to 31.05.93	TOTAL
Craft	57 MECU 1991-1993				
Craft phase I		Number of proposals	156	237	393
		Number of projects selected	78	117	195 comprising 706 PME
	Funds committed in ECU	1,074,852	1,645,483	2,720,335	
Craft phase II		Number of proposals	39	37	76*
		Number of projects rejected	31	29	60
		Funds committed in ECU	11,625,395	12,017,087	23,642,482

\* 50 proposals + 5 resubmissions

Among the proposals adopted, the following three examples show that CRAFT aims to meet very specific needs of businesses by enabling them to solve everyday technical problems: development of a new aluminium cladding system to prevent corrosion (5 partners from 4 different countries), use of microwaves in continuous ovens to manufacture food products (6 partners from 3 countries), development of a wire impregnated with synthetic diamond for stone-cutting (10 partners from 3 countries).

The typical profile of an SME participating in CRAFT is a business from a traditional, low-technology sector, unlike the businesses which belong to the much less numerous category of what are known as "High Tech" SMEs.

The impact and advantages of these programmes for SMEs may be summarised as follows:

- they are an effective and viable means of developing and acquiring new technologies and know-how directly linked with their activities;
- SMEs are involved in a process of apprenticeship enabling them to discover the value and increasing importance of R & TD as a factor in maintaining or improving their competitiveness;
- they enable SMEs to gain a better understanding of their technological and competitive environment, and thus encourage their strategic approach;
- they facilitate the establishment of contact networks for future collaboration with a more direct impact on their business activities.

## II.2 PARTICIPATION BY SMEs IN RESEARCH ACTIVITIES ON INFORMATION AND TELECOMMUNICATION TECHNOLOGIES

The Commission has a number of actions relating to pre-normative and pre-competitive research and technological development of enabling technologies in areas such as information and communication, industrial and materials technologies. The programmes for Information Technologies, Communications Technologies, and for the Development of Telematic Systems in areas of general interest are some examples. They are implemented by periodic open calls for proposals for trans-national cooperative projects.

The involvement of SMEs in these projects has been increasing since the Commission started the ESPRIT programme in the early 80s.

Today, SMEs participate in 80% of the projects in the area of Communication Technologies, 65% in the area of Information Technologies and approximately 95% of projects in the Telematic Systems area. Most of the SMEs which are partners in the projects are from high-technology or technology-intensive sectors of industry. They are R&TD service providers or components or semi-finished goods manufacturers and are essentially involved in the development of R&TD applications. SMEs from the traditional industry sectors also participate as end-users, benefiting from the exploitation and adaptation of advanced technology.

The pre-competitive research carried out under the above research programmes is helping to create and improve the specific enabling and generic technologies that are of the utmost importance in achieving a competitive advantage for EC industry, including SMEs. The pre-normative research contributes to the development of European and world-wide standards and is also of interest to SMEs, as it provides them with the means to extend their potential markets.

The Information Communication Technologies (ICT) programmes have enabled SMEs to build links with other companies, universities and research centres and have encouraged the emergence of start-ups and the growth of innovatory SMEs. With their capacity to innovate and react quickly to market changes, SMEs have actively participated in the ICT programmes and helped to accelerate the development of new types of products and the exploitation of leading-edge technologies.

Past experience has, however, highlighted the difficulties faced by SMEs and other organisations from the peripheral regions of the Community in participating in some research areas. To cope with this situation, pilot actions were started aiming at strengthening the ability of local organisations, particularly SMEs, to participate in the programme, and at reducing the risk of using the research results.

These special actions are primarily devoted to help SMEs to understand and apply EC R&TD derived technology. They have provided support for the first-time use of technology (e.g. the use of electronics in production), workshops, training and publication in the Less Favoured Regions.

The main activities carried out in these regions are aiming at increasing awareness of technology and applications and facilitating the exchange of experts with other regions of the EC, transferring technology from research projects, demonstrating to industry, particularly SMEs, practical applications of the technology, and supporting research into advanced topics in preparation for future projects.

As a direct result of the special actions in Spain, Portugal, Greece, Italy and Ireland a number of SMEs, the majority of which had no previous experience with advanced technology, have acquired or are in the process of gaining new skills. These actions have also contributed to a more efficient Information Technology infrastructure in the Community and increased the demand for innovation.

Awareness and promotion activities were also carried out to make sure that SMEs obtain information on R & TD programmes and procedures for application, and to promote the cooperation between SMEs and other enterprises, universities and research centres.

Complementary activities in other programmes are also related to the promotion of development and access to research and technology. Particularly worthy of mention are the activities carried out by the programme for Trade Electronic Data Interchange Systems, using communications networks (TEDIS). As EDI - Electronic Data Interchange - is playing an increasing role in making European firms more competitive and efficient, it has committed funding to a range of regional centres to promote awareness in the use of EDI, putting particular emphasis on raising awareness on SMEs throughout the Community and in those countries or regions which are lagging behind.

Table 6 shows the percentage participation by SMEs in programmes concerning telecommunications and information technologies.

### **II.3 PARTICIPATION BY SMEs IN PROGRAMMES TO EXPLOIT RESEARCH RESULTS**

VALUE programme: (1989-1993) ECU 38 million - exploitation of the results of Community research.

VALUE programme II - centralised action 1992-1994 66 MECU.



TABLE SUMMARIZING SME PARTICIPATION IN FRAMEWORK PROGRAMMES CONCERNING  
TELECOMMUNICATIONS AND INFORMATION TECHNOLOGIES

Frame work	- Programme	Credit Committed	Credits Allocated to SMEs (1)	SME/Global Budget (2) (%)	Projects*			Partners**			Participations***		
					Total	SMEs	%	Total	SMEs	%	Total	SMEs	%
I	ESPRIT	750,000,000	407,810,632	54 %	239	139	58	551	159	29	1264	226	18
II	AIM	17,187,000	13,753,000	80 %	43	32	74	197	61	31	277	71	26
	DELTA	17,442,000	16,438,000	94 %	28	26	93	160	70	44	203	88	43
	DRIVE	47,867,000	43,141,000	90 %	63	55	87	254	81	32	442	133	30
	ESPRIT	1,500,348,062	1,238,234,559	83 %	418	300	72	1453	545	38	3769	844	22
	EUROTRA	17,000,000	2,200,000	13 %	88	0	0	35	0	0	134	0	0
	RACE	468,401,000	254,073,000	54 %	92	51	55	421	95	23	881	129	16
	VALUE I (3)	7,276,890	2,910,156	40 %	109	55	50	197	93	47	205	101	49
III	COMM, TECH	356,025,000	295,083,000	83 %	75	59	79	480	128	28	812	173	21
	INFO, TECH	949,676,756	741,917,706	78 %	379	243	64	1182	382	32	2699	515	19
	TELEMATIC	255,865,000	234,994,000	92 %	134	126	94	1173	385	33	1699	520	31
	VALUE II (4)	7,060,000	2,965,200	42 %	52	31	60	113	66	58	131	78	60
	<b>TOTAL</b>	<b>4,394,148,708</b>	<b>3,253,520,253</b>	<b>74 %</b>	<b>1720</b>	<b>1117</b>	<b>65 %</b>	<b>6216</b>	<b>2065</b>	<b>33 %</b>	<b>12516</b>	<b>2878</b>	<b>23 %</b>

(1) Budget for projects with SME participation. NB: these figures are a guide, since subsidiaries of large undertakings, for example, are included among SMEs. The amounts indicated for Value I and Value II concern the projects introduced by SMEs.

(2) % of the budget for projects with SME participation/Global budget.

(3) Projects for exploitation of Research (1989-92).

(4) Projects for exploitation of Research (1992-93).

\* Number of contracts.

\*\* Partners: there may be several SME partners in the same project.

\*\*\* Participation: an SME may participate in several projects.

The VALUE programme aims to promote the dissemination and efficient use of the results of research in science and technology in order to help improve the competitiveness of European industry, and particularly that of SMEs. The support provided for contractors participating in Community research, and particularly SMEs, involves financing market research and feasibility studies, and the preparation of business plans for SMEs seeking venture capital or other forms of finance.

The centralized operations approved by the Council on 29 April 1992<sup>23</sup> for the diffusion and exploitation of the results from the Community R&TD activities (VALUE II) put in motion actions which directly or indirectly benefited SMEs. Amongst these the following are notable:

- grants to SMEs interested in exploiting the results from Community R&TD (exploratory awards or exchange of technology awards) to facilitate the use of the results in the SMEs environment and to exploit the results from Community R&TD programmes;
- direct assistance to promote the exploitation of Community R&TD results (exploitation projects);
- the setting up of a network of 27 relay centre within the Member States to improve the level of information, particularly for SMEs, on the activities of Community R&TD and on the results and resulting knowledge;
- the organisation within this network of thematic actions to promote the results (VACRO DAYS) among the Industry fabric of Community regions and in particular SMEs.

The CORDIS information system, comprising several data bases, centralizes and updates key information on R & TD activities and their results. It gives SMEs access to the information through Euro Info Centres, for instance (which should thus have electronic access to application forms for every Community R & TD programme), or VALUE relay centres set up in 1992.

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<sup>23</sup> Council decision 92/272/EEC of 29.04.92, JO L 141 of 23.05.92, p. 1.

VALUE SME is a pilot action launched in 1991 which aims to promote the transfer of Community research results to SMEs and to exploit the research results obtained by SMEs under a Community programme. VALUE SME offers premiums for exploration (for the conclusion of an agreement) and the transfer of technologies. Some 300 SMEs have benefited from the activities of VALUE-SME. The budget for this pilot action is ECU 2.1 million. In view of the encouraging results achieved in 91 and 92, the action was renewed in 93.

The VALUE programme will organize a series of seminars to promote the results of Community research among SMEs which benefited from the EUROMANAGEMENT - R & TD Audits pilot action. It will be recalled that the EUROMANAGEMENT - R & TD Audits action enabled 657 SMEs to benefit from the intervention of 47 technological advisers, who identified over 1,000 R & TD projects which, early in 1993, led to 120 research proposals addressed to the Commission in response to invitations to submit proposals for the third framework programme; 30% of them were selected. This action should be repeated in 1994 for the 4th Framework Research and Development Programme.

#### II.4 PARTICIPATION BY SMEs IN INNOVATION AND TECHNOLOGY TRANSFER

SPRINT programme: (1989-1993) ECU 90 million.

The Community SPRINT programme<sup>24</sup> promoting innovation and technology transfer is one of the instruments set up by the Community to improve the ability of SMEs, including craft enterprises, to absorb technologies.

Sprint has three main lines of action.

- to strengthen the European innovation and technology support service infrastructure;
- to facilitate the diffusion of new technologies and other resources to firms;

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<sup>24</sup> Council decision 89/286/EEC of 17.04.89, OJ L 112 of 25.04.89, p. 12.

- to improve the awareness and understanding of innovation and the exchange of experiences on national and community innovation policies.

Since April 1989, a series of actions have been launched corresponding to each of these three lines of action.

#### A. European Infrastructure of Innovation Support Services

In order to strengthen the European Infrastructure of Innovation Support Services and further develop these Services throughout Europe, SPRINT has promoted the establishment of transnational networks of innovation support services, working in cooperation and disseminating the "best practice" in their fields.

The programme currently supports

- 50 networks involving in total more than 300 technology agencies, liaison services, regional development agencies, Chambers of Commerce and Science Parks spread throughout Europe;
- the EUROTTECH network, which has brought together twelve National Research and Development Organisations including ANVAR (F), British Technology Group (UK), CDTI (ES), CNR (IT), Fraunhofer Gesellschaft (D), TNO (NL), etc;
- 50 networks of collective sectoral research centres - "centres techniques industriels" in France, "Forschungsgemeinschaften" in Germany - grouping in total 200 such associations, i.e. one third of all such centres in Europe, in either traditional industries such as construction, textiles and wood or concerned with trans-sectoral technologies such as laser and information technology.

Moreover, to build upon the extensive experience developed within those networks, SPRINT has launched an integrated coordinated programme to identify and disseminate "Best Practice". This project will contribute to strengthening professionalism and management of the networks, establishing quality standards and enhancing transnational links between participants.

In addition to the above networks the SPRINT programme was instrumental in launching the European Association for Contract Research Organisations (EACRO) which currently gathers more than fifty contract research organisations in Europe.

The aim objective of this mega network, similarly to the European Venture Capital Association (EVCA) and the European Association for the Transfer of Technologies, Industrial Information and Innovation (TII) which were launched during the pilot phase of the programme, is to become the forum of Europe for the organisations it represents and provide them with the services necessary for their development such as training and exchange of information.

Finally, the programme, on an experimental basis, has been helping local and regional authorities to design and plan Science Parks and Innovation Centres better by providing them with European expertise and best practice in this area. Three calls for expression of interest were launched in this context. The first one resulted in the selection of more than 100 experts in designing, planning and managing Science Parks, the second and third ones in the selection of 82 Science Park developments which could benefit from the experience of a small group - 3 to 5 - of experts referred to above.

As an indirect result SPRINT has become the focal point for European expertise in this area.

#### B. Intra-Community diffusion of technological resources

In order to facilitate the Intra-Community diffusion of technological resources and competences to companies, the programme provides, on an experimental basis, support for specific industrial large-scale technology transfer projects which demonstrate the means of adapting and applying new available technologies in sectors or regions where they are not yet used. Projects which directly involve industrial firms, both large and small ones, are designed to act as catalysts for trans-regional or trans-sectoral technology transfer. Feasibility studies on forty of these specific projects are currently underway and it is expected that thirty projects will proceed, with Community support, through to full implementation.

Moreover, in order to develop awareness amongst SMEs as to the access and the use of new techniques for innovation and technology management, the programme has launched the MINT initiative. MINT (Managing the Integration of New Technology) has been developed as a Community-wide experimental diagnostic consultancy scheme, providing **EC financial support to 1000 SMEs** throughout the Member States, who will receive consultancy to facilitate their adoption of new technology.

Several actions have been launched concerned with the dissemination of information and innovation management techniques. Examples of such actions are the support for transnational cooperation schemes between Research and Technology Organisations, - referred to above as networks - to disseminate technical and economic information concerning new technologies and innovation management techniques as well as to promote the effective adoption by companies of Advanced Manufacturing Technologies, and quality management, control and assurance procedures. It is estimated that through these cooperation schemes **more than 100,000 industrial SMEs, mostly in traditional industries, are reached annually.**

To support the better use of design as an innovation management tool, the programme has launched during its experimental phase the European Community Design Prize. Three awards have already taken place with a total of **1000 SME applications** throughout the Community. The next ECPD will take place in 1994.

In addition, the programme has continued to provide support for actions which aim at reducing the transaction costs for the transnational acquisition of technology and/or technical interfirm cooperation. Examples of such actions are the 70 networks of brokerage and liaison service whose task it is to facilitate transnational acquisition of technology by companies or establish technological cooperation between them. More than 300 interfirm agreements have been identified as a direct result of these networks. Another example is the Technology Transfer Days, which put selected companies in a particular region, seeking partners in other countries, in contact during one or two days with technology brokers from other regions. 16 Technology Transfer Days have already been held and 16 more will be organised over the next two years enabling more than 1,300 firms to present their requests/opportunities for technological cooperation to technology brokers and liaison services all over Europe.

Finally, two schemes concerned with the financing of innovation have been launched. The first one - called Transnational Investment Fora - brings together entrepreneurs of innovative growth companies looking for sources of funding with financiers, also from several Member States, looking for investment opportunities. 8 Investment Fora have already been held bringing together a total of **300 innovative high tech SMEs**. Over the next two years 10 such fora will be organised, bringing together in total 800 innovative companies with more than 1000 financiers, mostly venture capitalists, from all over the Community.

The second, known as the "Plan for financing technology according to performance" (F.T.P.) aims to facilitate the acquisition of new technologies by enterprises, and particularly SMEs, by improving liquidity and strengthening the competitiveness of European suppliers of new technologies, which are often also SMEs. Thus, SPRINT supports a group of major banks and selected European financial institutions which act as intermediaries in promoting technology. SPRINT underwrites part of the finance at risk which these financial institutions provide for technologies under FTP projects - the value of each project ranges from ECU 50,000 to 200,000 - and takes charge of the commercial and technical arrangements.

Table 7 gives a breakdown, by type of measure set up by the Commission, of the number of enterprises which have benefited directly from the SPRINT programme, by acquiring, testing or being informed of new technologies. **7,200 SMEs acquired new technologies, 24,000 SMEs tested or evaluated new technologies and 64,000 were made aware of new technologies**, particularly via transnational networks. Altogether, **95,200 SMEs benefited from the SPRINT programme.**

#### C. Effectiveness and coherence of public policies

With regard to improving the effectiveness and coherence of public policies promoting innovation and technology transfer two types of activities have been financed.

The first one, which partly already started during the pilot phase, concerns the exchange of knowledge and experience between the Member States and the Commission concerning innovation policies and innovation support measures.

Topics which have received particular attention are:

- Patents and other Intellectual Property Rights;
- Science Parks;
- Regional Technology Advisory Centres;
- Innovation Management Techniques, particularly Design, Value Analysis and Quality.

## Number of SMEs which have directly benefited from SPRINT

I. Adoption of new technology	Number of SMEs that acquired new technology or other resources (e.g. finance)	Number of SMEs that tested/evaluated new technology	Number of SMEs that have been made aware of new technology
<p>A. Transnational technological cooperation between SMEs through transnational networks for inter-SME cooperation, and technology transfer days</p> <ul style="list-style-type: none"> <li>▪ 600 <u>agreements</u> established each involving two SMEs. Examples of such agreements are production or distribution licences, joint R&amp;D and production agreements;</li> <li>▪ for each agreement to come through, an average 10 SMEs have evaluated or tested the technology;</li> <li>▪ for each agreement to come through an average 30 SMEs have been made aware of the new technology</li> </ul> <p>B. <i>Diffusion of new technologies</i></p> <ul style="list-style-type: none"> <li>◆ <i>through networks of Research and Technology (since 1986) :</i> 300 Research and Technology Organisations - with an average 750 SME clients each, have participated in this action</li> <li>▪ 2 % of client SMEs have acquired <u>new technology</u> as a direct result of activities of these networks</li> <li>▪ 8 % of client SMEs have evaluated or tested new technology as a direct result of the activities of these networks</li> <li>▪ 20 % of client SMEs have been made aware of new technology</li> <li>◆ <i>Specific projects for intra Community innovation transfer (20 such projects each involving 5 SMEs) :</i> <ul style="list-style-type: none"> <li>▪ SMEs involved in the specific projects</li> <li>▪ SMEs that will be made aware of new technology when diffusing the results of the specific projects</li> </ul> </li> </ul>	<p>1,200</p> <p>4,500</p> <p>100</p>	<p>6,000</p> <p>18,000</p>	<p>18,000</p> <p>45,000</p> <p>1,000</p>
<b>II. Other benefits</b>	Number of firms directly involved		
<p>C. Facilitating the uptake of new technology through the MINT (Managing the Integration of New Technology) scheme</p> <ul style="list-style-type: none"> <li>▪ 1000 SMEs will receive consultancy to facilitate their adoption of new technology</li> </ul>	1,000		
<p>D. Investment Fora</p> <ul style="list-style-type: none"> <li>▪ 10 fora each one involving an average 40 innovative SMEs, from different countries looking for funds</li> </ul>	400		
<b>Total A - D</b>	7,200	24,000	64,000



In order to organise a review of public measures and policies supporting innovation and technology transfer at regional, national or Community level, a series of Innovation Policy Fora has been launched in 1993. The themes for the first series are as follows:

- Support of High Technology Based New Firms (NTBNF)
- The Acquisition and Diffusion of Tacit Technological Knowledge
- The Clustering of Innovative SMEs
- Research and Technology Organisation, strategies for the future
- Quality promotion towards innovative SMEs.

The second type of activity concerns the establishment of the European Innovation Monitoring System (E.I.M.S.), which aims to build up a European knowledge base and research capabilities on innovation and technology transfer.

A call for tenders resulted in the selection of 53 organisations with expertise in research on innovation and technology transfer. They will help the Commission services in developing this system and by carrying out the survey projects. A second call is currently being evaluated.

Several projects have been launched that can effectively support the decisions and actions of the following target groups:

- policy makers and public administrators from the Commission, Member States and regional bodies
- suppliers of innovation supporting services.

Two main areas are currently concerned with SMEs:

1. Innovation studies using existing data

There is at present a number of data sources which can be used to explore comparative performance in science, technology and innovation. These include databases integrating R&D and industrial performance data; data sets drawn from decentralised innovation surveys; literature-based innovation surveys, and other sources. EIMS seeks to use these sources to provide a "state of the art" empirical overview of innovation and research activity, looking at the following issues.:

- \* R&D performance and industrial structures
- \* Inter-industry flows of new technology
- \* Inter-European comparisons of innovation activity
- \* Industrial distribution of innovation outputs
- \* Sources of innovative ideas
- \* Obstacles to innovation
- \* Inter-firm technological cooperation

## 2. Surveys and new data sources

EIMS cannot be implemented just by integrating and comparing existing data sets. It must sponsor the development and use of new and innovative sources of information on innovation in Europe. Innovation surveys will therefore play a central role in developing the EIMS.

They will form a basis for monitoring the variety of innovation patterns, environments and practice across Europe.

A series of national innovation surveys have been launched in cooperation with EUROSTAT and based on methodological work and tests, to cover:

- \* the innovative capabilities and strategies of European firms; and
- \* the application and diffusion of technologies and innovation management techniques.

**About 55000 SMEs will be concerned.**

At the end of 1992, SPRINT financial commitments totalled ECU 87 million, or almost the whole of the programme budget. The breakdown of the budget according to the 3 types of action described above conforms to the 1989 Council decision (EC/89/286), namely:

- infrastructure and services: ECU 50 million
- dissemination: ECU 30 million
- improving knowledge: ECU 10 million.

An inter-departmental group meets regularly on an informal basis to exchange information on the financing of innovation in order to coordinate initiatives and action taken in this area.

The Commission submitted to the Council a proposal for a Decision to extend the SPRINT programme by one year in 1994 and to allocate it a budget of ECU 23 million<sup>25</sup>.

## **II.5 OTHER COMMUNITY PROGRAMMES RELATING TO TECHNOLOGY AND RESEARCH**

### **THERMIE PROGRAMME**

In the sphere of energy, apart from the SAVE and ALTENER programmes, the THERMIE programme provides support for SMEs.

The THERMIE programme, which aims to support the establishment and dissemination of efficient technologies, is particularly concerned with reductions in harmful emissions, industrial competitiveness, especially for SMEs, and co-operation with non-member countries.

Apart from supporting innovative projects, THERMIE implements accompanying measures through a network of 40 European bodies for the promotion of energy technologies: the OPET network.

Through this network, SMEs are helped to set up their energy projects by receiving targeted, accurate information, participating in "marketing" discussion groups attended by professionals, industrialists and OPETs, and developing transnational partnerships for the presentation of innovative projects on a Community scale. A data base on energy technologies has also been set up for SMEs.

Since SMEs make a significant contribution to technological innovation, the THERMIE programme's selection criteria for innovation projects in SMEs include co-operation and partnership, encouraging the Community character of projects.

Statistical analysis of the THERMIE programme for the period from 1973 to 1991, including previous programmes demonstrating and supporting technologies relating to hydrocarbons, shows that, on average, 50% of bidders are SMEs. In addition, the share of SMEs in projects presented and adopted is 57% for users and 48% for energy technology manufacturers.

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<sup>25</sup> COM (93) 306 final of 05.07.93.

SME participation in THERMIE from 1990 to 1993 is described in table 8. From 1990 to 1993, about 60% of the projects involve at least one SME and account for over 40% of the budget.

The THERMIE programme and the OPET network have taken account of the special needs of SMEs by providing them with financial support, assistance with the administrative and financial arrangements for projects, complete and accurate information, a means of finding European partners and involvement in the future direction of energy technologies. Thus, in facilitating access for SMEs, the THERMIE programme helps to improve the competitiveness of SMEs and reinforce their administrative and financial comprehension of Community programmes.

There is no doubt at all that the introduction of efficient energy technologies in SMEs will improve their production costs and help to maintain or create jobs. The analysis showed that some 17,000 jobs were either maintained or created as a result of the THERMIE programme over the period 1973-1991.

#### ECSC RESEARCH ACTIVITIES

Research programmes in the field of health and safety have also helped to promote inter-firm co-operation and partnership between SMEs from different regions of the EEC. The following programmes are concerned:

- First joint research programme on safety in the ECSC industries, 1989-1994<sup>26</sup>;
- 5th and 6th research programme on "Industrial hygiene in mines" 1983-1991<sup>27</sup> and 1991-1994;
- 5th research programme on "Technical control of nuisances and pollution at the place of work and in the environment of iron and steel works" 1985-1993<sup>28</sup>.

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<sup>26</sup> OJ C 325 of 29.12.89.

<sup>27</sup> OJ C 332 of 08.12.83 and OJ C 14 of 22.01.91.

<sup>28</sup> OJ C 338 of 31.12.85.

**NUMBER OF THERMIE PROJECTS INVOLVING SMEs  
AND SUPPORT GRANTED**

		1990			1991			1992			1993			1990-1993		
		SME	TOTAL	in %	SME	TOTAL	in %	SME	TOTAL	in %	SME	TOTAL	in %	SME	TOTAL	in %
RATIONAL USE OF ENERGY	Number of projects	23	39	59.0%	34	65	52.3%	29	52	55.8%	30	42	71.4%	116	198	58.6%
	Support (MECU)	9.1	18.7	48.7%	13.1	34.8	37.5%	13.9	31.6	43.9%	30.1	43.3	69.4%	66.1	128.5	51.5%
RENEWABLE ENERGY SOURCES	Number of projects	21	27	77.8%	32	51	62.7%	43	67	64.2%	40	52	76.9%	136	197	69%
	Support (MECU)	4.8	6.6	73.1%	20.5	35.7	57.4%	18.6	35.1	53%	24.1	35.2	68.3%	68	112.7	60.4%
SOLID FUELS	Number of projects	1	3	33.3%	1	6	16.7%	0	4	0%	1	10	10%	3	23	13%
	Support (MECU)	8.7	9.6	90.9%	0.1	22.1	0.6%	0	33.2	0%	0.5	33	1.4%	9.3	97.9	9.5%
OIL & GAS	Number of projects	8	16	50.0%	11	30	36.7%	16	31	51.6%	21	35	60%	56	112	50%
	Support (MECU)	5.2	10	51.8%	4.7	22.9	20.7%	8.3	27.7	29.9%	14	26.4	52.9%	32.2	87	37%
1990 - 1993	Number of projects	53	85	62.4%	78	152	51.3%	88	154	57.1%	92	139	66.2%	311	530	58.7%
	Support (MECU)	27.8	44.9	62%	38.5	115.5	33.3%	40.8	127.6	32.0%	68.6	138	49.7%	175.7	426.1	41.2%

SME = projects involving at least one SME  
TOTAL = total number of projects supported

Source: evaluation sheets and Commission's decisions on support granted

Table 9 shows the breakdown by Member State of the amounts allocated to SMEs as a percentage of the total volume allocated to the programmes. From this it is evident that credits allocated to SMEs average 48%, with a maximum of 77% for the largest of the three ECSC research programmes.

SMEs played an essential part in devising research projects aimed at improving health, safety, industrial hygiene and the environment at work and in their home area for workers in European coal and steel industries.

Many of the results of these research projects carried out by SMEs have led to the preparation of directives aimed at improving health and safety at work. They have therefore been more closely connected with Community decisions. The Commission's financial participation was generally 60% of the total cost of the research. The consequences in terms of employment and the economic spin-offs are very obvious (industrial patents have very often been filed). However, owing to the future of the ECSC Treaty and the gradual reduction in ECSC levies, the amounts allocated to ECSC research are going to be reduced considerably or even abolished. SMEs will therefore have to opt for diversification of their industrial activity and adopt new lines of business.

## RESEARCH ACTIVITIES IN THE FIELD OF TRANSPORT

The EURET programme (European Research in Transport), a research programme in the field of transport, was launched by the Council Decision of 21 December 1990<sup>29</sup>. It has three objectives: to optimize the management of transport networks, to optimize logistics and to reduce external effects. Allocated a budget of ECU 26.8 million, the programme has enabled SMEs to participate by the creation of business consortia. Although large undertakings have received over half the available funds (51%), SMEs come second in receiving 19% of the budget (ECU 3.6 million), followed by research institutions (13%), universities (12%) and consultants (5%).

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<sup>29</sup> Decision 90/11/EEC of 21.12.90, OJ L 8 of 11.01.91, p. 16.

<b>ECSC RESEARCH ACTIVITIES AND SMES</b>
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ECSC Research Programmes	Total Budget for the Programme in MECU	Amounts allocated to SMEs as % of the total budget for the programmes and by country								
		FR	G	SP	GB	IT	PT	B	Total	Absolute figures in MECU
Safety Programme (1989-94)	21	3.4 %	4.6 %	5.6 %	1.8 %	4.2 %	2.2 %		21.8	4.578
Programme on "Technical control of nuisances and pollution at the place of work and in the environment of iron and steel works" (1983-1991) (1991-1994)	23	25.7	3.2	2.6	-	23.9	2	19.9	77.3	17.8
Programme on "Industrial hygiene in mines" (1985-1993)	11	-	15.9	6.5	12.5	2.2	-	1.5	38.6	4.2
<b>Total</b>	<b>55</b>								<b>48 %</b>	<b>26.578</b>

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## II.6 COORDINATION BETWEEN COMMISSION DEPARTMENTS

In conclusion, coordination between Commission departments has been particularly fruitful in connection with specific action aimed at SMEs both under R & TD programmes like CRAFT and via the feasibility premiums of the BRITE EURAM programme. Moreover, the Commission departments are invited to send representatives to the IRDAC - Industrial Research and Development Advisory Committee - whose opinions on SMEs as regards R & TD form the basis of the CRAFT programme. This also applied in the case of programmes to exploit research results, such as VALUE, and in the conduct of the EUROMANAGEMENT - R & TD pilot action.

The VALUE programme also develops synergies with Community initiatives which help to finance technological SME projects such as EUROTECH CAPITAL, SPRINT INVESTMENT FORA, SPRINT TECHNOLOGY PERFORMANCE FINANCING, VENTURE CONSORT and the Launch Capital pilot plan.

To improve the integration of the different approaches of the concerned Commission departments to venture capital for SMEs, a common brochure has been produced on "venture capital for the exploitation of Community research activities carried out by SMEs".

An inter-departmental working party on R & TD and SMEs has just been set up to foster a global approach and consolidate these first attempts at coordination, intended to improve the response to the special needs of SMEs.

The working party's objective is to give concrete form to the SME dimension of the 4th framework programme of R & TD by increasing the complementarity of measures implemented under different policies. Thus, in particular, it will aim to improve the transparency of Community R & TD actions among SMEs by joint promotion and the coordination of existing networks.



### III. SMEs AND VOCATIONAL TRAINING

In the field of vocational training (apart from important amounts (about 20 MMECU for the period 1989-1993) which were granted by the European Social Fund for the vocational integration of people encountering difficulties on the labour market) the Commission has implemented a number of programmes intended to improve the level of qualifications throughout the Community in order to face up to the process of economic, technological, social and cultural change (ERASMUS, COMETT, LINGUA, EUROTECNET, FORCE and PETRA).

These programmes meet the following objectives:

- encourage transnationality, which permits an improvement in quality while respecting national systems;
- multiply transnational exchanges and increase the mobility of students and instructors;
- create suitable networks for facilitating exchanges, co-operation and the setting up of joint projects.

Of these programmes, EUROTECNET (innovation in the field of vocational training resulting from technological change), COMETT (education and training in technology) and FORCE (continuing vocational training) are the ones of more direct concern to SMEs. Thus, after a brief account of their objectives, this report will deal with their impact on SMEs.

Table 10 gives figures showing the participation of SMEs in these three programmes.

#### III.1 THE EUROTECNET PROGRAMME

The EUROTECNET programme<sup>30</sup> aims to promote innovation in the field of vocational training resulting from technological change. It is designed to help Member States adapt vocational training to the change in technologies. In order to promote the exchange of information and the transfer of experience and expertise, a Community network of demonstration and co-operation projects was set up.

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<sup>30</sup> Council decision 89/657/EEC, OJEC No. L 393 of 30.12.89, p. 30.

## VOCATIONAL TRAINING

### SUMMARY TABLE OF ACTIONS IN FAVOUR OF SMES UNDER EUROTECNET, COMETT AND FORCE PROGRAMMES

PROGRAMMES	1991-1992
<b><u>EUROTECNET (1990-1994)</u></b>	
. Budget (MECU)	7.5 MECU
. Total number of projects in the network	277
. Total number of projects targeted at SMEs	46
. % of projects targeted at SMEs	18 %
<b><u>COMETT (1990-1994)</u></b>	
. Budget (excl. EFTA) (MECU) (90-92:121) (93-94:79)	200 MECU
. Number of beneficiary SMEs* (directly or indirectly)	30,000
. Number of SMEs directly involved**	7,000
. Number of SMEs with < 50 employees	3,300
. Number of SMEs with 50 to 200 employees	2,300
. Estimated SME participation rate	> 75%
<b><u>FORCE (1991-1994)</u></b>	
. Budget 91-93	32.8 MECU
. Total number of projects (invitation to submit proposals 91 et 92)	427
. Number of SME contractors or project coordinators including groups of SMEs	140
. SME beneficiaries	Several thousand, as SME groups may have many members, sometimes several hundred.
- directly	
- through groups of enterprises - through professional or sectoral federations, etc.	
. Number of enterprises involved, including groups of SMEs (contractors, coordinators, partners)	2,000
. Number of SMEs directly involved including groups of SMEs (contractors, coordinators, partners)	1,250
<b>Rate of direct participation by SMEs - groups of SMEs / all enterprises.</b>	<b>62 %</b>

\* Estimate.

\*\* SME involvement includes the completion of training courses.

It has allowed research to focus on in-service training, particularly in the field of apprenticeships. The aim is to improve the skills and capability of employees in SMEs, in particular, and to manage technological change and create the necessary conditions for an enterprise to become a place of learning. The EUROTENET programme, launched in 1990 for 5 years, considerably expands the opportunities for vocational training systems to profit from innovation throughout the Community. It gives preference to qualifications which take account of the profound changes and which have a strong technological element. Both training methods and the instruments necessary to enable SMEs to provide continuing training for their staff are constantly being adapted to take account of technological changes.

The Council decision stipulates that SMEs must participate in the implementation of the programme and in the dissemination of the results achieved. Thus, EUROTENET has placed the emphasis on projects which have a direct or indirect impact on the introduction of innovative solutions concerning human resources in SMEs. Following the selection procedures in the 12 Member States, 277 demonstration projects were selected to form the network of EUROTENET projects, of which 46 (or about 18%) concern basic or continuing vocational training in or for SMEs.

These projects may be divided into four groups:

1. projects which aim mainly to develop new approaches and methods in order to analyse SMEs' skill and training requirements;
2. projects which aim to improve the level of qualifications of SME employees. These projects are more particularly concerned with identifying "key skills" which enable workers to meet their needs as regards both technical qualifications and personal development;
3. projects which aim to reorganise/transform training centres into business services centres in order to meet the specific needs of SMEs;
4. projects which aim to promote technology transfer within SMEs (e.g.: CIM - Computer Integrated Manufacturing, CAD - Computer Aided Design, LAN - Local Area Networks) and develop new learning strategies and methods in enterprises.

*As an example from each category of projects one might mention:*

- *the Italian project of AFM-Edilizia in the building and civil engineering sector, which aims to develop and establish SMEs by a system of advanced services (new technologies), to stimulate demand by introducing new professional profiles and to promote new organisational strategies in building such as integrating large/medium-sized undertakings with SMEs;*
- *the Belgian "ARIA" project, which aims to train business managers in the need to maintain and develop the intellectual assets of SME employees and to inform them of technological developments. Thus, continuing training is regarded as an investment in the human capital of the business;*
- *the British project by Newcastle College, which aims to develop innovation in training for new qualifications in electronics in order to meet the skill requirements of enterprises (CAM/CAD, micro-computers, robots), the objective being to provide industry with engineers and technicians capable of adapting to particular needs;*
- *another British project being carried out by the University of Aberdeen in the field of aquaculture aims to give training in bio-technologies for the staff of recently established European aquaculture farms, by using multimedia training techniques and remote training in situ. This project concerns continuing in-service training in peripheral areas using rural telecommunications networks.*

The subject of SMEs and vocational training has been covered by various EUROTECNET seminars, such as those on SMEs and CIM, the development of human resources or new training concepts, and were attended by many SMEs. The conclusions of these seminars have been published and circulated.

Mention should also be made of the EUROTECNET publications designed to help SMEs in their effort to adjust and reorganize in the face of new approaches to the development of human resources and new training strategies such as: the practical manual for SMEs: "12 steps towards the qualification of employees: mastering new technologies through continuing training", "The Learning Organization", which includes guidelines for the reorganisation of SMEs, "EPOQUAL", which contains a sample of case studies on new professional profiles, and "The importance of robotics (CIM) for continuing training in small and medium-sized enterprises".

## III.2 THE COMETT PROGRAMME

The COMETT programme (1990-1994)<sup>31</sup> is a programme for intra-Community cooperation between universities and industry regarding initial and continuing training in the field of, in particular, advanced technology. One of its general objectives is to respond to the specific skill requirements of SMEs.

The measures implemented are arranged in the following 4 sections:

Section A: development and reinforcement of the European network of UETPs: university-enterprise associations for training to promote greater transnational cooperation;

Section B: transnational exchanges by the granting of bursaries to students or persons who have completed their initial training or to the staff of universities and enterprises;

Section C: joint projects for continuing training in technologies, particularly advanced technologies, and remote multi-media training;

Section D: complementary promotion and accompanying measures.

A detailed analysis of SME participation in the COMETT programme was made in 1992 from a sample of 200 SMEs which had participated in 129 projects selected via the invitation to submit proposals launched in 1990. This study and information obtained from the COMETT data base show that approximately 75% of undertakings involved in COMETT are SMEs (fewer than 500 employees), namely around 7,000 SMEs. Of these 7,000 SMEs which participated directly, 3,300 (or almost half) employ fewer than 50 people and 2,300 (or a third) have between 50 and 200 employees.

80% of COMETT projects include at least one SME, and this figure has been increasing steadily since COMETT I. Each UETP network (University Enterprise Association for Training, section A) includes an average of 10 SMEs. Every joint project on continuing training in advanced technology and multi-media (section C) includes an average of 4 SMEs.

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<sup>31</sup> Council decision 89/27/EEC, OJ No. L 13 of 17.01.89, p. 28.

Of the SMEs which participate in COMETT, 40% take part in the UETPs (section A), 33% in transnational exchanges (section B) and about 25% in joint continuing training projects (section C). A growing number of SMEs are active in two sections, A and B or A and C.

It is estimated that 30,000 SMEs will benefit directly or indirectly from COMETT II, particularly through the training courses.

From the analysis it was also possible to discern a typology for SMEs in COMETT. The SME participation rate by country shows no significant differences. On the other hand, 60% of SMEs which are partners in the same project operate in the same country and 20% in neighbouring countries. Thus, COMETT is an important entry point for SMEs wishing to become European.

As regards activity sectors, one third of the SMEs involved are service undertakings, particularly consultancy, software design and training undertakings. Thus, it is the services sector where the smallest undertakings are found, whereas those in the industrial sector tend to be of medium size (between 50 and 500 employees). Also, consultants form the most active SME sector in COMETT and, conversely, the traditional industrial sector has the lowest participation rate.

### III.3 THE FORCE PROGRAMME

The FORCE programme<sup>32</sup>, for continuing vocational training in Europe, aims to persuade undertakings, particularly SMEs, of the need to invest in continuing vocational training and to encourage them to provide such training for workers. For this purpose, the transnational measures under the FORCE programme support the coordination of innovation, the conducting of European sectoral surveys on continuing vocational training plans, the exchange of comparable data on continuing vocational training, analysis of contractual policy on continuing vocational training and forecasts of trends in skills and occupations.

During 1991 and 1992, 427 projects were selected (164 in 1991 and 263 in 1992). 1,250 SMEs or groups of SMEs are taking part as partners in over two thirds of the projects, either directly or indirectly via associations, chambers of trade or inter-firm training bodies.

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<sup>32</sup> Council decision 90/267/EEC, OJ No. L 156 of 21.06.90, p. 1.

The projects are sectoral or inter-sectoral in character and are aimed at different categories of workers. They support SMEs in their continuing in-service vocational training activities by means of studies and training materials.

Generally speaking, SME projects fall into five groups:

1. continuing training projects involving a high degree of direct participation by SMEs (at least three SMEs as contractor, coordinator or partner);
2. continuing training projects with the participation of chambers of trade and associations (indirect participation by SMEs);
3. continuing training projects for large undertakings/SMEs;
4. SME continuing training projects involving majority participation by training bodies and both sides of industry;
5. continuing training projects for undertakings in general, including SMEs.

**1. Continuing training projects involving a high degree of direct participation by SMEs**

These projects involve at least 3 SMEs and sometimes as many as 10 SMEs. Large undertakings and/or chambers of trade and associations are not represented, except on a minority basis. In most cases they are located in frontier regions, particularly between Germany and the Netherlands, and are coordinated by economic bodies. These projects involve several countries. An SME may be both the contractor and the coordinator of a project. The majority of projects in this group involve 3 or 5 SMEs. Inter-firm training bodies are also represented in practically all the partnerships.

Irrespective of their specific objectives, these projects share a precise classification of SME skill requirements, which is clearly reflected in the results aimed at. The continuing training programmes and teaching concepts intended for different target groups (pilot projects) need to be supplemented by devising guidance structures and support for planning the skills required by industry (skill projects). The results will have to be circulated by means of modern training and learning methods.

*For example, the project coordinated by BBS (Berufsbildungsstätte), geared to SME training needs, aims to harmonise the skills required by employees of the Dutch and German partners in the field of synthetics. The cross-border partnership should reduce the differences in the level of development between developed regions such as Münster and less developed regions such as the five new Länder.*

*The training modules are intended for training in the training centres and subsequently in undertakings. They will comprise multimedia tools for learning in training centres, guides for in-service training, information seminars for SMEs and an advice structure intended to help implement training strategies. This project involves continuing training centres, professional associations, a business association, a university, SMEs and large undertakings in Germany and the Netherlands.*

*Other projects concern, for example, strategic information management in the SME clothing sector (F, UK, GR) or in the sail-making sector, consisting mainly of micro-businesses which wish to develop certified training and create an accredited network of suppliers and maintenance services in European industry (UK, GR, P, I, IRL).*

## **2. Continuing training projects with the participation of chambers of trade and associations**

In this group of projects it is not the direct participation of SMEs that is decisive but the grouping of undertakings, and particularly SMEs, in chambers of trade, be they private or public, at national level, and professional associations. Britain's "Training and Enterprise Councils" (TECs) play a particularly active part.

This category comprises two types of project. First, partnerships between at least five national professional associations which, by a resolutely European approach, aim to respond to future skill requirements of participating undertakings, for example in the clothing and footwear industry, and the food and goods transport sectors. Then, there are the projects in which a decisive part is played by chambers of commerce and industry and chambers of trade, which mainly represent SMEs. Although these projects generally adopt a specific, sectoral approach, e.g. in order to prepare continuing training concepts and training materials for technico-industrial workers in different sectors, they often have an inter-sectoral aspect to assist SME managers in their own continuing training activities or in planning and applying measures to improve skills at work.



*To illustrate, the project coordinated by the Confederation of National Associations of Tanners and Tawers of the European Community (COTANCE) which has Greek, Italian, French, Dutch and Danish partners, aims to devise a new teaching instrument suited to remote instruction, in order to provide continuing vocational training for Community tanneries.*

*Other projects concern continuing training for craft entrepreneurs in Europe or training in total quality management and statistical control methods in the aluminium industry.*

### **3. Continuing training projects for large undertakings/SMEs**

In this category, it is the large undertakings which are directly involved in projects in transferring their know-how and knowledge to SMEs. Thus, the experience of large undertakings is made available to SMEs. It is not a question of transferring the continuing training and organisational structures of large undertakings to SMEs, since the latter do not generally have a continuing training department, still fewer a human resources development department, but have adapted proven continuing training materials to the specific conditions of SMEs making use of modern teaching methods. Thus, the target groups for these projects are generally SME teachers and instructors. Training bodies also play a key role in partnerships as coordinators, in particular in harmonising training materials with the needs of SMEs and providing the basic initiation.

*For example, the coordinated project "Values and Performance", an ASFO training network in France in partnership with training associations, undertakings, universities and major banks in France, Belgium, Spain, Italy and the UK, plans to set up a transnational consortium to devise assistance for SMEs. This consortium will compare analyses and evaluation methods in large undertakings and select the elements most applicable to SMEs; it will then produce an "SME training advice assistance package".*

### **4. SME continuing training projects involving majority participation by training bodies and both sides of industry**

Undertakings are not directly involved in this category, and the projects always concern continuing training programmes and concepts as well as guidance structures and planning aid for SMEs.

Apart from inter-firm training bodies, universities and University-Enterprise Associations from the COMETT programme are increasingly taking part in these projects. Undertakings then become involved at the level of trying out the results of the projects. Partnerships are concluded between training bodies and employers' associations or unions.

*For example, the project being carried out by the Portuguese Industrial Association (A.I.P.) in collaboration with France, comprising associations of undertakings, sectoral training centres and UETPs, aims to develop transferable methods for training SME managers in strategic management and the management of human resources.*

*Another project being carried out by the Bedrijfschool Machinefabriek in Breda in the Netherlands consists in developing a "flexible production system - just in time" training module in order to avoid the huge loss of production when a flexible production machining lathe is run in. This module is applicable to SMEs and allows women to be integrated into the production process.*

## **5. Continuing training projects for undertakings in general, including SMEs**

Continuing training products in this category do not apply specifically to SMEs but to all undertakings. The projects aim to develop guidance structures or planning aids (skill projects), continuing training programmes or the content of training courses (pilot projects) in a particular industrial sector such as metallurgy or pharmaceuticals. However, some projects take an intersectoral approach and deal with more general topics such as the organisation of in-service continuing training, e.g. for female workers in the service sector.

### **III.4 CEDEFOP**

In the vocational training field, mention should be made of the work of the European Centre for the Development of Vocational Training (CEDEFOP), which complements that of the Commission. CEDEFOP has given priority to the need to begin research and programmes aimed at:

1. developing and improving the training of SME executives and managers, especially in small enterprises, for which the target groups are "SME training officers and training organisers";

2. identifying the most effective training measures for promoting the creation and development of small enterprises, for which the target group is "creators of enterprises";
3. promoting exchanges of experience and cooperation;
4. identifying good examples of programmes and strategies used to improve the competitiveness of SMEs, for which the target group comprises "SME support institutions".

In order to meet the specific needs of the above-mentioned target groups, the following work has been done:

1. SME training officers and training organisers.

Five skill guides have been produced for the introduction of training measures in SMEs. These guides aim to improve the skills of the training officer and the training organiser in order to support the creation and development of SMEs. These guides relate to four crucial aspects of corporate life: development of entrepreneurial spirit, support for creation, support for the survival and development of small enterprises and preparing SMEs for the single market.

These guides have been used successfully in 7 countries. However, evaluation has shown that model training courses suitable for SMEs should have been developed from these guides. Thus, CEDEFOP has supported the preparation of teaching materials in the form of "Manuals for training in SMEs", which will be available at the end of 1993.

2. Enterprise creators

On the basis of national studies carried out in the twelve Member States on the training of managers of small businesses, CEDEFOP has published a synopsis which summarizes these national studies in the form of information sheets by country. These information sheets relate to the demography of enterprises, the profile of creators, policies supporting the creation of enterprises and training for creation. In addition, this publication offers a series of recommendations on improving the conditions for creating and developing new enterprises in the Community.

### 3. Exchanges of experience and cooperation

In 1991 a transnational management training project for craft enterprises was launched in the Saar-Lor-Lux transboundary region. This project aimed to identify common denominators between national models in the wider region. This enabled the chambers of commerce of the Saar-Lor-Lux Inter-regional Council of Chambers of Commerce to prepare a joint training programme model for craftsmen wishing to create an enterprise. This project also led the Economic and Social Committee to propose to the Commission, in its opinion on SMEs and craft enterprises<sup>33</sup>, that CEDEFOP, in collaboration with the Commission, should concentrate more on training heads of enterprises and that the cooperation project should be extended to European craft industries.

### 4. Institutions supporting SMEs

In order to identify examples of good practice in training in SMEs, CEDEFOP has carried out a study which has two objectives:

- to list the external and internal problems preventing small businessmen from receiving training;
- to identify good support strategies and programmes developed in the 12 Member States in order to overcome these obstacles.

The conclusions of the study show that there are no major differences in the problems encountered by enterprises. As regards demand, there is a lack of infrastructures offering effective training, and at the same time entrepreneurs reject traditional training. As regards the training available, in most cases the methods are unsuited to the needs of entrepreneurs, there is no made-to-measure training and instructors lack competence as regards the problems of small businessmen. On the other hand, the strategies developed show the greatest diversity both in the development of infrastructures and services and in marketing strategies for training, strategies to improve the quality of training offered, in particular by "made-to-measure" training, the introduction of new technologies or more flexible methods more appropriate to the businessman, and finally strategies for the creation and support of networks for cooperation between enterprises and training bodies.

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<sup>33</sup> OJ C 332 of 16.12.92, p. 35.

The actions developed by CEDEFOP have had a lever effect on the launch of initiatives aimed at supporting training in SMEs. For example, the new German Länder have set up a support network for the creation of enterprises and an enterprise creation observation post has been set up in Portugal. Seminars have also been organised to disseminate the results of the work.

The work of CEDEFOP described above has been carried out under the working instruction entitled "development of vocational training in SMEs and cooperatives". Although the budget is limited, namely ECU 175,000 in 1991 and ECU 127,000 in 1992, the action carried out has had an obvious impact on SMEs.

### III.5 LOCAL DEVELOPMENT AND EMPLOYMENT

In connection with Community action to develop local employment, mention should be made of the LEI, LEDA and SPEC programmes and the EGLEI and TURN networks, which very often concern SMEs to a great extent, particularly by their demonstration effect.

LEI and SPEC provide financial support, while LEDA consists more in supporting a network of experiments and research projects.

The Local Employment Initiative programme (LEI)<sup>34</sup> for women, set up in 1984, aims to provide direct support for women starting a business, co-operative or other local employment initiatives. In 1987, under the second Community action programme on Equal Opportunities, a European network of experts was set up to support women wishing to start a business. From 1986 to 1990, almost 700 women's businesses received Community support. LEI is also a key action under the 3rd Community action programme on Equal Opportunities (1991-1995) for men and women. Its budget is very limited (ECU 1.5 million per annum) and although the premiums are small (ECU 1500 per full-time job) they act as a lever in encouraging other financial partners to contribute to the projects. The LEI network offers technical assistance and sets up partnerships for the formation of networks, inter-firm co-operation and synergy with other Community programmes.

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<sup>34</sup> Council recommendation of 13.12.84 on the promotion of positive action for women, OJ L 331 of 19.12.81, p. 34. Council resolution of 21.05.91 on the third medium-term Community action programme on equal opportunities for men and women (91-95). OJ C 142 of 31.15.91, p. 1.

Publications include the "Guide to better Business", which helps women to launch and run their business, or the export guide.

The special job creation aid programme (SPEC), set up in 1990 for 3 years in response to a European Parliament initiative, provides financial and technical aid for action intended to promote employment by means of diagnosis and forecasts concerning the repercussions of the completion of the internal market. Thus, among other things it backs up programmes supporting SMEs and the transfer of know-how to other Community countries.

The Local Employment Development Action programme (LEDA) launched in 1986 aims to improve know-how in the field of local development and to help local bodies to combat unemployment, create new jobs and exploit local potential. Having identified positive experiments, the programme prepared methods and techniques, with the help of local experts and researchers, for designing effective local development strategies which were then circulated throughout the Community. For this purpose, the programme set up a network of 33 pilot zones in the 12 Member States plus "associate zones" (particularly in central and eastern European countries), which serve as a basis for the exchange of experiences organised in the form of seminars and study visits. In 1991 a management training programme was also set up and a local development manual was published. With a budget of ECU 2 million per annum, the LEDA programme does not finance initiatives directly, but gives support to actions such as the development of local projects for employment creation, training programmes, and seminars with experts.

In July 1993 the LEDA Programme entered its third phase which is expected to last three years. The priorities for LEDA 3 are:

1. to strengthen the network through the inclusion of a number of new areas;
2. to further enable practitioners to identify, distil and develop good practice through the mechanism of "LEDA circuits" (mini-networks), with practitioners from the LEDA areas taking the lead;
3. to extend its dissemination activities throughout the community and beyond, in EFTA countries and Central and Eastern European regions where LEDA is establishing networks of associated areas;
4. to facilitate the practical application of LEDA know-how:
  - adapting its local development instruments, such as the Management Development Programme and Practical Manual to the special needs of different types of areas and;
  - encouraging and supporting the adoption of good practice in Community, national and local programmes.

In 1986 the Commission also set up the programme of exchange visits for local development officers, directed by the European Group on Local Employment Initiatives (EGLEI), in order to train officers by exchanges and the comparison of practical ideas and to develop transnational cooperation, and also the trades unions' regional network of employment initiatives (TURN) at the level of regional and local trades unions.

All these initiatives in the field of local development permit experimentation and the pooling of innovative practices which can then be transferred and thus act as a catalyst, especially in SMEs.

#### **IV. OTHER COMMUNITY PROGRAMMES**

##### **IV.1. INTERNATIONAL COOPERATION**

Cooperation between enterprises is one of the priority lines of action of the enterprise policy. This chapter presents the cooperation programmes which have been set up to stimulate and sustain cooperation between Community enterprises and enterprises in non-Community countries, namely: the countries of the European Free Trade Association, central and eastern European countries, the countries of the CIS and Georgia, and the countries of Asia, Latin America and the Mediterranean.

##### **1. COOPERATION WITH EFTA COUNTRIES**

Although the involvement of the EFTA countries has no impact on the European Community budget, these countries take part at their own expense in the BC-NET networks and Euro-Info-Centre (as a correspondence centre) and in the EUROPARTENARIAT programme. For example, the Austrian Chamber of Commerce has stated that, through the BC-NET network, 29 contracts have been signed between Austrian and Community firms covering sectors such as textiles, furniture or services and consisting in the establishment of subsidiaries, the development of commercial activities, representation or subcontracting.

## 2. COOPERATION WITH CENTRAL AND EASTERN EUROPEAN COUNTRIES: CEECs

Under the PHARE programme the Commission has set up SME development programmes by providing assistance for the following countries: Poland, Hungary, Czech Republic, Slovakia, Bulgaria, Albania, Slovenia, Romania, Lithuania, Latvia and Estonia. In this connection, the amounts allocated to SMEs are ECU 31 million for Poland, ECU 20 million for the former Czechoslovakia, ECU 25 million for Hungary, ECU 2.5 million for Bulgaria, ECU 2.1 million for Albania, ECU 700,000 for Slovenia, ECU 10 million for Romania, ECU 2 million for Lithuania, ECU 1 million for Latvia and another ECU 1 million for Estonia. The support is concentrated on 3 types of measure: SME assistance services (advice, information and training), financial instruments (banking services) and guidance on the formulation of an enterprise policy. These programmes are run in a decentralised manner by a management unit in each country comprising local and external experts.

The departments responsible for the enterprise policy are closely associated with the implementation of measures for SMEs under the PHARE programme. This coordination takes place at several levels, in particular by technical assistance for the development of SMEs in these countries, help with defining, monitoring and evaluating calls for tenders and the joint organisation of seminars. They also contribute towards the gradual integration of new partners from the CEECs into the SME information and cooperation networks, namely the EICs and BC-NET, the organisation of a EUROPARTENARIAT in Poland in 1994 and, finally, the development of inter-firm cooperation and partnership under the JOPP programme.

The JOPP programme (Joint Venture PHARE Programme)<sup>35</sup> is a specific programme under the PHARE programme which aims to develop support measures for the creation of joint ventures in the CEECs by Community SMEs and partners from those countries.

This programme comprises 4 types of measure:

- finance for feasibility studies carried out by Community SMEs before the creation of a joint venture in the CEECs;

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<sup>35</sup> Commission decision of 30 January 1991 No. Z91/01.



- participation in the capital of the joint venture in parallel with financial intermediaries;
- finance for the cost of training the staff of the joint venture;
- general measures to reduce the cost of access to information needed for the creation of a joint venture.

JOPP had a first budget of ECU 20 million for the period 1991-1993, of which ECU 17 million directly benefits SMEs. At the end of 1991, ECU 1 million had been committed for the benefited of SMEs and on 31 December 1992 a further ECU 10.4 million was added, total budget was committed in September 1993. An additional budget of 27.5 MECU was immediately allocated to the JOPP Programme to face the increasing demand coming from the SMEs

The measures implemented essentially enabled Community SMEs to carry out feasibility studies for their joint venture projects, thus reducing the administrative, financial and legal constraints impeding the development of joint ventures. Following feasibility studies, a number of SMEs have already actually set up the joint ventures envisaged with the aid of JOPP programme credits.

Although the JOPP finance benefits all CEECs, Poland and Hungary are the main beneficiaries. This finance covers all productive sectors of the economy, and it is the industrial production and services sectors which are the primary beneficiaries, followed by consumer goods and agri-foods. Community SMEs in fact benefited the most from this programme (93.3% of the dossiers accepted). It is now planned that the participation to the Joint Venture Capital, besides that of financial intermediaries, will be exclusively given to requests from Community SMEs. By encouraging the creation or expansion of Joint Ventures in the CEECs, this programme is meant to foster investments of Community SMEs abroad. Estimated investment totalled ECU 400 million for a Community budget commitment of ECU 17 million, or a lever effect from 1 up to 24.

### 3. COOPERATION WITH THE CIS AND GEORGIA

The Commission has set up a programme to support the process of economic reform and development in the Commonwealth of Independent States (CIS) and Georgia, aimed at establishing a market economy: the TACIS programme (Technical Assistance to the Commonwealth of Independent States (CIS) and Georgia)<sup>36</sup>. With a budget of ECU 20 million for 1992, this programme provides for a technical assistance programme targeted on SMEs which consists in developing the necessary competence and local know-how by the creation of partnerships between enterprises and networks both within and outside the countries receiving Community support. Thus, 7 development agencies and 9 "Business Communication Centres - BCCs" will be set up and then connected to the BRE and BC-NET networks.

### 4. COOPERATION WITH DEVELOPING COUNTRIES IN ASIA, LATIN AMERICA AND THE MEDITERRANEAN

Specific programmes to foster the development of SMEs have been set up in a number of developing countries. They include the MED-INVEST programme for Mediterranean Third Countries, the LA-INVEST programme for Latin American countries and the ECIP programme.

MED-INVEST is a programme which supports cooperation for the development of SMEs in Mediterranean Third Countries in association with European SMEs and professional bodies. It aims to promote in Mediterranean Third Countries an environment which favours the development of SMEs and an increase in their ability to compete. With a budget of ECU 12.2 million for 2 years (1993-1995), Med-Invest grants non-repayable aid to groups of enterprises, institutions, bodies or development associations with genuine capability in the field of information, inter-firm cooperation and support for economic development.

The Business Cooperation Network (BC-NET) is associated with this programme to reinforce and extend the network in the 11 Mediterranean countries and to provide training for members and the necessary accompanying measures for economic operators. The Commission departments responsible for the enterprise policy provide technical assistance for the creation of partnerships.

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<sup>36</sup> Council Regulation No. 2127/91/EEC of 15.07.91, OJ L 201 of 24.07.91, p. 2.

LA-INVEST, an industrial cooperation and investment promotion programme in Latin American countries<sup>37</sup>, with a budget of ECU 18.5 million for 2 years (1993-1995), aims to facilitate trade, transfers of technology and know-how, and finance for the mutual benefit of both Latin American and European businesses. The ERB is also associated with this programme.

European Communities-Investment Partners (ECIP) is a financial instrument for developing countries in Latin America, Asia and the Mediterranean, set up in 1988; its legal basis dates from 1992<sup>38</sup> when it was extended for a further 3-year trial period and allocated more funds on account of its success (ECU 39.15 million for 1993).

ECIP's main objective is to facilitate the creation of joint ventures in eligible countries in order to contribute towards their economic development. Thus, it intervenes in the different phases of setting up an enterprise: from identification of potential partners and projects through intermediaries to training and technical assistance, and including a feasibility study for the project and a contribution to the capital of the joint venture. The maximum which may be granted is ECU 1 million for a joint venture. ECIP excludes multinationals and requires the joint venture to include at least one Community partner and one partner from the country concerned. SMEs have been given priority. ECIP support is provided via a network of 73 financial intermediaries.

In 1992, 186 projects were approved, worth ECU 20.27 million, against 171 projects during the period from 1988 to January 1991. The promising results show that this instrument plays a role in Asia, Latin America and the Mediterranean in encouraging local economic operators to consider the European Union as a partner for developing their businesses.

Other specific joint actions are also planned, such as the organisation of a seminar on inter-firm partnership with China.

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<sup>37</sup> Council Regulation No. 443/92 of 25.02.92.

<sup>38</sup> Council Regulation No. 319/92 of 03.02.92.

## 5. PROMOTION OF COMMUNITY EXPORTS TO NON-MEMBER COUNTRIES

The promotion of Community exports to non-member countries can be supported, as under the EXPROM programme for Japan, by executive training measures, market research and logistical and financial support for participation in fairs. In addition, joint action by the departments has resulted in export guides for the United States, Canada, Australia or Japan, in order to facilitate and promote Community exports to these buoyant markets.

In conclusion, most of the cooperation programmes with third countries, such as TACIS, PHARE, Export Promotion, EXPROM-Japan, Med-Invest, ECIP, Med-Campus and Med-Urbs, encourage the development of SMEs and particularly joint ventures. Although SMEs are the main beneficiaries, directly or indirectly (through larger undertakings), Community support is not specifically aimed at Community SMEs, and the PHARE and TACIS programmes, for example, also support SMEs in countries receiving Community aid. On the other hand, in the case of joint ventures both parties are guided by a common interest which allows permanent economic ties to be formed between Community partners and those in non-member countries.

All the work of cooperation with non-member countries is carefully coordinated by the various competent Commission departments. It enables those countries to benefit by the expertise acquired as regards enterprise policy and the existing networks of intermediaries of European SMEs, and it gives European SMEs a better insight into the opportunities available to them in non-member countries through Community programmes.

## IV.2 HYGIENE, HEALTH AND SAFETY AT WORK

### 1. European Year of Safety, Hygiene and Health at Work (1992)

In connection with the European Year of Safety, Hygiene and Health at Work, organised in 1992, special attention was paid to information and improved safety and health in SMEs.

The project selection criteria laid down in the Council decision of 25.7.91<sup>39</sup> establishing the European Year of Safety, Hygiene and Health at Work stipulate that projects in favour of SMEs should be preferred. Out of a budget of ECU 12 million, 56% of the actions directly financed by the Commission and 50% of the projects part-financed on the proposal of the National Liaison Committees<sup>40</sup> were intended for SMEs.

The majority of these actions aimed:

- to inform SMEs about European and national legislation on health and safety at work;
- to increase awareness of these problems among those responsible in SMEs and to train them to take these problems into account;
- to provide practical instruments for evaluation and improvement in this matter.

Moreover, in actions directly organised by the Commission, special attention was paid to SMEs:

- by consulting European SME organisations;
- by informing the Euro Info Centres;
- by circulating information and miscellaneous documents and brochures direct to SMEs or through networks likely to reach SMEs (such as sectoral professional organisations, SME federations, Euro Info Centres);
- by producing documents targeted on SMEs;
- by promoting information and training media likely to be used in SMEs (e.g. film video).

The enterprise policy services were associated with the European Year of Safety, Hygiene and Health at Work, in particular by producing a "handbook of self-auditing on safety at work" for SMEs and co-financing a special edition of the EURO-CE review, with a circulation of 200,000 copies. During this Year, the Commission staff gave talks on the various aspects of workers' health protection in SMEs; these were collected in the form of conference reports.

Since this was essentially an information campaign, these actions did not aim to modify the administrative, financial or legal environment of SMEs, but to circulate information on rules and good practice in this matter.

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<sup>39</sup> OJ L 214 of 02.08.91.

<sup>40</sup> Provisional figure.

In view of the importance of this field of activity, the Commission, in collaboration with the Advisory Committee for Safety, Hygiene and Health Protection at Work, set up by the Council Decision of 27.6.74<sup>41</sup>, undertook a longer term discussion of information for SMEs on safety and health at work. This discussion will take place in collaboration with both sides of industry and the enterprise policy services.

In conclusion, departmental coordination in the field of Safety, Hygiene and Health at work has been very fruitful.

## 2. Activities in the field of health protection at work

In coordination with the World Health Organisation and the International Labour Office, the Commission departments are developing safety cards on chemical substances. These cards, intended mainly for SMEs, are meant to provide information on the characteristics, toxic potential and typical reactions of certain chemicals used at work. So far, the first series of cards and a handbook have been prepared and translated into the Community languages. It is planned to add to the card series by stages in order to cover the maximum number of chemical substances.

A draft recommendation is being prepared on the establishment of a system for collecting and disseminating information on technical solutions which could improve conditions at work.

The aims of this draft are:

- to encourage cooperation in the exchange of suitable solutions for problems at work;
- to define clearly the objectives and constraints of a system of this type;
- to consider whether a data base of typical solutions would be appropriate;
- to propose measures to be taken in this field.

Under Article 118a of the Treaty, when preparing a draft act of legislation aimed at improving the health and safety of workers, the Community must prove that the act does not impose administrative, financial or legal constraints on the creation and development of small and medium-sized enterprises. The competent Commission departments are responsible for analysing the potential impact of the proposed acts on the creation and development of SMEs.

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<sup>41</sup> OJ L 185 of 09.07.74, p. 74.

### 3. Training and advice for creators of SMEs

In 1987 and 1988, training and advice for creators of SMEs as regards health and safety at work were supported by the European Social Fund. Two pilot actions were successfully completed, one in Luxembourg with the Chambers of Trade and the other in the Nord-Pas-de-Calais region in partnership with the Region and the Caisse Régionale d'Assurance Maladie, and were continued in 92 and 93. By these actions, SMEs were made aware of and trained in safety and health at work, so that these problems were integrated into the management of the business. A deterioration in safety in a business is frequently a first sign of deteriorating management. These actions help prevent a number of young businesses from going bankrupt. They have resulted in the creation of two teaching tools for safety training: two computer programs which simulate SME management, one in the carpentry sector and the other in the prepared meat products trade.

In view of the success of these two pilot actions, similar actions will be carried out in Spain and Portugal. They form the subject of inter-departmental coordination.

### IV.3. NEW FINANCIAL TECHNIQUES AND SMEs

In connection with new financial techniques, the Commission has continued to develop two actions, in addition to the JOPP programme described in the chapter on cooperation with the CEECs. These are EUROTECH CAPITAL<sup>42</sup> and VENTURE CONSORT whose aims include the elimination of unjustified financial constraints which impede the creation and development of SMEs. These programmes are administered in collaboration between the Commission departments and form part of a set of financial (SEED CAPITAL) or technological (VALUE, SPRINT, IMPACT) programmes.

EUROTECH CAPITAL participates directly in financing SMEs developing transnational, advanced technology projects.

VENTURE CONSORT part-financed SMEs to the level of ECU 0.8 million in 1991, ECU 0.9 million in 1992 and ECU 0.7 million in 1993. EUROTECH CAPITAL participated in financing SMEs to the level of ECU 1.9 million in 1991, ECU 1.4 million in 1992 and ECU 1.1 million in 1993.

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<sup>42</sup> Commission decision No. EEC/1781/91 of 17.12.91.

These financial measures help to reduce the cost of financing SMEs while encouraging their integration into international markets. Due to a lever effect of 1 to 25 EUROTECH CAPITAL part financing made it possible to provide SMEs with a global amount of 195 MECU of venture capital since the beginning of the programme.

Since the EUROTECH CAPITAL action concerns investments, its impact in terms of economic development cannot be measured until the end of the investment cycle, which is from 5 to 10 years.

Due to the fact that the European Investment Fund will include equity capital activities for SMEs, it is envisaged to carry out an internal evaluation of the Venture Consort action prior to its integration in the SME activity of the Fund.

#### IV.4. TRANSPORT AND SMEs

Although there is no legislation specifically aimed at SMEs in the transport sector, almost all the measures taken have a direct or indirect effect on SMEs. In 1992 and 1993 the Council adopted several regulations which substantially liberalized the transport of goods and passengers by road, sectors in which SMEs are most numerous.

##### Road haulage

Regulation EEC No. 881/92 of 26 March 1992<sup>43</sup> on access to the market in the international carriage of goods by road within the Community provides for the elimination of all quotas on 1.1.93. International transport now takes place under cover of a Community licence which replaces all the documents or authorizations previously required. According to people in the sector, this measure, which is reflected in administrative simplification, permits a saving of 3 to 4% on the price of traditional transport and even more on the price of "Express" type transport.

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<sup>43</sup> OJ L 95 of 09.04.92, p. 1.



Concerning road cabotage, the EC Regulation n° 3118/93 of 25 October 1993<sup>44</sup> laying down the conditions under which non resident carriers may operate national road haulage services within a Member state provides for the progressive liberalization of cabotage (through annual quota allocated amongst the Member States) to be effective on July 1st 1998 when limitations will disappear.

### **Carriage of passengers by road**

Regulation EEC No. 684/92 of 16 March 1992<sup>45</sup> on common rules for the international carriage of passengers by coach and bus, another sector in which SMEs are numerous, has the effect of liberalizing all occasional passenger services and shuttle services with accommodation. The elimination of authorizations removes substantial administrative formalities, very important to SMEs which operate more particularly in this sector. The regulation also reduces the time taken to obtain the necessary authorizations for regular transport services and shuttle services without accommodation.

As regards "passengers cabotage", EC Regulation n° 2454/92 of 23 July 1992<sup>46</sup> laying down the conditions under which non-resident carriers may operate national road passenger transport services within a Member State, provides for the immediate liberalization of certain cross-border special regular services, other regular services being excluded for the time being, as well as of non regular services, the immediate liberalization of "closed-door tours" and the liberalization of all non regular services from 01.01.1996.

## **IV.5 THE ENVIRONMENT AND SMEs**

The Fifth Environmental Action Programme states in chapter 4 on manufacturing industry that there should be no discrimination between SMEs and larger enterprises. It further states that "a special effort will be made to avoid disproportionately burdensome administrative, financial or legal constraints which might impede the creation or development of SMEs.... It may be possible to provide direct practical assistance, including provision of expert services, training programmes".

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<sup>44</sup> OJ L 279 of 12.11.93, p. 1.

<sup>45</sup> OJ L 74 of 20.03.92, p. 1.

<sup>46</sup> OJ L 251 of 29.08.92, p. 1.

Consequently, besides the possibilities of obtaining subsidies under the framework on State aids for environmental purposes, financial instruments for environmental protection such as, for example, the LIFE instrument provide the possibility of supporting SMEs as well as larger enterprises.

Until the end of 1991, SMEs could obtain support under the framework of the Community Actions for the Environment programme (ACE)<sup>47</sup>. This regulation specifically stated that the development of clean technologies and of improved techniques for the recycling of waste is likely to be of particular importance for SMEs. The annual budget of ACE was about ECU 4.5 to 5.5 million but only a small part of the budget was spent on SMEs.

From 1992 onwards SMEs can be supported under the framework of the LIFE Financial Instrument for the Environment<sup>48</sup>. The total annual budget is approximately ECU 66 million (ECU 400 million up to the end of 1995) of which ECU 20 million are foreseen for nature protection and 5% for projects outside the Community.

Since the LIFE instrument has a larger budget than the ACE programme, it may be assumed that the size of projects funded will be larger. This may prove a deterrent to SMEs with only a limited capital available, for example, for the financing of clean technology projects which are a "follow-on" from research and development. However, if SMEs in different Member States collaborate on projects, raising the appropriate degree of funding should not be a problem.

This possibility is emphasized in the annex to the LIFE regulation, where it is stated under "3. administrative structures and environment services" that the actions are "to foster greater cooperation between the authorities of Member States particularly with regard to the control of transboundary and global environment problems." The "clean technology"<sup>49</sup> tender offer stated that for project selection purposes, the Commission will give preference to projects involving an association between at least two partners from outside the Community and to projects calling for the use of an international network. Some projects have been submitted by association of SMEs. It is obviously too early to evaluate the participation of SMEs in these programmes. Results will be examined in the next report.

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<sup>47</sup> Council Regulation EEC No. 2242/87 of 23.07.87, OJ L 207 of 29.07.87, p. 9.

<sup>48</sup> EEC Regulation No. 1973/92 of 21.05.92, OJ L 206 of 22.07.92.

<sup>49</sup> Published in OJ C 336 of 19.12.92, p. 13.

One of the aims of these programmes is to turn the environment protection concern into an advantage in terms of competitiveness and employment. Nevertheless, financial resources remain limited and it is up to businesses to exploit the potential benefit of the integration of new technologies to prevent pollution.

#### **IV.6 COMMON FISHERIES POLICY AND SMEs**

Besides measures carried out within objective 5a for the improvement of the processing and marketing of fishery and aquacultural products, the Commission gives substantial support within the structural aspects of the Common Fisheries Policy to restructuring the fisheries sector, in particular the Community fleet, as well as to developing aquaculture.

Mainly formed of SMEs, the Community fisheries fleet, which is in overcapacity in most Member States is subject to numerous capacity reductions and has to face huge investments to modernize and meet the sanitary and safety standard requirements.

About ECU 20 million were spent in 1993 to modernise this sector, including building new boats, and ECU 164 million were spent on adjusting the capacities.

Aquacultural businesses are also, for most of them, small and their expansion is largely conditioned to their fulfilment of Community sanitary and environmental requirements. In 1993, 269 projects received ECU 52.7 million, priority being given, besides sanitary standard to the development of new productions.

#### **V. CONCLUSION**

In this report the Commission has endeavoured to give an account and measure the impact of programmes and initiatives carried out at Community level in favour of SMEs. The SME dimension is in fact present in a great many policies, and is tending to be reinforced so that SMEs become more involved in the process of European integration.

Wishing to develop synergies between the various Community programmes which they administer, the Commission departments have coordinated their efforts to achieve greater efficiency, particularly in favour of SMEs.

Thus, coordination has been particularly fruitful as a result of the joint actions or close collaboration between the departments in fields such as: inter-firm cooperation (Europartenariat, Interprise, Med-Invest, La-Invest, TACIS, PHARE), research and technological development (VALUE SME), finance (Eurotech Capital, Venture Consort) and finally, vocational training. This coordination has often permitted a greater impact on SMEs than if the initiatives had been carried out in isolation.

However, improvements are probably necessary in the field of regional policies, where coordination is more difficult because of the multiplicity of partners involved: Member States, regional and local authorities, and numerous Commission departments. Furthermore, most of the instruments set up (particularly Community Support Frameworks and Community Initiatives) do not aim only at support for SMEs: that is integrated into broader support policies.

Aware of the potential role of SMEs in achieving economic and social cohesion, the Commission wishes to increase the visibility of action in favour of SMEs under regional policies in order to facilitate access to these funds for SMEs and to improve their effectiveness, particularly by supporting SME intermediaries. In accordance with the principle of partnership, it is therefore necessary to convince Member States and the regional and local authorities responsible for implementation to pay special attention to SMEs when preparing the regional development plans now submitted to the Commission. The creation of the Committee of the Regions, an advisory committee of representatives of local and regional authorities, set up by the European Union Treaty, should also have a positive impact on SMEs.

Moreover, improving the European representativeness of the professional organisations of SMEs is a key element in strengthening coordination. Steps have already been taken in this direction by means of the social dialogue.

The Commission will therefore continue its efforts with all its partners, Member States, professional organisations, economic and social partners, to ensure that SMEs can play a greater part in Community programmes and that the policies developed actually take account of their specific needs.

SUMMARY OF MAIN DEFINITIONS OF SMEs CURRENTLY IN USE AT COMMUNITY LEVEL

subject concerned	max. number of employees	max. turnover (in million ECU)	max. balance-sheet total (in million ECU)	Independancy	Other criteria
SME State Aid <sup>(1)</sup> (OJCE C213 of 19.08.92)				Max. 25% capital held by a large enterprise (apart from exceptions)	
- small businesses	50	5	2		-
- medium-sized businesses	250	20	10		-
simplified annual accounts for SMEs <sup>(2)</sup>					
- small firms	50	5	2,5	-	-
- medium-sized firms	250	20	10	-	-
non life insurance <sup>(3)</sup> (Directive 88/357)	250	12,8	6,2	-	-
VAT - exemption (6th-Directive)	-	0,005	-	-	-
EIB - global loans	500	-	-	Max. 1/3 capital held by a large enterprise	net fixed assets ≤ 75 MECU
EIB - interest rate subsidies (under discussion)	250	20	10	Max. 25% capital held by a large enterprise (apart from exceptions)	-
SME statistics:					
- micro	0,1-9	-	-	-	-
- small	10-19, 20-49, 50-99	-	-	-	-
- medium	100-199, 200-249, 250-499	-	-	-	-
- large	+ 500	-	-	-	-
Research and Development - CRAFT - faisability premiums	500	38		Max. 1/3 capital held by a large enterprise	-

ANNEX

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<sup>1</sup> It is sufficient to have 1 of the 2 criteria - turnover or balance sheet - in addition to the number of employees.

<sup>2</sup> It sufficient to have 2 of the 3 criteria - max. number of employees, turnover or balance sheet.

<sup>3</sup> It is sufficient to have 2 of the 3 criteria.

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