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COMMUNICATION FROM THE COMMISSION

**EVALUATION OF THE SECOND MULTIANNUAL PROGRAMME
FOR ENTERPRISE AND SMEs (1993-1996)**

OBSERVATIONS FROM THE COMMISSION

ON THE REPORT SUBMITTED BY

ARTHUR ANDERSEN & CO - BUSINESS CONSULTING SERVICES

INTRODUCTION

Article 5 of the Council Decision of 14 June 1993 on the Second Multiannual Programme for Enterprise and SMEs (1993-1996) stipulates that an evaluation of the implementation of the Decision is to be conducted by an external evaluator.¹

This evaluation has been carried out by Arthur Andersen & Co - Business Consulting Services, and an executive summary of this evaluation (hereafter called "AA report") was submitted to the Commission on 31 January 1996.²

This Communication, which contains a summary of the Commission's observations on the AA Report, will be forwarded to the Council, European Parliament and Economic and Social Committee alongside a proposal for a Council decision on a Third Multiannual Programme for Enterprise and SMEs in the European Union (1997-2000).³

I. GENERAL COMMENTS

The Commission welcomes the AA report, particularly in view of the positive assessment of the overall implementation of the current Multiannual Programme and the helpful suggestions made in the report for future Community action in this field.

The overall achievement of the objectives of the current Multiannual Programme is rated positively by the evaluator⁴ for the following reasons:

- The different measures have been well conceived by the Commission as they respond to the objectives of the Council Decision;
- The implementation and achievement of the objectives are adequate. From a dynamic perspective, major progress has been achieved over the last two years in the implementation of some measures and for most measures considerable improvement has been identified in terms of quantitative and qualitative impact. In this context the AA report highlights the **existing imbalance between the broad and ambitious objectives on the one hand and the limited resources on the other hand**;
- The cost-effectiveness ratio varies from "adequate" to "good" and "exceed", which demonstrates the "value for money" provided by the Community's Enterprise Policy actions.

1 Council Decision 93/379/EEC of 14.6.1993 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 small and medium-sized enterprises in the Community, OJ N°L 161 of 2.7.1993, p.68.

2 See Annex I.

3 In this proposal, a number of key conclusions of the evaluator are cross-referenced, especially where modifications proposed reflect suggestions of the evaluator or, as in some cases, where the Commission disagrees with the comments made by the evaluator.

4 See AA report, Conclusion.

The Commission agrees that, while progress is being made in the right direction, there is still room for improvement. Therefore the Commission has carefully considered the various recommendations made in the AA report for increasing the impact of the individual measures. Some of the proposed changes have already been introduced by the Commission,⁵ while others will be implemented in the framework of its Proposal for a Third Multiannual Programme for Enterprise and SMEs.

II. OBSERVATIONS ON THE ASSESSMENT OF SPECIFIC MEASURES

Chapter I: Improvement of the administrative and legal environment of enterprises including the area of indirect taxation

The AA report evaluates the different measures in this field⁶ as well conceived and adequately implemented, with an adequate rate of achievement and an excellent cost-effectiveness ratio.

The Commission shares the evaluator's positive assessment of the individual measures. In particular, the measures in relation to legal and administrative simplification (including the business impact assessment system) present an enormous leverage potential, combining very broad impact (the entire enterprise population) with limited cost.

The AA report states correctly that there remains room for improvement in the evaluation of the impact of legislative proposals on SMEs. Extensive work has been carried out under the Community's Enterprise Policy to this effect, and the result makes up part of the proposal for a Third Multiannual Programme.⁷ The AA report also cites a considerable number of high profile bench mark success cases where the business impact assessment system was well exploited.⁸ The evaluator's recommendations are in line with the Commission's thinking and have been taken up in the proposal for a Third Multiannual Programme.⁹

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

6 The AA report focuses on the work of the Community's Enterprise Policy in the field of administrative simplification and legal environment. It does not cover all the work carried out by the Commission in this field (e.g. the recent Commission Guidelines on regulatory policy and the Commission's actions in the area of consolidation of Community legislation) and to a certain extent goes beyond the remit of the Second Multiannual Programme (e.g. cross-border access to Courts and arbitration has been taken up in the proposal for a Third Multiannual Programme).

7 See AA report, Footnote 10.

8 See AA report, Chapter I.

9 See AA report, Chapter I, recommendations.

The Commission notes that both representatives of SME organisations and Member States support the view that the objective of improving the administrative and legal environment for enterprise should remain a priority objective of the Community's Enterprise Policy.¹⁰ The critical importance of legal and administrative simplification has also been highlighted in the Commission's SME Report presented to the Madrid European Council.¹¹ The conclusions of this European Council should give further impetus to the work which needs to be made in this area both by Member States and the Commission.

Chapter II: Better access to Community information for enterprises

A. The Euro-Info-Centres (EICs)

The evaluator states that the different measures in the field of information for enterprises are well conceived. In particular, the AA report points out that the Commission's approach of integrating the Euro-Info-Centres (EICs) into national, regional or local "host structures" should allow deep penetration of the SME business environment and allow the Commission to run a network at minimal cost by sharing part of the financial and administrative burden with these host organisations.¹²

As regards the implementation of the EIC network, which is rated adequate by the evaluator, the Commission only partially agrees with a number of remarks made in the AA report:¹³

- *Location of EICs:* It is true that the EIC network has grown historically from an initial pilot action covering 39 host structures to a first enlargement covering 189 host structures. In the third stage of development the total number reached 228 mainly arising from the accession of new Member States. However, it should be borne in mind that the selection of EICs in the second phase was the outcome of a call for proposals, with careful consultations being held with Member States before taking a decision. A compromise had to be reached between the need to service areas of high concentration of SMEs and more remote areas where the population of SMEs is limited. A major factor in the choice which was made, the importance of which should not be underestimated, was the role of the EIC network as an instrument for achieving economic and social cohesion of the Union.

10 Ibidem.

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

12 See AA report, Chapter II.

13 Ibidem.

- *Host structures:* The number of banks and other private institutions in the network is quite considerable (approximately 30%,¹⁴ while many EICs established close contacts with this type of entities), but it must be taken into account that provision of information to enterprises is generally considered a public service, and that the number of volunteering banks is therefore limited on account of the considerable cost the host structures have to bear for setting up and running an EIC.
- *Central structure:* The AA report states that the EICs are generally satisfied with most support services provided by the EIC Central structure. However, the evaluator suggests that the existing quarterly evaluation reports of the EIC network do not allow the central structure to monitor effectively the quantitative and qualitative development of the network. This is a weakness which stems from the methodology chosen right at the outset of the EIC network, whereby the Commission works with volunteering host organisations on the basis of a co-operative effort largely-funded by host structures, whose relationships with their customers are not monitored by the Commission. The quarterly reports requested by the Commission have always been a key element in the relationship between the central structure and the EICs. Their information content is the most important basis for the evaluation of the EIC activities carried out for the whole structure by an independent evaluator. There have been constant efforts by the Commission to improve this aspect. This has led to major improvements, although it has to be conceded that the system of sanctions and incentives existing under the Second Multiannual Programme has not been fully efficient. This is why the proposal for the Third Multiannual Programme suggests a strengthening of both, with the aim of achieving a higher and more homogeneous level of services rendered by the EICs.
- *An alternative approach ?* The evaluator proposes to consider the merits of a radical shift to a network consisting of a significantly reduced number of EICs which would be operated and funded totally by the Commission. While this may theoretically offer an even greater potential of reaching a homogeneous level of quality throughout the network, the Commission does not consider it wise to follow this line of action for the reasons set out in the proposal for a Third Multiannual Programme.¹⁵

As to the cost effectiveness of the EIC network, which is also rated adequate, the AA report suggests that, at the current level of resources employed, the network should be able to achieve a greater qualitative and quantitative impact within the business community.¹⁶ While the Commission shares this objective with the evaluator, it has come to the conclusion that the stimulation method employed by the Commission has now reached its limits, unless additional resources can be mobilised.¹⁷ In reality, the

¹⁴ An additional 25% are both of a private and public nature.

¹⁵ See Explanatory Memorandum of the Commission Proposal for a Council Decision on a Third Multiannual Programme for Enterprise and SMEs, Section IV.B.1.

¹⁶ See AA report, Chapter II.

¹⁷ Report on the future operation of the information and cooperation networks, COM(95) 435 final of 5.12.1995.

Commission only bears 25% of the total cost of the EIC network, and the evaluation report notes that the current financial structure of the network adds considerable leverage to DG XXIII's resources.¹⁸

The proposal for a Third Multiannual Programme presents a number of improvements which from the Commission's perspective, would improve the overall result and increase the impact of the EIC network. It also sets out reasons why more far-reaching suggestions made by the evaluator are not considered more cost effective.

B. Promotional activities

The Commission agrees with the evaluator's view that the promotional effort made under the Community's Enterprise Policy was a rather weak point. This is mainly on account of the limited resources available for this important activity. The evaluator recognises the improvements made between 1993 and 1995,¹⁹ but clearly, more needs to be done in order, for instance, to improve the impact of the EIC network in the business community. In this respect, the Community shares the strengths and weaknesses of its partners in the network, and a discussion at the informal Industry Council in Biarritz of 10 March 1995 has brought to light a need for action both at Member State and Community level.²⁰ The proposal for a Third Multiannual Programme puts a strong emphasis on strengthening the promotional effort and it is hoped that this, together with the decentralised approach adopted by the Commission in the last two years, will bear fruit.²¹

Chapter III : Improving the business-partner-search network

The evaluator recognises the merits of the business search networks (BC-NET and BRE): their public service function is recognised; their unique character is underlined as there are thus far no comparable European-wide networks available; their conception is good, as they contribute to the realisation of transnational co-operation and hence to the development of the Single Market; they have low operating costs for the Community and good geographical coverage.²²

18 See AA report, Chapter II.

19 Ibidem.

20 See also Integrated Programme in favour of SMEs and the Craft Sector (pp.19 and 20) where the need for a stimulation of the demand for business services is considered to be a field for concerted action.

21 See AA report, Chapter II.

22 See AA report, Chapter III.

While the overall evaluation of these networks is positive, their impact may appear relatively modest.²³ However, current user figures are more satisfactory than it would appear on the surface. Given that, as recognised by the evaluator, only a small percentage of SMEs have the ambition to grow and internationalise, and that not all of these will choose transnational co-operation as the approach to achieve these objectives, one should not underestimate the current utilisation figures.²⁴

This does not mean that considerable improvements are not necessary to achieve a higher impact.²⁵ As a matter of fact, these improvements are among the proposals made for the Third Multiannual Programme. These will also improve on the cost-effectiveness ratio of these networks which is well rated by the evaluator.

Chapter IV : Continued development of instruments permitting direct contact between entrepreneurs and aimed at promoting transnational subcontracting

A. The partnership programmes (Europartenariat and Interprise)

The evaluator states that the concept behind Europartenariat and Interprise is sound and the results achieved are good, in particular taking into account the considerable leverage and synergy effects.²⁶

The Commission agrees that some implementation and follow-up problems remain to be addressed. The proposal for a Third Multiannual Programme therefore contains a number of improvements, including in the area of upstream and downstream assistance to the undertakings selected for participation.

B. Subcontracting

The AA report states that the different measures in the area of subcontracting are cost-effective and well conceived, while customer satisfaction with their quality is generally high.

23 Ibidem.

24 At present, only about 460 000 enterprises take a significant part in transborder operations. On this basis, the objective to mobilise about one million enterprises for this type of activities would appear very ambitious.

25 See AA report, Chapter III.

26 See AA report, Chapter IV.

As far as the specific pilot actions are concerned, the Commission does not share the evaluation of the actions aimed at encouraging co-operation between large and small enterprises. In particular, the evaluator seems to have underrated the impact of the consumer electronic pilot programme and the hitherto successful attempt to organise buyers' exhibitions. Both measures were strategically focused on identified weaknesses in the European subcontracting system.²⁷ The Commission proposes in the Third Multiannual Programme a continuing emphasis on those measures which have a high strategic impact, with a particular effort to improve their implementation.

Chapter V : Ensuring consideration of SME interests in the various Community initiatives and policies

While recognising the complexity of implementing this objective, the evaluator rates the Commission's strategy in this area as good : the different measures have a considerable leverage potential, create synergy effects and address priorities.²⁸

The report places a high emphasis on inter-service consultations and on the co-ordination efforts of DG XXIII. This must be welcomed. In general, the Commission also shares the recommendations made by the evaluator with a view to strengthening the co-ordination efforts inside the Commission.

The poor rating of the report on co-ordination is however due, in the Commission's view, to a misunderstanding arising from the title of this report. While future reports will put greater emphasis on the developments which have taken place, they will remain reports covering the work of the Commission as a whole and not only the co-ordination efforts of DG XXIII. The question of the title of the report was discussed previously when the Second Multiannual Programme was formulated, and was taken into account when formulating Article 5 of the new Multiannual Programme. Insufficient consideration has been given in the AA report to the fact that the Integrated Programme for SMEs and the Craft Sector has brought about major progress in the co-ordination effort.

The evaluator places high priority on a harmonised definition of SMEs and recognises the progress achieved by DG XXIII. The encouragement expressed by the evaluator is welcomed by the Commission.

27 Ibidem.

28 See AA report, Chapter V.

Chapter VI : Encouraging SMEs to adapt to structural change and to changes brought about by the Internal Market

In this chapter, a variety of pilot actions launched by the Commission are assessed. The evaluator expresses strong support for the "laboratory approach" of working with pilot projects, provided that sufficient resources and levers can be mobilised to disseminate their findings.²⁹

Although only a few pilot projects have reached a mature phase,³⁰ most of them have been rated as well conceived and adequately implemented, thus laying the foundations for achieving useful and practical results. Certain question marks are expressed in view of the human resources problems of DG XXIII.

As recommended by the evaluator, the Commission will continue its "test by doing" approach through the launching of new pilot projects under the Third Multiannual Programme. The Commission shares the view of the evaluator that this is a legitimate and sensible way of assessing new ideas without spending large amounts of money.³¹

As in the past new pilot actions will be drawn up in close co-operation with European SME organisations in order to clearly identify market needs ("bottom-up approach"). The Commission will also consult Member States and publish calls for proposals in the Official Journal to achieve European wide publicity. Furthermore each pilot action will be evaluated by an external consultant upon completion of the project. With regard to Euromanagement pilot actions, the Commission will encourage close co-operation between the European co-ordinator for the project (selected by the Commission) and national co-ordinators (nominated by the Member States and the Commission) in order to achieve the best possible results of the pilot action and to ensure best value for money.

29 See AA report, Chapter VI.

30 The AA report questions the cost-effectiveness of one of these pilot projects, i.e. the one aimed at training apprentices from the peripheral areas in the Community through a three year sandwich course in the Federal Republic of Germany. The special evaluator mandated by the Commission to review this project comes to similar conclusions and makes a number of important suggestions which should be taken into account before undertaking any further action in this field. For this reason the pilot action launched in the early years of DG XXIII should be considered useful.

31 See AA report, Chapter VI.

Chapter VII : Promoting a better financial environment for enterprises

The AA report states that the different activities launched by the Commission in this field are well designed and adequately implemented, while having a good qualitative and quantitative impact and an excellent cost-effectiveness ratio.

The major concern expressed, namely that the Commission tried to do too much at once, can be explained by the fact that the evaluator also assessed projects which are still in a preparatory phase (i.e. factoring and retention of title). Accordingly, the evaluator is under the false impression that too many initiatives are taken simultaneously, while a number of them are still at a very early stage. On the other hand it is true that requests for inter-service consultation add to the workload of the units involved in this work, that the limited number of responsible officials are overwhelmed with a lot of consultations and that the human resources of DG XXIII, here as in other cases, are stretched to the limit. The implementation of these measures, however, is a matter which lies largely with the operators within the Community. Here, as in other fields, the Commission is mainly working as a catalyst.

The remarks by the evaluator concerning conception flaws in the case of the seed capital pilot project (i.e. that the size of some funds is too small to pay back the operating costs) calls for the following response:

- It was necessary to ensure that all funds were new funds so as to make sure that Community support was not in fact used also for activities other than seed funding. New funds by definition are small;
- Most funds foresee an increase in their capital base and as a matter of fact have increased their capital since the beginning of the pilot project by 40%;
- It is too early to judge their ability to pay back the Community advance on their operating costs, given that most funds have up to five years before they have to reimburse the advance.

In considering the suggestions for new measures made by the evaluator, the following comments are pertinent:

- The creation of round tables for each of the different parties and professions involved in the financing of SMEs might put too much strain on the limited human resources of the Commission. DG XXIII has, however, very good working relationships with most of these professions;

- The creation of a committee for improving the financial environment to study such measures as taxation has already been undertaken with the setting-up of the steering committee for the Concerted Action concerning support mechanisms for SMEs. At present, this steering committee is considering setting up special working parties to follow up on the results of the Madrid Forum on support mechanisms in the start-up phase of firms.

Chapter VIII : Promoting better observation of the economic development of enterprises

While this part of the activity of DG XXIII is generally evaluated in positive terms, some critical remarks are made as to:

- the quality of the statistical data made available through national statistical institutes and Eurostat,
- the inclusion of statistics for co-operatives, mutuals, associations and foundations (CMAFs) in the work programme, whose priority is questioned by the evaluator,
- the composition of the network responsible for the European Observatory for SMEs,
- distribution policy for the publications concerning the Community's Enterprise Policy, mainly as regards the Member State level.

Some of these concerns go beyond the reach of the Commission's responsibility (e.g. the collection of statistical data). However, it should be noted that the initial situation of data availability was quite bad and could not easily and rapidly be improved because of the size of the enterprise population. Considerable improvements have already been introduced and should continue in the coming years.

As regards the priority given to CMAF statistics, the doubts expressed by the evaluator conflict with the remark that the statistics clearly fill a gap as no comparable publications exist at European level.³² According to the evaluator, they provide enterprise policy makers at a national and European level with a useful tool for identifying appropriate initiatives in enterprise policy.

³² See AA report, Chapter VIII.

As to the composition of the network responsible for the European Observatory for SMEs, the Commission is of the opinion that reliance on an independent network with a strong research component should be pursued both in the interest of the objective interpretation of the available data and the effectiveness of co-operation within the network. However, co-operation between the European Observatory for SMEs and other organisations should be encouraged. For instance, the Third Multiannual Programme proposes to examine the possibility of developing a selection of key indicators for SMEs based on existing inquiries.

Finally, the Commission agrees that the distribution policy for publications on the Community's Enterprise Policy could be improved by making greater use of new information technologies. The proposal for a Third Multiannual Programme contains a number of initiatives along those lines, which should indeed ensure greater practical use and also give a wider audience to the Commission's publications on Enterprise Policy.

CONCLUSION

In line with the Council's request,³³ the Commission has examined the Arthur Andersen report on the implementation of the Second Multiannual Programme for Enterprise and SMEs (1993-1996).

This Communication provides a non-exhaustive summary of the Commission's observations on this report.

The Commission welcomes the overall positive assessment made by the evaluator and will take the valuable information contained in the evaluation report into account for devising its future policy for enterprise and SMEs, in particular in the framework of its proposals for a Third Multiannual Programme (1997-2000).

³³ Article 5 of Council Decision 93/379/EEC of 14.6.1993 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 small and medium-sized enterprises in the Community, OJ N°L 161 of 2.7.1993, p.68.

**Evaluation of the Multi-annual Programme
to assist SMEs**

Executive Summary

Arthur Andersen & Co. - Business Consulting Services

January 31, 1996

January 31, 1996

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Dear Mr. von Moltke,

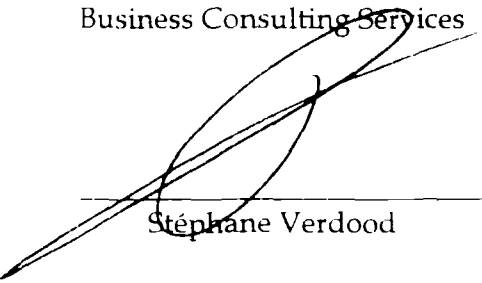
We have the honour to present you the executive summary of our evaluation of the Multi-annual Programme to assist SMEs.

The executive summary has been prepared following to Article 5 of the Council Decision of June 14, 1993 that requested an external evaluation of the Multi-annual Programme to assist SMEs. We have finalized our executive summary in accordance with the specifications of tender n° 94/S 81-40 358 and our proposal for professional services of June 7, 1995.

We would like to thank you and Directorate-General XXIII for being offered the opportunity to carry out this evaluation.

Yours sincerely,

ARTHUR ANDERSEN & CO.
Business Consulting Services



Stéphane Verdood

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INTRODUCTION

Small and medium-sized companies (SMEs) are very important to the European economy. SMEs account for approximately 99.8% of all companies and 63% of turnover in the European Union. There are in Europe more than 15 million SMEs, representing approximately 65.6% of total employment in Europe¹. In addition, they play a primary role in a harmonious local and regional development and are a driving force behind effective adaptation to structural changes and innovation.

The weight attributed to SMEs is also translated in the various contemporary national and European policies. Political momentum in favour of Community enterprise policy to assist SMEs continues to be strong: SMEs have an essential contribution to make in the achievement of the objectives laid down in the White Paper on Growth, Competitiveness and Employment and in the Integrated Programme in favour of SMEs. The report on "Small and Medium-Sized Enterprises: A dynamic Source of Employment, Growth and Competitiveness in the European Union", recently submitted by the Commission to the Madrid Summit, underlines the particular importance and the role SMEs play in the Community.

Enterprise policy has historically been important. It was traditionally based on Article 235 of the Treaty of Rome. The Treaty on European Union created a new framework in which the enterprise policy has to be conducted:

- Article 130 addresses the competitiveness of industry: the Community and the Member States shall take action aimed at "encouraging an environment favourable to initiative and to the development of undertakings throughout the Community, particularly small and medium-sized undertakings". The Article further states that "an environment favourable to co-operation between undertakings" and a "better exploitation of the industrial potential of policies of innovation, research and technological development" should be promoted.
- Article 130 f. 2) refers to the encouragement of "small and medium-sized undertakings "in their research and Technological development activities of high quality".
- Title XIV of the Treaty is of direct concern to SMEs. This chapter of the Treaty concerns the objective of economic and social cohesion to promote a harmonious development throughout the Union and to reduce disparities between the levels of development of the various regions and the backwardness of the least-favoured regions, including rural areas.
- Article 118 a. concerning the introduction, by means of a Directive, of minimum obligations for the protection of the health and safety of workers, indicates that these obligations should not impede the creation and development of small and medium-sized enterprises.

Despite the importance of the topic, a coherent enterprise policy at a Community level has only been institutionalised recently. A Directorate-General responsible for enterprise policy in the Commission (DG XXIII) has been created in 1989. DG XXIII took over the action programme of the SME Task Force.

Directorate-General XXIII is responsible for the implementation of the Multi-annual Programme, in which a framework is set and the different objectives are defined. The Council Decision of 28 July 1989 adopted the first Multi-annual Programme for the improvement of the business environment and the promotion of the development of enterprises, and in particular small and medium-sized enterprises².

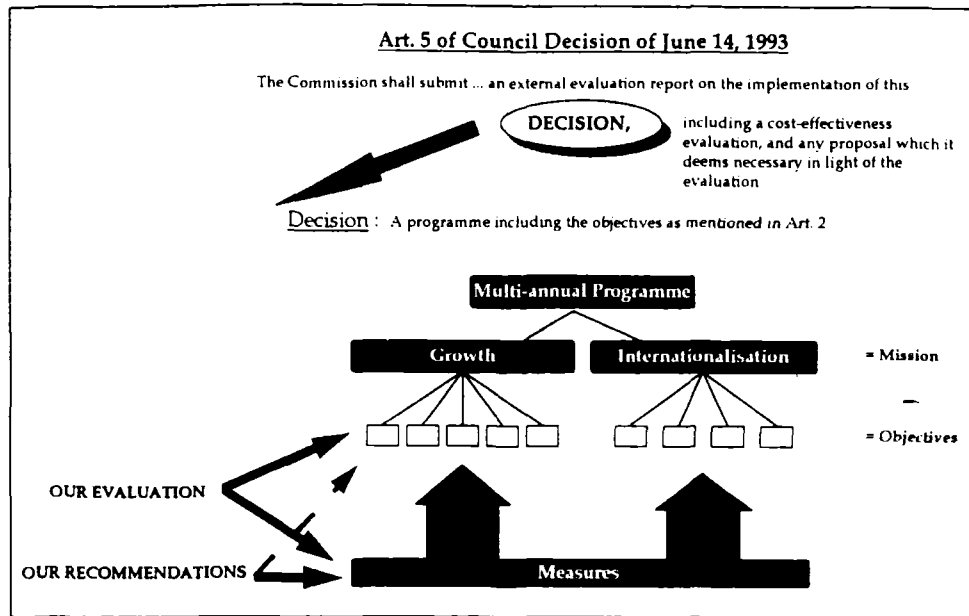
The Council Decision 93/379/EEC of 14 June 1993 decided on a new "Multi-annual Programme of Community measures to intensify the priority areas and to ensure the continuity and consolidation of policy for enterprise, in particular small and medium-sized enterprises, in the Community". This second Multi-annual Programme was adopted for a period up to 31 December 1996.

The same Council Decision of 14 June 1993 stipulates (Article 5) that an evaluation on the implementation of this decision is to be conducted by an external evaluator. A report, together with any proposals or comments by the Commission, is to be submitted to the European Parliament, the Council and the Economic and Social Committee before the end of March 1996. Such is the object of our report.

¹ Enterprises in Europe, Third Report, 1994, p. 42

² This Programme has been evaluated in a First Evaluation Report (SEC (92) 1999) which the Commission presented to the European Council on November 11, 1992.

The mission for Directorate-General XXIII laid down in the above Council Decision consists out of two major priorities, which are, as mentioned below, growth and internationalisation. This mission encompasses nine major objectives. To achieve these objectives, Directorate-General XXIII has initiated a number of measures to respond to market or SMEs' needs.



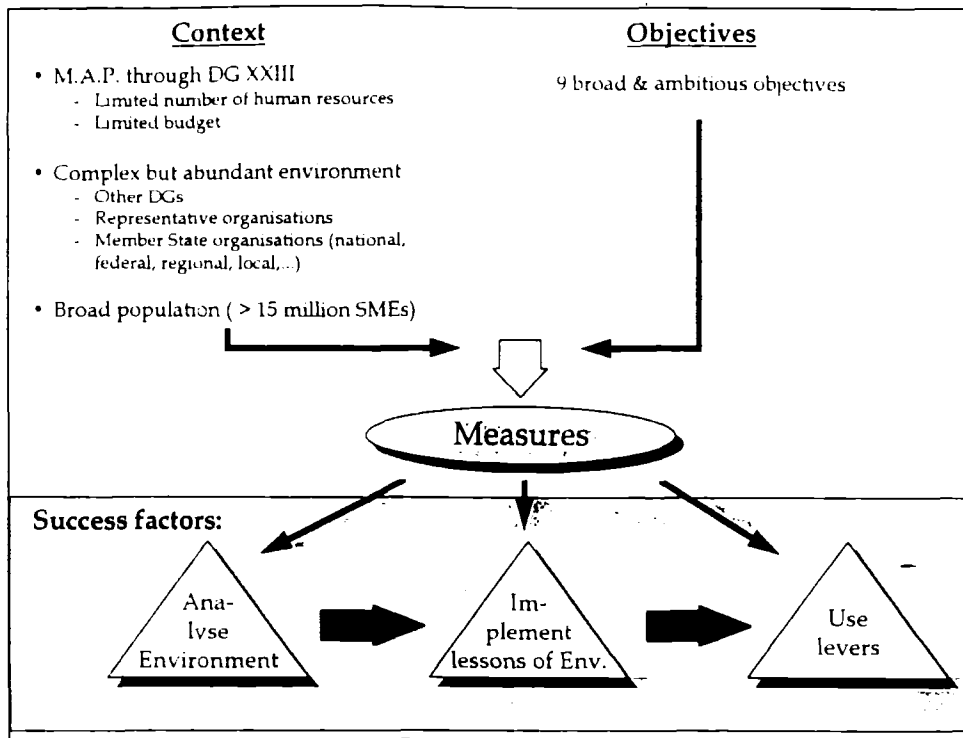
It was not the evaluator's task to judge on the legitimacy of the mission nor on the objectives of the Multi-annual Programme. Instead the evaluation focused on the nature of the different measures and their effectiveness in the achievement of the objectives set forth in the above Council Decision. The present report describes the extent to which the various objectives and their underlying aspects have been fulfilled and the performance made of the individual measures. A dynamic perspective was also adopted to evaluate the progress made during the current Multi-annual Programme. Consideration should be given to the fact that the current Multi-annual Programme is not terminated and runs to December 1996.

It was also not our purpose to make an evaluation of the human resources dedicated to the Multi-annual Programme and of the organisation of DG XXIII.

The document also includes a cost-effectiveness assessment and suggestions for improving the different measures. The scores attributed to the different objectives, measures or criteria are meant to render a clear opinion and to serve as a basis for discussion.

Operating resources attributed to the Multi-annual Programme 1993-1996 amounted to ECU 112.2 million in aggregate. Our evaluation of the different measures was made in light of the resources allocated.

The scheme below describes the underlying philosophy of the evaluation methodology adopted:



On the one hand, the Multi-annual Programme was allocated limited resources in terms of personnel and budget. At the same time, it is confronted with a complex and abundant environment: many organisations or bodies on a local, national or international level have a similar ambit by working, directly or indirectly, on the same objectives as Directorate-General XXIII, and hence can contribute to the achievement of these objectives. This allows Directorate-General XXIII to use levers and to identify the situations in which its intervention is necessary and adds value by addressing a market failure. This can be called a "positive subsidiarity".

On the other hand, the objectives of the Multi-annual Programme are broad and extremely ambitious.

The critical success factors which have to be taken into account in the conception and implementation of each measure can be summarised in the following three-step process, which underlines the primary importance to be given to the environment:

- Before a measure is launched, has the environment been observed and analysed ?
- Were lessons drawn from experience ?
- Have the existing levers been identified and used in the implementation of the measures ?

Pilot projects can also be used to draw the attention of SMEs or direct them into a particular area in which a market failure has been identified. As these projects are meant to be temporary, the lead initiative is taken by Directorate-General XXIII; eventually, the responsibility is passed to the market. In addition, pilot projects generally provide Directorate-General XXIII with valuable information on the environment on the basis of which corrective actions or new initiatives can be undertaken.

The methodology used to evaluate the different measures of the Multi-annual Programme was primarily based on:

- Analysis of available documentation;
- Interviews with people most closely involved with the different measures (officials within the Commission, representatives of different (national) entities, independent experts);
- Surveys sent to various entities;
- Use of the Andersen InterAct Process.

The individual measures have been evaluated according to a set of four key criteria:

- The *conception* of the measure: to what extent does the measure respond to the objectives set forth in the Council Decision of 14 June 1993;

- The *implementation* of the measure: what are the strengths and weaknesses of the implementation of the measure (appropriate operational methods applied, accurate definition of target population);
- The *quantitative* and the *qualitative* impact of the measure: what is the actual impact of the measure on the environment, mainly on SMEs looking for growth and internationalisation;
- The *cost-effectiveness* which allows a comparison of the results obtained by the measure with the direct costs incurred³.

The various measures have been classified in one of the different phases of their "life cycle": pilot project, start-up phase, development phase and mature phase. These different phases may be characterised as :

- *Pilot project*: Involvement of Directorate-General XXIII in the specific measure is temporary; the objective is to launch and test an idea in the market, which will sometimes take over responsibility;
- *Start-up phase*: The specific measure has been created recently, not all aspects have yet been implemented or covered and the impact is still limited or too early to be assessed;
- *Development phase*: The specific measure has been implemented, the impact is growing but has not reached its full potential;
- *Mature phase*: The measure has been fully implemented and its full impact can be assessed.

The score attributed to the overall performance of each measure was calculated by weighing the different evaluation criteria in function of the life cycle phase of the measure. Pilot projects and measures in a start-up phase received a higher weight with respect to their conception and implementation, while the focus for mature projects lie in their quantitative and qualitative impact.

An aggregate score is eventually attributed to each criterion, measure and objective using the weighing factors described above. The scores on the evaluation scale used, varied on a spectrum from "Poor", "Adequate" and "Good" to "Exceed". The meanings of the different scores are as follows:

- *Poor*: The performance gives rise to serious concern and reservations;
- *Adequate*: The performance is acceptable although there exists considerable room for improvement;
- *Good*: The performance is considered to be good and the evaluator does not need to make significant suggestions for improvement on the different criteria;
- *Exceed*: The performance significantly exceeds expectations and could indicate a high future potential.

A comprehensive evaluation of each measure has been presented in a long-form report. The present executive summary conversely uses a different approach, in the sense that it evaluates the extent to which the objectives of the Multi-annual Programme have been achieved by the different measures.

In some cases, measures respond to more than one objective. Although those measures are presented under one objective, the effects of the measures on the other objectives were taken into account for the scorings.

The present executive summary is meant to be comprehensive and self-supporting.

³ "Direct costs" relate to the financial resources allocated under the Multi-annual Programme.

CHAPTER I : Improvement of the administrative and legal environment of enterprises including the area of indirect taxation

*"In particular further work on administrative simplification and promotion of follow-up measures in the Member States; assessment of the impact of Community legislation, consolidation of Community legislation, specific examination of aspects such as the transfer and creation of enterprises; regular and thorough consultation of organisations representing SMEs"*⁴

For the purpose of the evaluation study, Arthur Andersen has considered the objective to be improving the administrative and legal environment existing at the European level⁵.

MEASURES

- Legal and administrative environment of SMEs - administrative simplification - business impact assessment⁶
- Recommendation of December 7, 1994 on the transfer of SMEs
- Cross-border access to courts and arbitration

EVALUATION

Conception

"Legal and administrative simplification" pursues the improvement of the administrative and legal environment - including the area of indirect taxation⁷ - at the Commission level in a general way. This includes the assessment of the impact of the proposed legislation. The Recommendation on the transfer of SMEs⁸ addresses the problem of companies that fail (and the resulting job loss) because of problems related to their transfer. Cross-border access to courts and arbitration addresses the problems SMEs encounter when going to court and examines the possibilities of alternative dispute resolution.

The consultation of SME representative organisations takes place mainly in the elaboration of Recommendations and in "legal and administrative simplification"; therefore, its evaluation is subsumed in the evaluation of the aforementioned measures.

The two first measures are regulatory measures: they combine a very broad impact (the entire SME population) with a limited cost (mainly DG XXIII staff costs). Especially "legal and administrative simplification" has an enormous leverage potential because of its very wide scope: it is aimed at all Community legislation that could have an impact on the business environment.

Alongside the leverage potential, possibilities for synergy were identified: e.g. the Recommendation on the transfer of SMEs will be supported by the work performed by the Committee for Improving and Simplifying the Business Environment, of which one of the themes should deal with the same problem. For the Cross-border access to courts and arbitration measure, DG XXIII works in close co-operation with other DGs.

⁴ The text in italic refers to Annex 1 of the Multi-annual Programme.

⁵ Administrative simplification - or improving the administrative and legal environment of business at the Member States level - is mainly dealt with by the Committee for Improving and Simplifying the Business Environment. However, this Committee was set up pursuant to the Integrated Programme and is therefore not part of our evaluation study - we mentioned it for completeness' sake.

⁶ Henceforth referred to as "legal and administrative simplification". For the purpose of this evaluation, the measure refers to the interservice consultation process on legislative proposals. This process is not specifically linked to the Multi-annual Programme as such, however, it is a key instrument in improving the administrative and legal environment of enterprises and thus in attaining the objectives of the Multi-annual Programme.

⁷ Indirect taxation includes VAT, estate duties and gift taxes. Article 6 of the Recommendation on the transfer of SMEs addresses the problem of indirect taxation in the area of transfer of business (estate duties and gift taxes). The Recommendation of May 12, 1995 on payment periods in commercial transactions addresses the problem of indirect taxation in terms of the effect on firm liquidity.

⁸ Regarding the topic of "creation of enterprises", this was the object of the first meeting of the Committee for Improving and Simplifying the Business Environment (Forum of Paris), which is part of the Integrated Programme, therefore, the topic is not part of the evaluation study.

The text of the annex also mentions "consolidation of Community legislation". In this area, no action was taken by DG XXIII. Arthur Andersen was told that consolidation is being handled by other DGs and the Secretariat-General. Therefore, for the purpose of the evaluation study, Arthur Andersen can only note that this part of the objective was not addressed by DG XXIII.

In view of the "good" ratings of the different measures for conception on a stand-alone basis and taking into account the leverage and synergy potential, the overall conception rating for the strategy to achieve the objective is "good".

Implementation

On a stand-alone basis the different measures were either well or adequately implemented; in view of the importance of "legal and administrative simplification" which was rated "adequate", the overall rating for implementation is "adequate".

"Legal and administrative simplification"⁹ was rated "adequate" for several reasons:

- deadlines set by other DGs are too often too tight - which has an adverse effect on the involvement of SME representative organisations;
- DG XXIII is often involved at the end and not as of the conception of the proposal submitted for consultation - which automatically limits its 'steering' power; and
- the evaluation of the impact of legislative proposals on SMEs still has room for improvement; e.g. the business impact assessment forms are often considered a mere formality instead of a tool to help steer a proposal. Moreover, the current system is not very sophisticated¹⁰.

The Recommendation on the transfer of SMEs obtained a "good" rating. DG XXIII went to great lengths to involve all relevant parties in the elaboration: other Dgs, SME representative organisations, Member States, experts,...; there was ample time and sufficient opportunity for consultation and discussion.

Cross-border access to courts and arbitration - although currently at a low level of activity - is another good illustration of working in close co-operation with all relevant parties: DG XXIII works in close collaboration with other DGs and organisations active in the sector.

Achievement of the objective (Quantitative and qualitative impact)

On a stand-alone basis the impact of the different measures was either rated "good" or "adequate"; in view of the importance of "legal and administrative simplification", the overall rating for achievement of the objective is "adequate".

Although the Recommendation on the transfer of SMEs requires Member States to submit a progress report only by December 31, 1996, DG XXIII has adopted a pro-active attitude to keep the momentum of the Recommendation going: interim progress reports are drafted and Member States regularly exhorted to follow up on the Recommendation. These interim reports indicate that four Member States have already taken steps, which bodes well for the future¹¹.

For Cross-border access to courts and arbitration it is still too early to evaluate the potential impact.

Considering the number of parties involved in the successive stages of legislation, it is irrelevant to try to measure the impact of "legal and administrative simplification"¹² at the level of the SMEs. Therefore, the impact was measured through the weight DG XXIII carried with the other DGs involved. In this regard, there are a

⁹ It is foremost a "collegial" measure, i.e. the way it is implemented and the impact DG XXIII can achieve depends to a certain extent on the input, collaboration and goodwill of other DGs involved. Therefore, shortcomings are not necessarily to be traced to DG XXIII but might just as well be due to insufficient involvement of another DG.

¹⁰ DG XXIII has elaborated a more sophisticated approach of impact assessment but this new system has not yet been adopted by the Commission.

¹¹ "Transfer of SMEs" is also on the agenda of the Committee for Improving and Simplifying the Business Environment, this will provide DG XXIII with another occasion to push the Recommendation.

¹² We refer to our comments in footnote 5.

considerable number of high-profile **bench-mark success cases** where the business impact assessment system was well used and co-operation between DG XXIII and the responsible DG as of the conception of the legislative proposal was sterling.

But, as mentioned under "implementation", too often the input of DG XXIII comes at the end, when deadlines are near and the important decisions have already been taken; too often, the business impact assessment is considered a formality rather than a tool to help draft and 'steer' proposals. It is obvious that working in such conditions hampers the possibility to influence and thus the impact.

This conclusion was borne out by interviews with officials from other DGs, members of the Article 4 Committee and SME representative organisations; at the same time it was acknowledged that the involvement of DG XXIII through this measure has a "pre-emptive effect" on the DGs originating the proposals (meaning they more and more spontaneously take account of the SME dimension).

Cost-effectiveness

For all three measures listed here, the absolute cost is very low (mainly personnel costs and some organisational costs). At the same time the penetration rate and leverage potential of the measures is enormous: regulatory measures apply to all SMEs. Therefore, the cost-effectiveness of the different measures was rated "exceed".

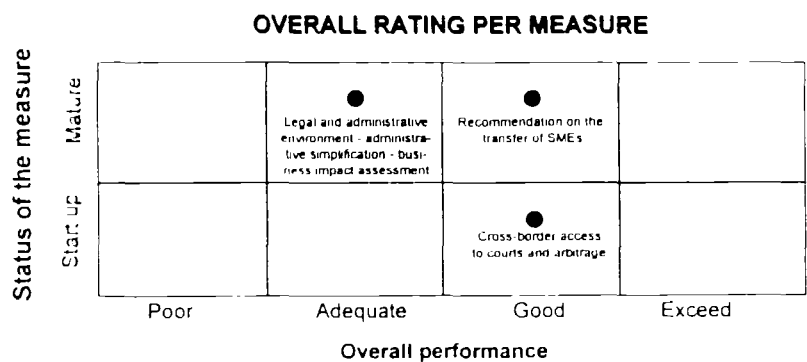
CONCLUSION

Overall, DG XXIII has done an "adequate" job in trying to improve the administrative and legal environment of enterprises in the European Union.

What is most important for the future is that DG XXIII has the right tools to work towards the achievement of this objective in the long term: the overall rating for conception (overall approach - high leverage potential) is good. In addition, the measures serving this objective are to a large extent based on the exchange of best practices, the advantages of which are (1) it involves a wide pool of experience (the Commission, the Member States, SME representative organisations, independent experts,...); (2) it is in line with the new philosophy of partnership between the Commission and the Member States and (3) it is the most market-oriented and cost-effective approach to a problem.

As to "legal and administrative simplification", the implementation and the impact can be improved. The Recommendations elaborated by DG XXIII (Late Payments and Transfer of business) and the success stories of "legal and administrative simplification" should be considered bench-marks in this regard.

Regarding consolidation of Community legislation - an important tool in improving the legal environment -, we can only note that DG XXIII has not taken any initiatives.



RECOMMENDATIONS

Discussions with officials from DG XXIII, other DGs, SME representative organisations and the members of the Article 4 Committee all point in the same direction: the objective of improving the administrative and legal environment for enterprise should be of paramount importance for DG XXIII:

- Any improvement in this area potentially benefits all SMEs; concentrating on this objective thus has a very high leverage potential.
- Another advantage is that it **automatically benefits all SMEs**; **automatically** because SMEs don't have to go through special procedures or incur information costs to benefit: the new administrative and legal framework will apply automatically. **All SMEs** because a regulatory framework applies to all.

To improve "legal and administrative simplification", the following recommendations can be made:

- Regarding **Green Papers and Action Plans**, DG XXIII should be **systematically and up-front involved** in their elaboration.
- Regarding the **legislative proposals**, an involvement of DG XXIII in the conception stage of each legislative proposal would considerably enhance its ability to steer the proposal and provide ample time for consulting SME representative organisations. It would be up to DG XXIII to judge in a later stage whether the proposal is likely to impact on the business environment and thus 'tailor' its involvement accordingly.
- Regarding the **assessment of the impact of Community legislation**, DG XXIII has done creative work to improve the system and in the process has come up with a more powerful and sophisticated system, i.e. a Modular Approach to Cost Effectiveness or Cost Benefit Analysis for Assessing the Impact of Proposed Community Legislation. To date, this system has not yet been adopted by the Commission. DG XXIII should continue to promote the system for its adoption would facilitate a more active and material involvement of DG XXIII in the assessment of the impact of Community legislation. This would put DG XXIII in a position to ensure that the system is properly used as a tool for conception rather than as a mere formality.

CHAPTER II : BETTER ACCESS TO COMMUNITY INFORMATION FOR ENTERPRISES

"Qualitative development, improved operation and adaptation of the Euro Info Centre network to the new requirements of SMEs, including advice to companies likely to take part in Community programmes (such as, for example, research, public contracts, improved environmental practices); stabilisation of funding, in particular by concentrating efforts and developments on the existing network; extension of the network of liaison centres to the European Economic Area (EEA) and to the countries of central and eastern Europe (CCEE), as well as to the Mediterranean countries, in particular the Maghreb countries, in the context of specific measures to help those countries."

Although the annex to the Council Decision only refers to EICs, Arthur Andersen considered that the measures that are closely related to the Euro Info Centres such as promotion and the other measures on the improvement of information provided to enterprises - especially SMEs - also belong under this objective.

MEASURES

The following measures are bundled in this objective :

- Euro Info Centres (EICs)
- Subsidies to SME representative and other organisations
- Stands & Expositions
- Information/Publication
- Promotion by the Commission

Conception

The different measures correspond well with the objective and take each other into consideration. This leads to a scoring "good" on conception.

The EIC-network is at the centre of the Community's enterprise policy and is its main instrument to improve SMEs' access to Community information. Almost a third of the enterprise policy's budget is allocated to the single measure of EICs. The EIC-network comes in addition to 53 other networks supported by the Commission. Although DG XXIII is aware of the need to improve the co-ordination between the different enterprise policy networks, it has not yet achieved sufficient synergies between them.

With the EIC-network, DG XXIII wants to exploit different synergies offered by a network. The network's main focus is to provide information and advice on Community topics for enterprises, in particular SMEs, while allowing DG XXIII to leverage the EICs in its effort to raise awareness of Community topics with SMEs. It also wishes to use EICs as 'antennae' in the business environment. By integrating the EICs into national, regional or local 'host structures', the network tries to build on existing business networks. This approach should allow the Commission to obtain a deep penetration in the SME business environment - both geographically and organisationally - and to run a network at minimal cost by sharing a part of the financial and administrative burden with the host organisations.

By subsidising seminars, colloquia, etc. organised by SME representative and other organisations, the Commission also wants to influence SMEs directly. These organisations have a dense network of contacts with SMEs which DG XXIII uses as a second platform to provide information. The idea of targeting SMEs through two different but complementary platforms is legitimate: it enables the Commission to disseminate information at a larger scale while leveraging its costs maximally by working through existing structures. However, the possible synergies between both platforms have not been fully exploited.

Implementation

The overall rating for implementation is "adequate". This is in line with the ratings given to the different measures on a stand-alone basis.

The EIC-network's growth is basically historical. No optimal geographical implementation strategy was followed. Therefore, the geographical implementation of the network is currently not satisfactory and not adapted to address

the needs of its (future) clients. There exists a discrepancy factor of 25¹³ in the number of target SMEs per-EIC. Although we did not make an analysis of what the right span of SMEs should be, the discrepancy is considered to be too high and cannot be justified by differences in the economic structures. However, we understand that other than economic factors (such as social and regional policy and the economic and social cohesion of the Union) influence the implantation of the network.

The EICs' *host structures* consist mainly of organisations such as chambers of commerce, professional organisations, regional and national institutions, etc. Some commercial organisations as banks and accountants, which are often a first source of information and advice for SMEs, are poorly represented in the host structures. For example, banks represent no more than 5 % of the host structures and are represented in only four countries of the European Union. Considering the greater capillarity of this host structure type compared to other host structures types, it is not sufficiently represented in the network

The *central structure* of the EIC-network provides support services to EICs in the areas of information, promotion, training and information technology,... The EICs consider the support provided by the information officers as adequate, although the response time is perceived too long. They rated the training and technical assistance provided by the central structure for the most part satisfactory. However, the current version of the ERIC-workstation is not considered to be of significant use to the EICs. With the notable exception of the conference functionality of the VANs network, its e-mail functionality is well appreciated by a majority of the EICs.

The existing quarterly evaluation reports of the EIC-network do not allow the central structure to monitor effectively the quantitative and qualitative development of the network. A comprehensive performance measurement system allowing to manage the development of the network and the central structure is not in place.

The subsidies granted to representative and other organisations and allocated to conferences, seminars, etc. are divided over the different organisations and Member States. The 'selected topics' of these events supplement adequately the other information efforts of the Commission. However, the co-operation with different parties such as EICs and Representative Organisations remains minimal, although some recent improvement is noted by our survey and interview respondents.

There is insufficient continuous promotion on a co-ordinated basis between DG XXIII and the EICs: the promotion budget is mainly dedicated to a single media campaign a year and uses only one communication medium; moreover, this campaign is too isolated from the on-going promotional actions by the EICs and other promotional platforms of DG XXIII, e.g. 'Stands & Expositions'. Especially with respect to a timely communication of the campaigns, do the EICs consider the co-ordination of the promotional activities of DG XXIII as poor. Regarding the choice of the theme for these campaigns, the EICs judge that there has been a significant improvement between 1993 and 1995. Another weak point is that the annual promotional campaign of the Commission is too homogeneous and does not take account of the specific, local ways in which (SME) enterprises are targeted in the different Member States. Realising that its promotional campaigns had little impact, DG XXIII has drastically changed its strategy in 1995. The main philosophy behind the new approach consists of a decentralised implementation and a larger involvement of the EIC-network in the campaign. Responsibility for the global strategy, co-ordination and choice of themes still remains with DG XXIII, but in consultation and co-operation with the EICs.

Achievement of objective (quantitative and qualitative impact)

On a stand-alone basis the impact of the different measures was either rated "good", "adequate" or "poor". In view of the importance of the EICs - which was rated "adequate" -, the overall rating for achievement of the objective is "adequate".

Due to the lack of an adequate performance measurement system, there are insufficient reliable statistics available to assess the quantitative and qualitative impact in terms of visibility and support to SMEs. Interviews with SME representative organisations, members of the Article 4 Committee, EICs and their host structures have indicated that the EIC-network has not achieved a material impact in the business community. In addition, the quality of services throughout the EIC-network is not sufficiently of a uniform high standard.

¹³ The discrepancy factor is obtained by dividing the average number of SMEs that are potential clients for an EIC per Member States; the figure of 25 was obtained by dividing the number of target SMEs in Germany per EIC by the number of target SMEs per EIC in Greece.

The EICs answer an increasing number of inquiries. The increase since the beginning of the second Multi-annual Programme and the end of 1995 is estimated at 35%. In 1994, approximately 278,000 questions were processed by EICs of which an estimated 214,000 came from SMEs¹⁴. In 1995, the figures are estimated at 350,000 and 265,000 respectively. While acknowledging the positive trend in the number of questions, this activity remains relatively low compared with an estimated client base of 1.5 million SMEs on an estimated total of 15 million SMEs in the European Community. This could indicate that either Community topics are of limited concern to SMEs; or that SMEs do not know about EICs; or that SMEs do not consult EICs. The conclusion of our interviews and analyses are confirmed by a poll conducted by Gallup for the Commission in the Spring of 1995. The poll indicated that, although the passive recognition of EICs is fairly good, the active recognition of EICs by SMEs remains low.

Since 1993, the Commission has opened 20 EIC correspondence centres in the countries of the EEA, CCEE and the Mediterranean¹⁵. As most of these offices have been set up in the last two years, it is premature to give an opinion on the impact that these offices have generated.

Compared to EICs, the number of SMEs directly reached by the other information measures is much smaller. The events organised by representative and other organisations that benefit from subsidies reach directly approximately 10,000-13,000 SMEs p.a. Through the monthly Euro-Info Journal, the Commission directly reaches on a continuous basis an additional 12,000 subscribing SMEs. As the EICs, consultants, representative organisations, ... also distribute the Euro-Info Journal, the number of SMEs that receive the journal occasionally is probably higher. In the absence of quality performance measures, it is difficult to assess the qualitative impact of the Journal. Based on our interviews and questionnaires, the content of the Euro-Info Journal is perceived well but gets a poor scoring for timeliness of publication.

The impact of the promotional campaigns and efforts of the EICs and the Commission until 1994 remained low and SMEs' awareness of different Community enterprise products, whether it be EICs, BRE, BC-Net, ... or Community topics is still unsatisfactory. As mentioned above, DG XXIII has to receive credit for changing its promotion strategy. Unfortunately, the implementation of the new strategy only started in the Fall of 1995. It is too early to assess its impact on the SME business environment.

Cost-effectiveness

The overall rating of cost-effectiveness is "adequate", which is line with the rating of the different measures on a stand-alone basis.

The cost-effectiveness of the EIC-network is extremely difficult to assess due to the lack of a comprehensive performance measurement system. Interviews with SME representative organisations, members of the Article 4 Committee, EICs and host structures have indicated that - at the current level of resources employed - the network should be able to achieve a greater qualitative and quantitative impact within the business community (especially with SMEs). Cost-effectiveness can hence be increased. On the other hand, the current financing structure of the network considerable leverages DG XXIII's resources. Therefore, the cost-effectiveness of the EIC-network is rated "adequate".

The measures other than EICs have received a rating "adequate", except for the promotion campaign where the cost-effectiveness - especially the media campaign of DG XXIII - is too low.

¹⁴ The figures are only indicative and based upon compilation of the evaluation reports that the EICs have to submit on a quarterly basis. Arthur Andersen estimated that 75% of the questions come directly or indirectly from enterprises (SMEs) and extrapolated the figures on the total number of questions reported. Based on our interviews, we acknowledge that these figures are biased in two opposite directions: small questions are not always registered and lead to an underestimation of the figure. Follow-up or more detailed questions on the same base question inflate the figures when they are registered as different questions.

¹⁵ Since 1994, correspondence centres in the EEA have become full-fledged EICs.

CONCLUSION

The overall rating for the strategy to achieve the objective of a better access to Community information for enterprises is "adequate". This is due to the lower implementation and achievement of the objective ratings of the different measures (especially of the EICs).

The EIC-network was created in 1987 to assist enterprises (in particular SMEs) that want to grow and internationalise. Its basic service is information and advice on Community topics in a cost-efficient way (the network is designed to maximally leverage DG XXIII's financial resources). Meanwhile, the network has reached a mature phase: over the last three years, the number of EICs and their funding has stabilised; and in accordance with the annex to the Council Decision, the EIC correspondence offices in the EEA, the CCEE and Mediterranean have been created.

This implies that the network should be able to create an impact in the SME business community. However - and although the idea of the EIC-network should not be questioned, the evaluation has revealed a number of weaknesses in the implementation which limit its impact. And despite efforts have been made to improve its promotion, geographical segmentation and implantation in local business networks, the total impact of the network in the overall SME business community remains limited.

In the absence of appropriate measurement systems, DG XXIII cannot manage the EIC-network effectively and concentrate on its qualitative and quantitative development. E.g. there is not enough focus on the EICs that do generate an impact in the SMEs business environment.

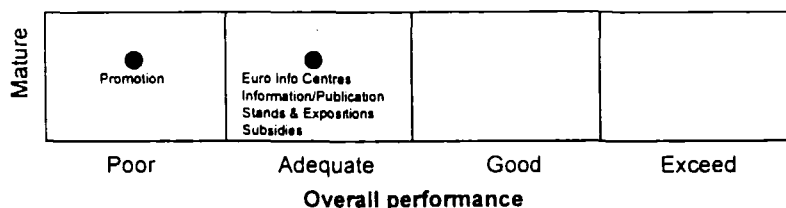
The choice of local host structures being subordinated to the geographical implantation of the network, has too often resulted in a poor integration into the local business environment.

The promotional efforts of DG XXIII and the EICs also have not helped to increase awareness among SMEs of EICs and other Community measures. The main problems are too much emphasis on a 'one-shot' media campaign, too little on-going promotional support and little integration between the promotion of DG XXIII and the EICs. Aware of the limited impact, the Commission is re-orienting its promotional action for 1995 and addressing most of the weaknesses. As promotion is a mature measure, the criteria "quantitative and qualitative impact" outweigh the fact that DG XXIII is undertaking remedial action of which the outcome remains unknown. This resulted in a "poor" rating for the measure Promotion.

The importance to SMEs of a Community information network remains beyond any doubt: the EIC-network effect cannot be exactly measured but is important in view of the considerable information requests that are formally - and informally - dispatched through the network. Its importance is further enhanced by the specialisation of EICs in different areas. However, its success depends largely on the right choice of local partners with whom EICs affiliate and the maximal exploitation of the distribution and promotion channels of these affiliates.

The other platforms DG XXIII uses to reach SMEs interested in growth and internationalisation (representative organisations, Euro-Info Journal, presence at fairs and exhibitions,...) are too isolated from the EIC-network and synergies are not fully exploited. E.g. the SME representative organisations, which represent organisations that are among the SMEs' most trusted business advisors, are not sufficiently integrated in the network. Or the representation of the Community at fairs and exhibitions could always be handled in collaboration with the local EIC whereas this is nowadays done by officials of DG XXIII, other DGs and sometimes EIC's.

OVERALL RATING PER MEASURE



RECOMMENDATIONS

The measure of subsidies to representative organisations has been useful as it has contributed to share experiences between SMEs on a pan-European scale. It also allowed the Commission to strengthen its relations with a wide spectrum of organisations that represent enterprises, in particular SMEs. The financial support to representative organisations was therefore very useful but the question of whether or not DG XXIII should continue to financially support these organisations in the long run is legitimate.

The main concern of today's EIC-network is that it has not generated sufficient impact within the business community. The principal focus of the network's future development should be the amplification of its impact in the business community and an investment in its qualitative and quantitative development. To achieve these objectives, a number of recommendations were elaborated which will allow the network to improve its functioning within the existing organisational framework.

The biggest challenge, increasing the impact within the business community, can be most effectively addressed through actions in the area of promotion, increased and better networking with more effective business community partners and the development of the network's value added services.

The challenge of the quantitative and qualitative development of the EIC-network requires urgently the development of a comprehensive performance measurement system. It would allow DG XXIII to monitor the current status of the network and its central structure, the effect of initiatives taken and would facilitate the further development of the network. Such system should answer three main objectives:

- to allow to monitor the impact on the business community, in particular on SMEs;
- to permit the follow-up of the qualitative development; and
- to install a tool to manage the cost-effectiveness.

A comprehensive performance measurement system would contain performance indicators that go beyond those offered by the existing quarterly evaluation system which is not client-centred. The system would add indicators on the full cost per question, the cycle time to respond to a client enquiry, the complexity of client enquiries, the nature of the enquiring company,... and should supply the central structure with more timely, accurate and useful information than is the case today. The implementation of a performance measurement system would not only allow the central structure to monitor more closely the operation of the network, but also to identify pro-actively existing best practices within the network. These best practices should be shared throughout the network, hence increasing its quality and impact.

The current promotional efforts have not generated sufficient visibility of the EIC-network within the business community. To address this problem, DG XXIII should first of all reinforce its co-operation with the EIC-network and focus primarily on enterprises looking for growth and internationalisation. The new structure DG XXIII wants to adopt - i.e. central co-ordination and national implementation in collaboration with EICs - seems the most appropriate. For an effective implementation, DG XXIII should provide the EICs with marketing and promotional support as their own marketing and promotional skills are limited.

Second, the current promotional efforts should be complemented by on-going and revolving awareness raising campaigns encouraging SMEs to internationalise and making them aware of the Community's SME support measures. Attention should be given to an appropriate media mix for each Member State and/or region to guarantee a maximum impact. Journalists accredited by the Commission should be involved as well, as they are an excellent platform to spread information at relative low cost to DG XXIII.

To create a bigger impact in the business community, the most effective channels which are used by SMEs in their efforts to internationalise should be identified. An active co-operation with these 'most trusted business advisors' should then be developed, by integrating them into existing EICs or by creating new EICs where necessary.

The 'first-stop-shop' and 'one-stop-shop' approach as currently promoted by DG XXIII combined with on-line access to information should add further value to the network and over time increase its impact.

The first-stop-shop concept formally confirms the EIC-network as the Commission's primary enterprise policy network. It will increase the synergy between the different enterprise policy networks and consequently add value to the EIC-network.

The one-stop-shop concept stresses the need for a comprehensive service to SMEs and their business advisors based on the specialisation that EICs have developed in Community topics. The concept will not only allow the

broadening of the scope of expertise offered by the network but also deepen the expertise in existing areas of specialisation.

The creation of a technological environment allowing on-line access to and sharing of information of interest to SMEs should be continued (e.g. currently DG XXIII and a small number of EICs are present on the Internet). On-line access not only improves the access to information but also the impact of the network in the business community. The role and relevance of new technology and computerised information to the EICs should be urgently explored. More fora of greater content and value should also be added. The presence of EICs on other information networks is also highly recommended.

The recommendations proposed so far focus on improving the impact and qualitative development of the EIC-network in its current organisational framework. To obtain a dramatic increase of impact however, the question of whether or not a different organisational framework becomes necessary is legitimate. This question removes the boundaries of reasoning we have imposed ourselves so far by accepting the basic principles on which the EIC-network has been built. In the following three paragraphs, an alternative scenario will be developed that challenges the basic framework of how the EIC-network operates today. All the individual recommendations developed above remain of course valid in the scenario below, which should be considered as one possible scenario within a range of alternatives.

The existing network would be replaced by a new network fully operated and financed by DG XXIII. It would be implemented on a regional basis where a region should be interpreted as a large geographical area of significant economic and political cohesion. The number of EICs would significantly be reduced; their size, however, would be considerably greater in terms of knowledge and full-time equivalents per EIC.

The primary objective of this network would be to become the enterprise policy network of the Commission (first-stop-shop) organised in genuine competence centres informed about the full range of Community topics (one-stop-shop). The network would act as a supporting and supplying platform to the "most trusted business advisors of (SME) enterprises". In a first stage, the direct contact of the EICs with SMEs would be through on-line networks and promotional and educational initiatives jointly organised with the trusted business advisors. Over time as the brand awareness of the new EICs becomes established with its key constituents of growing and internationalising SMEs, other forms of direct contact will develop. This scenario should allow to achieve a more homogeneous quality level within the network, the delivery of a consistent and full service to SMEs and their business advisors on the full range of Community topics, and over time dramatically increase its impact.

As to the required resources: what is certain is that the transformation of the network will require investments. What remains uncertain is whether the operation of such a network will be significantly more expensive than the current network. However, in terms of value for money and dramatically increased impact, the new network should be more cost-effective and provide more value for money than the existing network. This issue should be further investigated.

CHAPTER III : IMPROVING THE BUSINESS - PARTNER - SEARCH NETWORK

“Qualitative improvement and gradual adaptation of the system of charges for the confidential business - partner - search network (BC-Net) with the aim of making the network self-financing, as far as possible; qualitative development of the non-confidential partner - search network (BCC)¹⁶”

EVALUATION

Conception

Both networks predate the Multi-annual Programme: BC-Net was created in 1988 and BRE in 1973. Both were set up to assist SMEs in finding business partners at the local, regional or transnational level. Though they function in different ways¹⁷, there are several parallels between both networks:

- The correspondents of both networks (though less for BRE) can offer additional services to participating or interested companies, ranging from analysing the company's needs for a business partner to assisting and advising the company during the co-operation negotiations.
- Both networks are open to all companies, irrespective of the sector of activity and the type of co-operation they want to establish.
- Both networks have an excellent geographical coverage (all of the EU and for BRE also major business centres in the rest of the world) and are comparable in size: BC-Net has approximately 400 correspondents whereas BRE has 470.

The success of the networks depends on the number of co-operation profiles introduced and hence on the “brand awareness and recognition”. To raise the “brand awareness and recognition”, DG XXIII expects the correspondents to raise their profile through active promotion and to try to create synergy effects through co-operation with other networks or events, such as Europartenariat, Interprise, EICs,....

In view of the “good” ratings of both measures for conception on a stand-alone basis and taking into account their broad approach and the potential for synergy with other DG XXIII measures, the overall conception rating for the strategy to achieve the objective is “good”.

Implementation

In view of the “adequate” ratings of both measures on a stand-alone basis for implementation, the overall rating for implementation is “adequate”.

To improve the quality of BC-Net, DG XXIII started with a quality assessment of the correspondents (focus on active and productive correspondents), resulting in a 25% drop in the number of correspondents. The remaining correspondents now support companies more actively in their search for a business partner in order to increase the chances of success. Nonetheless, some weak points were insufficiently addressed: the software currently used is not very user-friendly, the IT infrastructure is outdated and the current nomenclatures used for encoding the co-operation profiles are not precise enough. To make BC-Net self-financing, a system of charges was introduced.

For BRE, DG XXIII embarked on a similar quality assessment of the correspondents. Compared to BC-Net, it is easier to use and more informal and flexible. However, also for BRE some serious flaws went unaddressed: the long delays in the translation and transmission of the co-operation profiles by the Central Unit and the insufficient computerisation of the network (although some remedial steps were taken (VANs and CRS)).

The impact of both networks depends on their visibility and the participation of a large pool of potential business - partners (hence the importance of synergies with other networks). Although the Central Unit makes some

¹⁶ Instead of BCC, the acronym BRE is used in the present document.

¹⁷ BC-NET operates through a network of correspondents (private or public sector bodies) linked through a computer network to a Central Unit located with DG XXIII in Brussels. The correspondents transmit encoded co-operation profiles of companies searching for business partners to the Central Unit operating the network and the matching system. Participating companies can opt for a confidential partner - search (part of the data are veiled). BRE also operates through a Central Unit (located with DG XXIII in Brussels) which receives co-operation profiles directly from companies looking for a business - partner or through a decentralised network of correspondents. The Central Unit handles the translation of the profiles and then transmits them to the correspondents in the requested geographic area. These correspondents are in charge of advertising the co-operation profiles in the appropriate media at their own expense.

promotion for both networks (Stands & Expositions, Euro-Info Journal), the chief responsibility in this regard lies with the correspondents. Through the half-yearly activity reports (which are also used in the annual evaluation on whether or not to extend their contract) they have to submit, DG XXIII monitors these efforts. The reports are also used to encourage and monitor synergy effects with other DG XXIII programmes, e.g. Interprise, Europartenariat,...

As to the creation of synergy effects, around 10% of BC-Net and BRE correspondents are also part of the EIC - network. There is also a good participation of BC-Net and BRE correspondents in the Europartenariat and Interprise events (about 1/3 of these events is co-organised with BC - NET and BRE correspondents). In addition, most BC-Net and BRE correspondents use other non-Community sponsored channels to conduct business partner - searches (Commercial attachés, national networks).

Regarding the self-financing of BC-Net, the total operating charges (excluding payroll costs) are approximately ECU 500,000 per year. They are recovered in 1994 and 1995 (provisional) for about 60% by the user and subscription fees paid by the correspondents.

Achievement of objective (quantitative and qualitative impact)

The achievement of the objective consists in the effective use made of both networks by SMEs looking for growth and internationalisation and on the impact of the networks on SMEs.

The effective use of both networks can be measured by the number of co-operation profiles introduced in both systems. For BC-Net, approximately 10,000 profiles were introduced in 1993 and 1994 each. For BRE, over 6,600 co-operation profiles were introduced in 1993 and 7,700 in 1994. In view of the fact that only a small percentage of SMEs have the ambition to grow and internationalise¹⁸, the number of co-operation profiles introduced indicates that only 1.1% of SMEs did effectively make use of the services offered by BC-Net¹⁹ in 1994, and 0.8% of those offered by BRE.

These results are poor.

We should nevertheless take into account:

- the flash profiles and additional network effect, by means of which partners are found thanks to personal contacts between network correspondents;
- other analysis, which show slightly better results than our estimate based on co-operation profiles.²⁰

With respect to the 'matches' (exchange of addresses or establishing of contacts), the results are not very promising either. There has been a 25% drop in the number of 'matches' realised for BC-Net in 1994 compared to 1993 (approximately 11,000 matches in 1993 vs. 7,700 in 1994). For BRE, on the contrary, there has been a 10% increase in the number of co-operation profiles introduced on an annual basis over the period 1993 - 1995.

The poor results can partially be explained by the low 'brand recognition' both networks suffer from and the quality of 'matches'. The low 'brand recognition' as identified by Arthur Andersen analysis based on questionnaires, is confirmed by the Gallup poll conducted in April 1995: only 10.3% of SMEs recognised BRE prompted; for BC-Net the prompted recognition rate was 13.6%. Moreover, analysis showed that professional organisations, chambers of commerce and financial institutions are the first (and natural) interlocutors for SMEs looking for business partners.²¹

Regarding the quality of matches, contacts are often not fruitful. For both networks, in about 25 - 30% of the cases in which there was a match, a co-operation attempt took place. BC - Net correspondents estimated that

¹⁸ only 5 to 6% according to the "Integrated Programme in favour of SMEs and the Craft sector".

¹⁹ i.e., 10,000 co-operation profiles divided by the number of potential SME clients (900,000).

²⁰ The Gallup poll conducted in April 1995 - based on the totality of SME directors interviewed - indicated that 0.41% of total SMEs made use of BRE and 0.7% of BC-Net. If these figures are related to the potential SME client base (900,000 SMEs), the results for both networks would be slightly better.

²¹ This was also confirmed by the Gallup poll of April 1995.

approximately 6% of the matches lead to an actual co-operation agreement. For BRE, the corresponding score is 12%²².

As to the qualitative improvement, DG XXIII has shaken up both networks of correspondents, which have become more effective. However, as mentioned above, both networks continue to suffer from serious qualitative flaws, particularly unwieldy communication channels, outdated (or insufficient) information technology, delays in translating and transmitting co-operation profiles, nomenclatures that are too vague (which leads to mismatches of potential business-partners) and insufficient central promotional campaigns.

Cost-effectiveness

The total annual budget for the support of both networks is approximately 800,000 ECU (65% of this amount is allocated to BC-Net; 35% to BRE). Measured against the size of the networks, this amount as such is low. The low 'brand recognition' of both networks also takes on another meaning, as DG XXIII does not have the means to organise a central promotional campaign to improve the situation.

Taking into account the number of co-operation agreements both networks give rise to, it would cost DG XXIII approximately 300 ECU to bring about a co-operation agreement with BRE and 1,000 ECU with BC - Net. If the subscription and user fees of BC - Net correspondents are taken into consideration, the cost for BC - Net is around 400 ECU per co-operation agreement.

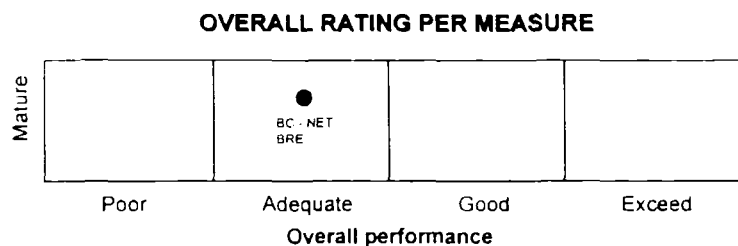
In view of the means deployed, the overall rating for cost-effectiveness is "good".

CONCLUSION

BC - Net and BRE have their merits: their conception is "good", as they contribute to the realisation of Cross-border co-operation and hence to the development of the Internal Market; they are not expensive to run; they are unique after a fashion and have a good geographical coverage.

However, both networks do not achieve the objective completely as there has been insufficient qualitative improvement, in particular outdated (or insufficient) information technology, delays in transmitting co-operation profiles, nomenclatures that are too vague, ... In view of the limited number of SMEs looking for growth and internationalisation, which made use of both co-operation networks, they can only be considered a moderate success with respect to their quantitative impact.

In light of this situation, the overall rating given to both networks is "adequate".



RECOMMENDATIONS

To improve both networks in the short run, the following recommendations are made:

- Introduction of better and more user-friendly information technology for both BC-Net and BRE;
- Introduction of better nomenclatures for encoding the co-operation profiles of BC-Net, e.g. based on more detailed NACE codes;
- Reduction of delays in the translation and distribution of the co-operation profiles for BRE. A solution in this respect can be to have the translation carried out by the correspondents themselves.

²² The difference is probably due to the fact that BRE is more flexible and that it distributes co-operation profiles on a wider scale.

- A merger of the databases of both networks with the databases of other Commission initiatives (e.g. Interprise, Europartenariat, the EICs) should be envisaged as it would create a greater pool for new matches. This should have a positive impact on the number of successful co-operation agreements. Our analysis indicated that some correspondents have already developed such a database out of their own initiative.
- Inclusion in the networks of some 'trusted business advisors' of SMEs (financial institutions, commercial or public institutions, etc.), which dispose of a broad capillarity, and promotion of potential synergies with these entities. Interviews held with officials within DG XXIII showed a positive feed-back on this subject.
- One could raise the question as to the involvement of DG XXIII in this area. In view of the fact that the Internal Market is not fully operating and that both networks offer a public service in some regions of the Union, we believe that DG XXIII's intervention in this area continues to be legitimate. It is recommended however that the policy of charging for services for both networks be continued in order to make them self-financing as much as possible. This will allow DG XXIII to shift a part of its financial resources to other measures.

CHAPTER IV : CONTINUED DEVELOPMENT OF INSTRUMENTS PERMITTING DIRECT CONTACT BETWEEN ENTREPRENEURS AND AIMED AT PROMOTING TRANSNATIONAL SUBCONTRACTING

"In particular by improving the preparation, implementation and follow-up of actions carried out under the Europartenariat and Interprise programmes; improving knowledge of subcontracting markets, promotion of harmonised certification and standardisation procedures and encouragement of co-operation between large and small enterprises".

MEASURES

To address the different aspects of the objective, the following measures were taken:

- **Europartenariat and Interprise:** the organisation of events providing face to face meetings between companies.
- **Improving knowledge of subcontracting markets:** the development of statistical data on subcontracting, the organisation of a pan-European conference on subcontracting and a fact-finding mission to Japan (hereafter "group 1").
- **Promotion of harmonised certification and standardisation procedures:** the development of a practical guide to the legal aspects of industrial subcontracting, of multilingual sectorial terminologies and of a directory of intermediary subcontracting bodies (hereafter "group 2").
- **Encouraging co-operation between large and small enterprises:** a consumer electronics pilot programme, a human resources training programme and different purchasers exhibitions ("reverse salons") were organised (hereafter "group 4").

In addition, a pilot action to improve subcontracting across Europe was set up, the so-called Subcontracting Assistance Network (SCAN) (hereafter "group 3").

EVALUATION

Conception

The different measures contain three different types of levers, which should contribute to a maximum achievement of the objective:

- **Operate through networks and partners²³ which can provide valuable feed-back to improve the initiatives:** to improve Europartenariat and Interprise, DG XXIII tries to obtain feedback through a close co-operation with the parties involved in the organisation: e.g. chambers of commerce, craft organisations, public authorities (local - regional - national), private consultants and the so-called "partners" (members of the EIC/BC-Net/BRE networks); for subcontracting, DG XXIII tries to improve its initiatives through close co-operation with subcontracting bodies and through SCAN.
- **Operate through other Community initiatives:** the Europartenariat and Interprise events are promoted through the Euro-Info journal, the Practical Guide for SMEs and through Stands and Expositions.
- **Leverage financial resources:** Europartenariat and Interprise events are co-financed (to different degrees) by host local authorities and companies. DG XXIII also obtains leverage by organising Europartenariat with DG XVI in the framework of the Structural Funds.

Synergy effects were also identified between the different measures: e.g. the majority of the measures on subcontracting can trace their origin to the pan-European conference of 1992 in Madrid (group 1). The fact finding mission to Japan (group 1) lead to the human resources training programme and the consumer electronics pilot programme (both group 4). More than one third of Europartenariat and Interprise events are organised in co-operation with the so-called "partners" (members of the EIC, BC-Net and BRE network).

²³ Europartenariat and Interprise are co-organised by a main organiser (chambers of commerce, consultants, associations or public authorities) and several partners.

In view of the “good” ratings for conception of the different measures on a stand-alone basis and taking into account the leverage and synergy potential, the overall conception rating for the strategy to achieve the objective is “good”.

Implementation

The overall rating given to implementation of the different measures is “adequate”, which is in line with the rating of the different measures on a stand-alone basis.

To improve the Europartenariat and Interprise events, DG XXIII introduced a quota policy to reduce the number of Mediterranean and Central and Eastern European countries participating: more emphasis was put on bringing together companies of countries with similar industrial traditions. A standardised computer system to make appointments between visiting companies was introduced to improve the quality of the pre-arranged meetings through a better matching. In spite of these improvements, a lot of participating (host and visiting) companies continue to complain about badly matched meetings. Other weak points are that the description of the profile of the host companies in the catalogue²⁴ is too imprecise and that the organisers of the events can not provide DG XXIII with reliable information about the agreements concluded (exact number, quality, type of agreement, benefits in terms of jobs generated,...) which leaves DG XXIII with a follow-up problem; in addition the questionnaires used for the follow-up are not standardised - which leads to problems of comparability. For Interprise, the events are insufficiently focused on sectors²⁵ and are not supported by a standardised computer system to make appointments between visiting companies.

The success of Europartenariat and Interprise events depends on the promotional efforts of the National Counsellors in charge of promoting the events in their respective countries. In this respect, Europartenariat benefits from the fact that its National Counsellors are linked through an informal network where knowledge and experience in organising the events are exchanged. Interprise does not benefit from such a network.

To improve the knowledge of subcontracting markets, DG XXIII tries to ensure a wide distribution of the subcontracting statistics developed by working through subcontracting bodies. It also changed its selection process for supporting projects: they have to be proposed by the market and fit within a certain framework. However, DG XXIII still does not succeed in setting priorities: there is no common line between the different measures (as illustrated by the regrouping conducted).

Achievement of objective (Quantitative and qualitative impact)

The first element of the objective was to improve the Europartenariat and Interprise events. In this respect, an important step in the right direction was taken: whereas in 1988, the number of host companies per Europartenariat event was 120, the average number in 1995 had risen to 400. The total number of visiting companies has risen correspondingly: from 200 per event in 1988 to more than 2000 in 1995. Since 1988 a total of 66,000 meetings have taken place. The success ratio²⁶ of the events is approximately 30%. For Interprise, the average number of participating companies per event is 100 (an average of 45 events are organised each year). The success ratio of the events is approximately 13%²⁷.

However, in spite of the focus on countries with a similar industrial background and the introduction of the standardised computer system in order to make better matched appointments (for Europartenariat), the rate of agreements concluded compared to the number of meetings remains low for both events²⁸; regarding the improvement of the follow-up, some work remains to be done.

²⁴ The catalogue helps visiting companies to select the host companies they want to meet.

²⁵ Experience has shown that a strong sectorial focus leads to a higher rate of agreements concluded.

²⁶ Expressed by the ratio number of agreements / number of host companies. However, as mentioned under implementation, there is a problem with the follow-up (incomplete information, questionnaires that are not standardised,...)

²⁷ See the previous footnote.

²⁸ This is in line with the fact that a lot of participating (host and visiting) companies complain that meetings are badly matched.

As for subcontracting, the effectiveness of the different measures has been improved by leaving as much as possible to the initiative of the market. DG XXIII has also succeeded in banning less qualitative events, which lead to an improved efficiency of the programme. However, as mentioned under implementation and in spite of the synergy effects which were listed, DG XXIII does not completely succeed in developing a coherent set of measures; this reduces the efficiency of the programme. For group 1 and 2, DG XXIII obtains a high quantitative impact: the publications that were developed are widely distributed. However, too many measures (group 4) are narrowly focused and thus involve a very limited number of SMEs; in addition, analysis shows that the distribution on a larger scale of the findings of the consumer electronics pilot project seems to have been unsuccessful. As to the quality of the different measures, customer satisfaction is generally high.

The overall rating given to the achievement of the objective is "good"; this is in line with the ratings of the different measures on a stand-alone basis.

Cost-effectiveness

The average cost of an Europartenariat event is 3,000,000 ECU of which 1/3 is financed by DG XXIII, 1/3 by DG XVI and 1/3 by the organisers and host companies. For Interprise, the average cost is 176,000 ECU of which 27% is financed on average by DG XXIII - the remainder of the tab is for the organisers and the host companies. The final reports also show that the sum of the amounts of the contracts generated by the Europartenariat events is - on average - higher than the average cost of organising the events²⁹. In view of these elements, the cost-effectiveness for both events is rated "good".

For subcontracting, the different groups of measures in general achieve a good cost-effectiveness: with limited budgets a good return was achieved. Some measures combine a narrow focus (and thus small number of SMEs involved) with a high cost (e.g. human resources training, consumer electronics); but in view of the fact that the results obtained are very good, they are also rated cost-effective.

In view of the overall good cost-effectiveness for Europartenariat and Interprise and for the different subcontracting measures, the overall cost-effectiveness rating for the objective is "good".

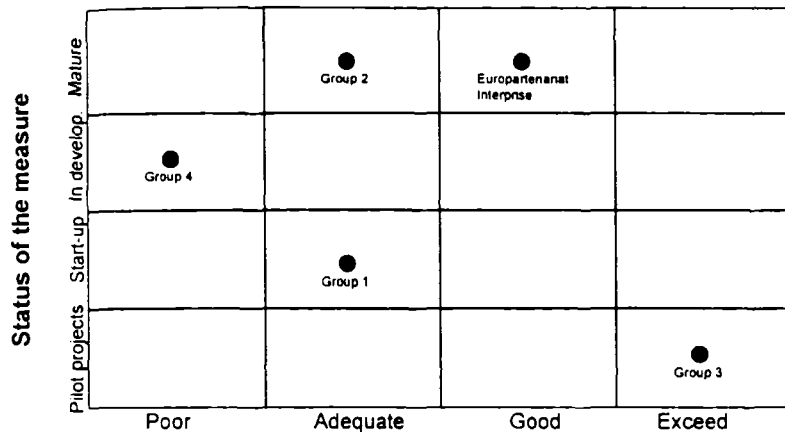
CONCLUSION

Overall DG XXIII's strategy to achieve the objective is properly targeted. The concept behind Europartenariat and Interprise is sound and the results achieved are good; the events that were organised all over Europe continue to gain in popularity and are well perceived. Both measures have a considerable leverage (through the involvement of public authorities, chambers of commerce, representative organisations,...) and achieve synergy effects (through the other DG XXIII networks,...). Some implementation and follow-up problems remain to be addressed.

The fact that DG XXIII has succeeded in removing less qualitative events from its subcontracting programme and so improved the global efficiency of the different measures, considerably enhanced its stature. Nevertheless there are still an excessive number of initiatives which are organised, supported or co-ordinated by DG XXIII which limits the possible results of each of them. E.g. Group 4 has received a "poor" evaluation as the initiatives are taken without rigorous preliminary studies in order to ascertain whether they deal with real subcontracting problems on a European level which fit into the priority areas of the general strategy of DG XXIII regarding subcontracting. Group 3 is rated "exceed" as the measure responds to SME needs across Europe and is easy to implement with a limited budget.

²⁹ Within the year of the event, the main organiser has to submit a report containing the number and details of co-operation agreements concluded. However, as already mentioned, some qualifications are in order about the reliability and completeness of these reports.

OVERALL RATING PER MEASURE



RECOMMENDATIONS

DG XXIII officials, SME representative organisations and members of the Article 4 Committee all agree that the different measures promote the economic and social cohesion of the Union and are an important tool to help SMEs.

To improve the achievement of the objective, the following short run recommendations can be made:

- Encourage a better use of the BC-Net, BRE and EIC-network by the National Counsellors and partners responsible for the organisation of Interprise and Europartenariat; this should enable them to better match the profiles of the participating companies before the event and thus improve the quality of the meetings.
- Introduce a first selection of visiting companies and focus on those with a stronger co-operation project.
- Improve the monitoring by DG XXIII of the promotional activities for Europartenariat events to guarantee a better brand recognition.
- Develop an informal network for the organisers of the Interprise events, modelled upon what exists in Europartenariat.
- Provide assistance after the (Europartenariat/Interprise) event to potential associates to increase the number of co-operation agreements. This would also solve some follow-up problems.
- Develop a more coherent strategy for selecting measures under subcontracting by focusing on measures with a high potential quantitative impact and dropping the remaining actions which reach a very limited number of SMEs and by developing a list of priorities where actions should be taken.

For the longer term, DG XXIII should try to involve more the DGs responsible for the environment, high technology and R & D, international relations,... in the different Europartenariat and Interprise events and the subcontracting measures. This should lead to more synergy effects and a higher leverage through possible co-financing.

CHAPTER V : ENSURING CONSIDERATION OF SME INTERESTS IN THE VARIOUS COMMUNITY INITIATIVES AND POLICIES

"Promotion of Community instruments which enable SMEs to participate fully in all Community actions and programmes, including enterprise-policy instruments, the Structural Funds, research programmes and programmes to develop technological potential, making it easier for SMEs to participate, inter alia, by simplifying the procedures involved"

The objective to be achieved is essentially an internal one in the sense that the goal is to make it easier for SMEs to participate in all the Community's programmes.

MEASURES:

- Programme consultations³⁰
- Report on the co-ordination of activities in favour of SMEs and the craft sector³¹
- Definition of SMEs
- Euromanagement Research and Technological Development II

EVALUATION

Conception

The different measures taken together constitute a broad approach to the different aspects of the objective.

Programme consultations address the objective in a general way: through these consultations DG XXIII tries to ensure effective participation by SMEs in the different Community actions and programmes.

The report on co-ordination is also a general measure. It should provide an overview of the different Community actions and programmes that might interest SMEs (including the Multi-annual Programme) and a description of the co-ordination between these different programmes with the Multi-annual Programme. It was drafted by DG XXIII in 1995.

The development of specific SME programmes and policies by the different DGs and the Member States has led to a multiplicity of SME definitions. DG XXIII started working on a harmonisation of the different definitions used. It should provide for a common definition to be used within the Commission. Moreover, it is the intention to address the Member States through a Recommendation and urge them to adopt the same definition. A common definition should make it easier for SMEs to take part in the different Community actions and programmes and would facilitate co-ordination within the Commission.

"Euromanagement Research and Technological Development II"³² is focused on increasing the number and the quality of proposals SMEs submit to Community-funded R&TD programmes: 47 selected consultants assisted 927 SMEs to assess their technology and innovation profile and improve the quality of their proposals for participation in Community programmes. The EU R&TD programmes had a track record of low SME participation and a high failure rate (especially of SMEs). This was traced to the fact that SMEs either lacked long-term vision on their R&TD evolution or because - due to insufficient information - they simply did not apply or applied to the wrong programme. In addition, the burden in terms of time and opportunity costs to participate is relatively higher for SMEs than for larger enterprises.

All the measures listed here have a high leverage potential: their ambitious goal is to ensure an effective participation of SMEs in the entire gamut of Community programmes that might be of interest to SMEs. Given the

The role of DG XXIII in the elaboration of the Community's actions and programmes through programme consultations is very limited. Programme consultations are also not specifically linked to the Multi-annual Programme as such; however, they are a key instrument in ensuring the consideration of SME interests in the Community's policies and thus in attaining the objectives of the Multi-annual Programme.

³⁰ Henceforth the report on co-ordination. Our evaluation only concerned the Report COM (95) 362 final of September 8, 1995.

³² Henceforth "R&TD".

enormous budgets managed under these programmes, even a small overall improvement in the participation of SMEs would represent an important achievement.

Opportunities for synergy exist between the different measures. E.g. the consultation and co-ordination between DG XXIII and the other DGs to ensure the consideration of SMEs' interests in the other Community programmes and actions should help DG XXIII to draft a high-quality Report on Co-ordination. Vice versa, the Report should be a useful management tool for DG XXIII and the other DGs to co-ordinate their future activities.

A potential synergy will be worked out between the R&TD and the EIC network: the EICs' specialised group in R&TD matters will be invited to participate at training sessions meant to familiarise them with the different Community R&TD programmes and the Euromanagement methodology.

In view of the rating of the different measures on a stand-alone basis and taking into account the potential leverage and synergy effects, the overall rating for conception of the strategy is "good".

Implementation

In view of the scorings of the individual measures, the overall scoring for implementation is "adequate".

Regarding the programme consultations, there are so many Community programmes which all produce a lot of requests for interservice consultations - with documents attached in all official Union languages - and meetings of monitoring committees, that they overwhelm the limited number of responsible officials.

With respect to the Report on Co-ordination, DG XXIII had some difficulties to obtain the necessary information to elaborate the report. This is mainly due to the limited (legal) authority of DG XXIII. However, interviews indicated that the information deficit in itself is an indication that insufficient co-ordination between the different programmes took place prior to the drafting of the Report. In view of the insufficient co-ordination in drafting the Report, the measure was rated "adequate".

"Definition of SMEs" has been delayed by the complexity of having to reconcile differing national economic situations and traditions and vested interests. Nevertheless, considerable progress has been achieved by DG XXIII. Prior to the drafting of the definition, extensive research was undertaken to compare the criteria for defining SMEs in the different Member States and the Community programmes and initiatives; a consultation process took place in which the opinions of all relevant parties (the Commission, SME representative organisations, Member States,...) was sought. A negative point however, is that DG XXIII did not take up the initiative itself earlier to work on a common definition of SMEs and push harder for its adoption. Therefore, the implementation rating is "adequate".

The implementation of R&TD is rated "exceed": it has been very well implemented from a pilot project perspective. It was well organised, clearly structured and provided for feed-back and experience to be used for corrective and future action. During the first phase the consultants and the co-ordinator were selected and trained; in a second phase, 927 interested SMEs were selected and audited to define their technology and innovation profile; upon which an action plan was elaborated and assistance provided in the preparation of a proposal. Although R&TD was implemented under strict time constraints, the selection of consultants and assistance of SMEs was good. The last phase - an evaluation and follow-up conclusions - is currently taking place.

Achievement of objective (quantitative and qualitative impact):

In line with the ratings of the different measures on a stand-alone basis, the overall rating for achievement of the objective is "adequate".

Regarding the success of DG XXIII through programme consultations in facilitating SMEs' access to Community programmes and actions, it is very difficult to measure the impact at the level of SME funding actually obtained. There are simply too many parties involved and to date the role of DG XXIII in the conception and the implementation of the programmes and actions is very limited. Therefore, the impact was measured through the weight DG XXIII carried with the other DGs involved: the impact was rated "adequate".

In view of the number of different Community programmes and actions in favour of SMEs, a report detailing their co-ordination is an indispensable management and policy tool. But although the report is complete, concise and provides an overview of the status of the different measures, it has a major flaw: the report in its current format is an activity report rather than a report on co-ordination. Although there are a number of references to examples of co-operation, the references to procedures, synergies and changes introduced are cursory or absent. As also

mentioned under programme consultations, this is not really surprising given the panoply of programmes arrayed against the limited resources DG XXIII can deploy. The achievement was rated "poor".

"Definition of SMEs" is still in a development phase; therefore, it is still too early to make a statement about the impact of the measure. However, the fact that a majority of the Member States have endorsed the principle of a common definition (12 out of 15) and a Recommendation (8 out of 15) in the Article 4 Committee, bodes well for the future.

R&TD helped over 900 SMEs to become more familiar with European R&TD programmes. As to the success rate of the proposals that were submitted, it is still too early to make any conclusion because a considerable number still has to be filed.

Cost-effectiveness

In view of the high potential leverage of the different measures and although it is still too early to assess the impact of "Definition of SMEs" and R&TD, the overall rating for cost-effectiveness is "good".

All the measures combine a broad potential impact with a low cost (mainly personnel costs); this also explains why the poor achievement of the Report on co-ordination did not impact adversely on its cost-effectiveness (which was rated "good"). R&TD was more expensive (2,000 ECU per SME involved), but in view of the number of SMEs reached (the original target was exceeded) and the good level of service provided to them, the cost-effectiveness was rated "good".

CONCLUSION

Ensuring the consideration of SME interests in the Community's actions and programmes is not an objective to be easily achieved: it is a complex field with a lot of different actors, with different priorities and interests.

DG XXIII's strategy to meet the objective is good: the different measures have a considerable leverage potential, synergy effects and address priorities. However, in the implementation and achievement of the objective, the different measures underperform. Therefore, the overall rating for this objective is "adequate".

The involvement of DG XXIII through programmes consultation in the conception and implementation of the programmes of other DGs is limited. So is its presence in the monitoring committees. This has negative repercussions on the achievement of the objective; therefore the rating is "adequate".

The Report on co-ordination, although an indispensable tool for an effective co-ordination, is in fact an activity report. Its overall rating is "poor".

A common definition of SMEs is a prerequisite for an effective co-ordination of the Community initiatives and the achievement of the objective of ensuring consideration of SMEs' interest in Community policies and initiatives. The previous Communication of the Commission in this regard had led to insufficient convergence; DG XXIII is aware that a common definition on SMEs should be one of its priorities: as mentioned above, the fact that no common definition has been adopted yet, is not for want of efforts made by DG XXIII. But the fact that more than 2 years elapsed between the previous Communication and the start-up of the new definition leads to an overall rating "adequate".

R&TD was given an overall rating of "exceed" because of its overall quality and good management, the number of SMEs involved and the measures taken to ensure a follow-up - vital for the long-term success of a pilot programme.

OVERALL RATING PER MEASURE

Status of the measure	Mature	● Report on co-ordination	● Programme consultations		
	Pilot projects Development		● Definition of SMEs		
					● Euromanagement R&TD
		Poor	Adequate	Good	Exceed

Overall performance

RECOMMENDATIONS

By ensuring that SME interests are considered in the Community's initiatives and policies, DG XXIII can leverage its limited means enormously. Therefore, this objective should be one of the top priorities of the Multi-annual Programme and become a fundamental goal of DG XXIII's future activities.

The key priority for DG XXIII in this area should be to have the common definition of SMEs adopted by the Commission and by the Member States. This is the only way to get all policy makers on one line and guarantee an effective co-ordination between the different policies and programmes. Once the definition adopted, DG XXIII should watch over its effective use.

To improve the working of the programme consultations and the Report on co-ordination, more human resources should be allocated. The extra resources should enable DG XXIII to take a pro-active attitude; to be involved as of the conception of the different actions and programmes of the Community, thus making sure that they are not only accessible to SMEs but also tailored to meet their needs. It would also make it possible to consult effectively and involve SME representative and professional organisations. The upgrade of the Report on co-ordination from a mere activity report to a genuine report on co-ordination is linked to a transformation of the programme consultations. Only real and dynamic involvement of DG XXIII in the different Community policies and programmes can guarantee that there is real co-ordination - a prerequisite for a Report on co-ordination.

As a pilot programme, R&TD can be considered a success. To guarantee its long-term impact, DG XXIII should continue an effective dissemination of the experience gained to the wider SME population, to its own EIC network and to the DGs involved in R&TD to make them aware of the problems encountered by SMEs.

CHAPTER VI : ENCOURAGING SMEs TO ADAPT TO STRUCTURAL CHANGES AND TO CHANGES BROUGHT ABOUT BY THE INTERNAL MARKET

"Identification of the needs of SMEs and the development of projects, inter alia, on the basis of pilot-projects for enterprises, including small business and craft-industry enterprises, enterprises in commerce and the distributive trades, co-operatives, mutual societies and associations and foundations, as well as enterprise creators and young entrepreneurs, enabling them to adapt to structural changes, to have a better perception of the European dimension of their markets and to benefit from the opportunities offered by the internal market, in particular in the field of standardisation, certification and public contracts."

MEASURES

The wide range of measures launched by the Commission in accordance with the Annex to the Council Decision, can be grouped in three broad categories:

- **actions and measures which relate to European policy and political issues:** Green Paper on the practical arrangements for the introduction of the single currency ("questions related to the ECU"), public procurement initiatives, a pilot project to train apprentices from the peripheral areas in the Community for a three year sandwich course to the Federal Republic of Germany.
- **measures, including pilot-projects, which aim to stimulate the exchange of knowledge and best practices between enterprises in the Union:** Commerce 2000, Transnational Co-operation, Cross-border Offices, REGIE.
- **measures, including pilot projects, which aim to develop methodologies and audit tools to help enterprises better assess their position on different topics:** Auto-audit and Euromanagement 'Normalisation'.

It should be noted that a lot of measures which were listed under other objectives indirectly contribute to the achievement of this objective.

EVALUATION

Conception

The Commission has opted for an approach that includes both specific measures to meet the needs of SMEs and craft industry enterprises in the context of the completion of the Internal Market⁴¹ and measures considering the SME dimension in broad aspects of the Internal Market. All the measures developed respond to the objective. In view of the "good" ratings for conception of the different measures on a stand-alone basis and taking into account the broad approach to the objective, the overall rating for conception is "good".

However, this broad approach of tackling a wide range of problems SMEs that want to grow and internationalise are confronted with, is not without its downside. Too many initiatives have been started without the allocation of sufficient financial and human resources. Because the different measures address such divergent problems, it is also difficult to create synergy effects between them. As such, a critical mass for the individual measures is not yet attained. And although DG XXIII tries to compensate by leveraging its human and financial resources through co-operation and co-ordination with other DGs in the design and implementation of pilot projects, there is no substitute for a policy setting areas for priority action.

Implementation

The overall rating for the implementation of the strategy to meet the objective is "adequate". This is in line with the "good" and "adequate" ratings of the different measures on a stand-alone basis.

In most cases, the measures are co-ordinated by outside consultants whereas the Commission monitors the status of the measures through adequate follow-up procedures. Most of these measures are either pilot projects or projects in their development phase. Pilot projects allow DG XXIII to test-market a concept or idea and to obtain empirical knowledge on specific problems and issues that enterprises - especially SMEs - face in the Internal

⁴¹ The need for some measures was identified at the Conference of Avignon in 1990.

Market. DG XXIII then tries to leverage the pilot project e.g. by disseminating the experience gained and lessons learnt to a wider range of enterprises (and in particular SMEs) through publications or 'exchange of best practices'. A lot of the measures are still in the implementation phase: e.g. Cross-border Offices, Transnational Co-operation, Public Procurement, Questions related to the ECU and REGIE and Commerce 2000 to a certain extent.

The factor "time" lies at the basis of the lower implementation ratings for several measures. E.g., the pilot project to train apprentices from peripheral areas in the Community for a three year sandwich course in the Federal Republic of Germany has suffered severely from unrealistic time schedules at the beginning of the project which are now the root cause of the weak result of the measure. In the case of Commerce 2000, the findings of the first phase of 11 pilot projects have just been published on a wider scale, which is more than one year after the first phase was terminated. The selection process for the second round of pilot projects was very slow and time-consuming. Auto-audit suffered from similar delays: the elaboration of the manual started in 1992 but too much time was lost with consultations and translation.

Achievement of objective (quantitative and qualitative impact)

Some of the pilot projects are too recent to have created an impact: e.g. Transnational Co-operation and Cross-border Offices are still in the implementation phase. Other measures are still in the implementation phase, which makes it too early to rate their impact: e.g. the Green Paper on the ECU sets the deadline for feed-back by industry federations, professional associations, ... at December 1995 whereas the distribution of the Auto-Audit manual still has to start (planned for the near future); the measure public procurement is also still in the implementation phase.

The idea behind most (pilot) projects is not to reach as many enterprises as possible directly but to leverage the knowledge and experience gained in the different (pilot) projects by an adequate level of follow-up and subsequent dissemination of the experience gained in the years to come. Depending on the penetration obtained, a multiple of the directly involved companies thus should benefit from the different projects. As mentioned in the previous paragraph, most measures are still in the implementation phase; consequently, follow-up measures were not yet taken.

An illustration where follow-up measures are being taken is Euromanagement 'Normalisation': one of the objectives of the measure was to map the problems of SMEs in the field of standardisation, certification, quality and safety and - as a follow-up measure - to increase the influence of SMEs in the process of standardisation: DG XXIII decided to devote its promotional campaign for 1995 to the theme of 'normalisation' and to support the creation of NORMAPME, a non-profit organisation to defend the interests of SMEs in European normalisation bodies.

For REGIE (which is still being further developed), the impact created to date within the EEIG community was rated "adequate": although the response rate of EEIGs was low, there was a considerable interest shown in the project by professionals involved with EEIGs.

No overall rating for achievement of the objective is awarded in view of the fact that for more than half of the measures no evaluation of the impact could be made.

Cost-Effectiveness

The cost-effectiveness of the pilot project to train apprentices from the peripheral areas in the Community for a three year sandwich course in the Federal Republic of Germany was rated "poor" due to the fact that insufficient levers were used.

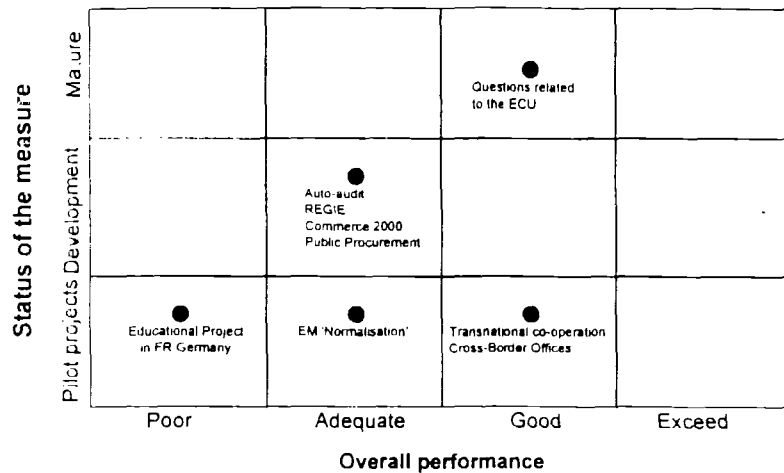
For the other measures no cost-effectiveness rating is given as they are still in the implementation phase or too recent to create a real impact. Therefore, no overall cost-effectiveness rating is given to the strategy to meet the objective.

CONCLUSION

As mentioned above, only a few measures have reached a stage where they can have an impact and contribute towards an effective achievement of the objective. However, as most measures have a rating of "good" on conception and "adequate" on implementation, the foundations are laid to achieve useful and practical results in the years to come, provided some weak points are addressed. A lot of measures and pilot projects suffer at this stage from a lack of human and financial resources and take much more time than initially planned. This is

compounded by the fact that the different projects have a rather limited number of synergies as they try to cover all issues of relevance to SMEs at the same time. The real impact of most of these measures depends on their follow-up measures, which should leverage the findings and experience gained through a wide dissemination. However, in view of the human resources problems, the necessary follow-up measures will probably also suffer from serious delays.

OVERALL RATING PER MEASURE



RECOMMENDATIONS

DG XXIII should continue its 'laboratory' approach of working through pilot projects. Pilot projects allow DG XXIII to 'test by doing', a legitimate and sensible way of assessing new ideas without spending large amounts of money. They also allow DG XXIII to stay in almost direct contact with SMEs and to understand their concerns. However, the ultimate impact of pilot projects lies in a broad dissemination of their findings. In this regard, DG XXIII should ensure that it identifies at the earliest possible stage the different levers that can be used to this effect.

DG XXIII has a central position with a pan-European dimension for enterprise policy, especially towards SMEs. It should reinforce its role of leading facilitator and animator towards all the different platforms (European Community enterprise networks, representative and professional organisations, national authorities,...) for sharing experience, information and best practices. This will create enormous leverage and help enterprises, especially SMEs, to adapt to the structural changes of the Internal Market.

In view of the limited available resources, both human and financial, DG XXIII should set priorities in the areas where action is to be taken. This will also allow a better co-ordination of some of the pilot projects.

The time lags between the different phases of projects, and between pilot projects and their follow-up should be reduced. This can only improve the impact of the different measures.

CHAPTER VII : PROMOTING A BETTER FINANCIAL ENVIRONMENT FOR ENTERPRISES

“Considering ways and means of facilitating SMEs’ access to sources of credit and guarantee, including mutual guarantee systems and risk capital activity; appreciation of the opportunity and feasibility of the development of secondary markets; facilitating SMEs’ access to financial instruments provided by the Community, without involving financing of enterprises”

For the purpose of the evaluation study, we have considered the objective to be removing market inefficiencies and making Community financial instruments more accessible for SMEs.

MEASURES

- Recommendation of May 12, 1995 on payment periods in commercial transactions (“Late Payments”)
- Communication of the Commission of November 10, 1993 on the financial problems experienced by SMEs (“Communication”)
- Programme consultations³⁴
- Mutual guarantee schemes (“MGS”)
- Round table of bankers (“Round Table”)
- Factoring³⁵
- Retention of title³⁵
- Seed capital fund pilot scheme (“Seed Capital”)
- EASD/EASDAQ

To meet the objective, different approaches were used: a **regulatory approach** (e.g. Late Payments, Factoring, Retention of Title, Programme consultations), **exchange of best practices** (Mutual Guarantee Schemes, Round Table), **financial support** (EASD/EASDAQ) and **pilot projects** (Seed Capital).

EVALUATION

Conception

The different measures together are designed to cover the objective across the board; both public authorities (i.e. Member States and the Commission) and different categories of financial intermediaries (e.g. banks, venture capitalists, stock-brokers, operators of mutual guarantee schemes) are involved.

On the one hand, the First Round Table and the Communication made an inventory of the different problems regarding the financial environment of SMEs and suggested possible solutions.

On the other hand, specific measures were implemented to meet the different aspects set out in the annex to the Council Decision:

- Mutual guarantee systems and risk capital activity (“Seed Capital”) were promoted.
- Feasibility studies regarding the development of secondary markets were conducted; further to these studies, DG XXIII financially supported the creation of the Association of European Securities Dealers (EASD) who will help set-up EASDAQ.
- The Second Round Table is considering concrete ways of facilitating SMEs’ access to credit; if actively pursued, “factoring” and “retention of title” will address this aspect as well.
- Through programme consultations and the Round Table, DG XXIII addresses the problem of SMEs’ access to Community financial instruments.
- Late Payments aims to improve the legal framework.

³⁴ The role of DG XXIII in the elaboration of Community financial instruments through programme consultations is very limited. They are also not specifically linked to the Multi-annual Programme as such; however, they are a key instrument in facilitating SMEs’ access to Community financial instruments and thus in attaining the objectives of the Multi-annual Programme.

³⁵ These measures will be started effectively under the next Multi-annual Programme.

For the achievement of the objective, it is a prerequisite that in the conception of the different measures, a maximum of potential levers are identified and built in. All the measures listed above successfully pass this test. Four types of levers were identified:

- **Work through regulatory measures:** they combine a broad impact (the entire SME population) with a limited cost (the elaboration of the regulation). Late Payments, Factoring, Retention of Title and programme consultations fall in this category.
- **Work through networks and partners:** the European Mutual Guarantee Association (EMGA - mutual guarantee schemes), the participating banks (Round Table), the SME representative organisations (Late payments) and the EASD (EASDAQ) are important levers for DG XXIII to realise the objective.
- **Work through other - more powerful - institutions and departments:** through programme consultations, DG XXIII tries to steer Community financial instruments towards SMEs.
- **Leverage your financial resources:** for Seed Capital, DG XXIII leveraged its financial resources by intervening in the operating expenses of the funds, the equity being provided by regional investors. This leads to a much greater seed capital pool via public/private sector collaboration than DG XXIII would have been able to create on its own.

Synergy effects are noted between the different measures. E.g. the First Round Table helped Late Payments and how to facilitate SMEs' access to the Community's financial instruments. Through programme consultations, pilot projects for Seed Capital and mutual guarantee schemes have obtained financing through Community financial instruments.

In view of the "good" ratings of the different measures for conception on a stand-alone basis and taking into account the "across the board" approach, leverage and synergy potential, the overall conception rating for the strategy to achieve the objective is "good".

Implementation

The overall scoring given to the implementation of the different measures is "adequate". This is in line with the ratings given to the different measures on a stand-alone basis.

A common thread runs through the lower implementation rating of most measures. DG XXIII tries to do too much at once - which has a negative impact on the implementation. E.g. factoring and retention of title will be started effectively under the next Multi-annual Programme; there are that many Community programmes which produce a lot of requests for interservice consultations - with documents attached in all official Union languages - and meetings of monitoring committees, that they overwhelm the responsible officials. For the First Round Table there were some flaws in the way it was organised. An implementation flaw of Seed Capital is that the size of the funds is too small to pay back the operating costs (especially after the five year period where DG XXIII funds will stop).

Other measures were well implemented, such as the Mutual Guarantee Schemes, EASD/EASDAQ or Late Payments.

Achievement of objective (quantitative and qualitative impact)

In view of the "good" ratings of the different measures for quantitative and qualitative impact on a stand-alone basis and taking into account the synergy and leverage effects, the overall rating for achievement of the objective is "good".

For several measures it is too early to evaluate the impact: retention of title and factoring are still in the start-up phase; Member States have till 31 December 1997 to report on the follow up to Late Payments (which dates from 1995) - first progress reports bode well in this respect.

The biggest achievements so far are in the area of removing market inefficiencies, i.e. mutual guarantee scheme (pilot projects, European Mutual Guarantee Associations, networking, improving the regulatory framework), Seed Capital (attraction of private funding, jobs created), EASD/EASDAQ (networking, a European NASDAQ) and the Round Table (awareness function). This gains additional importance if one takes into account that, for SMEs in the European economy, the financial markets are the most important external source of finance.

As to the better access of SMEs to the Community's financial instruments through programme consultations, it is very difficult to measure the impact at the level of SME funding actually obtained. There are simply too many

parties involved and, to date, the role of DG XXIII in the conception and the implementation of the instruments is very limited. Therefore, the impact was measured through the weight DG XXIII carried with the other DGs involved: the impact was rated adequate. The First Round Table also played an important role in this respect by raising the awareness of other DGs and the EIB of the problems encountered by SMEs. However, the approach remained high-level; there were no concrete measures. Because of its high-level approach, the impact was mainly qualitative; the overall impact was therefore rated "adequate".

Cost-effectiveness

In view of the leverage obtained through the different types of levers, the cost-effectiveness was rated "exceed": for the regulatory measures, costs are limited to personnel; DG XXIII's financial resources were highly leveraged in Seed Capital; the final cost-effectiveness of the pilot scheme will depend on the degree in which the advances will be repaid. Based on the performance indicators developed by the University of Warwick in an intermediate evaluation report, the cost/benefit varies according to different repayment scenarios: in case of a 70% repayment, the cost per job created amounts to ECU 1,260; for a 50% repayment, the cost per job will amount to ECU 2,086. For the high-tech capital funds, these ratios are even better. Working through networks and partners (EASD/EMGA/Round Table) leverages DG XXIII's human and financial resources.

CONCLUSION

Creating a better financial environment for an SME population of 15 million in 15 Member States with different market realities and needs is not an objective to be achieved in the course of one Multi-annual Programme. It is inherently a long-term process. To date, the efforts of DG XXIII in promoting a better financial environment for enterprises were given an overall rating of "good".

DG XXIII's strategy to meet the objective is sound: the objective is ambitious but the different measures employed generated considerable leverage potential and synergy effects. The fact that DG XXIII tries to remove market inefficiencies (Round Table, MGS, Seed Capital, EASDAQ) is of primary importance. Since financial markets are the main external providers of finance to SMEs, any improvement is bound to have a large impact.

OVERALL RATING PER MEASURE

Status of the measure	Mature	● 1 First Round Table of Bankers 2 Programme consultations	● 1 Mutual guarantee schemes 2 Late payments 3 Communication on financial problems of SMEs		
	Start-up		● 1 EASD/EASDAQ 2 Factoring 3 Retention of title		
	Pilot projects		● Seed Capital Fund Pilot Scheme		
		Poor	Adequate	Good	Exceed

Overall performance

RECOMMENDATIONS

Discussions with officials from DG XXIII, other DGs, SME representative organisations and members of the Article 4 Committee all underscore that improving the financial environment of SMEs should be one of the top priorities of DG XXIII if the growth and internationalisation of SMEs is to be promoted: the limited availability of appropriate financial resources is a major headache for entrepreneurs and stunts the growth of too many SMEs.

The following recommendations can be made to better achieve the objective in the short run:

- A close follow-up of the **Recommendation on payment periods** in commercial transactions and encouragement of slower Member States to take action.
- Ensure that the findings of the **Second Round Table of Bankers** are implemented and made known throughout the banking sector. Financial sector professional organisations could be involved in this regard.
- Activate **factoring and retention of title**. The organisation of a Round Table on Factoring could be investigated.
- For **Seed Capital**, the relations and exchange of expertise with established early-stage venture capitalists should be further developed. The lessons of the pilot can be extremely valuable for DG XXIII to explore the barriers to early-stage technology investments, especially diseconomies of scale and scope for small funds.
- **EASDAQ** will become operational in 1996 but there remain significant barriers to assure its pan-European character. If DG XXIII wants EASDAQ to be successful, it will have to encourage Member States to remove the legal and regulatory barriers the project faces.
- Regarding the **programme consultations**: DG XXIII should be involved at the conception of the Community's different financial instruments, thus making sure that the financial instruments are not only accessible but also tailored to meet SME needs. An early involvement would also make it possible to consult and involve SME representative and professional organisations. A prerequisite would be a considerable increase in the resources allocated to the process.

For the longer term, DG XXIII should continue to work as much as possible through mechanisms based on the exchange of best practices because of the inherent advantages this technique offers (wide pool of experience, in line with new approach of partnership and market-oriented). The following new measures could be suggested:

- Create Round Tables for each of the different parties and professions that are involved in the financing of SMEs: e.g. venture capitalists, stock-brokers, accountants, public sector bankers....
- Create a Committee for Improving the Financial Environment modelled upon the Committee for Improving and Simplifying the Business Environment: the Committee would study what measures (including taxation) can be taken at the level of the Member States to improve the financial environment of SMEs.

CHAPTER VIII : PROMOTING BETTER OBSERVATION OF THE ECONOMIC DEVELOPMENT OF ENTERPRISES

Promoting better observation of the economic development of enterprises as part of the dynamic of effective implementation of the internal market. European Observatory for SMEs, improved statistics on SMEs without increasing the burden on enterprises"

MEASURES

- Business services in Europe ("Business services statistics")
- Enterprises in Europe ("Enterprise statistics")
- CMA statistics³⁶
- European Observatory for SMEs
- Conference of Berlin (1994)

EVALUATION

Conception

In view of the sound approach and the potential leverage effects, the overall rating given to "promoting a better observation of the economic development of enterprises" is "good". This is in line with the rating of the measures on a stand-alone basis.

The different measures constitute a complementary approach of the objective as set forth in the Annex of the Council Decision: all sectors and industries are covered by the different publications or events.

The different publications (Business services statistics, Enterprise statistics, CMA statistics and the European Observatory for SMEs) respond to an explicit information need of policy makers as no comparable data sets exist at a European level. This is particularly the case with respect to the European Observatory for SMEs: the measure corresponds directly with the objective outlined in the Annex; policy makers regard the European Observatory as a unique reference document dealing with all SME-related aspects.

In order to avoid adding to the burden on enterprises through questionnaires or surveys, DG XXIII clearly defined and implemented a strategy of using as much as possible statistical data existing at a national level. The collected data are generally available at National Statistical Institutes and/or professional or other organisations or are gathered by means of pilot surveys on a voluntary basis.

The Conference of Berlin (1994) is a clear illustration of how DG XXIII gets direct feed-back on the different problems that companies face in the field. By exchanging and debating views of different key players in the field, including national policy makers in the craft and small businesses sector, the conference helped to identify to what extent an action at a European level is needed. Some of these proposals have already been followed up by measures or pilot schemes.

With respect to the CMA statistics, questions arise as to whether it should be a priority of DG XXIII within the Multi-annual Programme.

No synergies were identified between the different measures as they cover different sectors of activity and are not comparable.

For nearly all the measures listed above, DG XXIII succeeded in identifying different types of levers:

- Co-operation with specialised institutions/organisations for statistical research and leverage of financial resources. For example, the different publications, except the "European Observatory for SMEs", are a co-production of DG XXIII and EUROSTAT.
- The Conference of Berlin allowed DG XXIII to identify areas for priority action, thanks to the input of policy makers and experts from professional organisations in the craft sector and small businesses.

³⁶ CMA stands for co-operatives, mutuals and associations.

Implementation

The overall scoring given to the implementation of the different measures is "adequate". This is consistent with the ratings given to the measures on a stand-alone basis.

The implementation of the different measures has generally been well prepared and followed up. The role of DG XXIII varies from co-defining, in collaboration with EUROSTAT, the type of information the different publications should contain, to the preparation of workshops and of a detailed thesaurus of proposals expressed by the participants of the Berlin Conference.

The common element in the lower implementation ratings is that some publications are incomplete and inaccurate. This is because of the frequently poor quality of data available at national institutions or because of the low response rate in the pilot surveys by which the data are gathered (e.g. "Business Services in Europe", "CMA Statistics"). Moreover, by the time the publication is released, the data are often considered obsolete by its potential users.

For the European Observatory for SMEs, extensive use is made of different SME research institutes throughout Europe - which created a network effect between the different institutes. The European Observatory for SMEs has a strong academic basis, but, in the opinion of some respondents, it is not a very practical document to its target group of policy makers: its format is not practical and all information included is not always of direct use or interpretation. In view of the absence of non-research bodies in the network, some pragmatic dimensions are not enough considered.

Achievement of objective (quantitative and qualitative impact)

The overall rating given to the achievement of the objective is "adequate".

Several measures are still in a development phase: this was the case for the CMA statistics and the Berlin Conference. While it is still too early to assess their total impact, it can be assumed that they can and will have a bigger impact as they reach maturity.

The biggest achievements of the different measures are in the sphere of establishing a better and more comprehensive picture of the situation of SMEs and of analysing the impact of the Internal Market on SMEs. The statistics clearly fill a gap as no comparable publications exist at a European level.

Furthermore, they provide enterprise policy makers at a national and European level with a useful tool for identifying the right initiatives in the enterprise policy. With respect to the European Observatory for SMEs, the surveys and interviews indicated that officials attach a quite high importance to the publication, which confirms the use they make of it. The Conference of Berlin resulted in a short-list of priority measures to be taken: the necessary follow-up is also taking place. Therefore, its impact was rated "good".

Unfortunately, for the other measures, the impact was rated "adequate" because they are hampered by some flaws. Their impact suffered from a perceived incompleteness and a weak distribution policy: the target group for most publications is generally poorly defined and inadequately implemented. Policy makers at a European level have generally been well targeted; those at the Member State level and other people having an impact on the environment in which SMEs operate are much less effectively targeted.

Cost-effectiveness

An inefficient distribution policy with respect to all publications hampers the potential impact the different measures could achieve, and hence reduces their cost-effectiveness.

With respect to the Conference of Berlin, the average cost per participant was acceptable in view of the good qualitative and quantitative impact of the measure.

CONCLUSION

The Commission's strategy to meet the objective of a better observation of the economic development of enterprises is "adequate". It disposes of considerable leverage effects by using information existing at a national level and because of the co-financing.

DG XXIII's added value in this area of activity consists in the compilation of a comprehensive and unique source of information on the development of enterprises in the different Member States of the European Union. Its role in

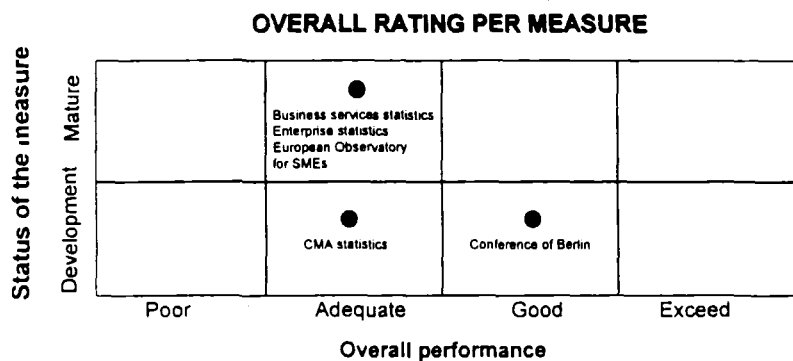
this area would seem completely justified as no comparable compilation or information exists at the European level.

The different publications provide policy makers with extensive information which can help them define the appropriate strategies. Some concern arose with respect to the number of copies distributed and the number of policy makers that have finally been reached. An improved distribution policy aimed at targeting more effectively national officials should be considered, as it could considerably increase the impact of the different publications.

The development of quantitative information on small and medium-sized enterprises is an important issue. But the distinctive roles DG XXIII, EUROSTAT and authorities at national or international level play in the collection and compilation of the information did not appear to be optimal.

The objective not to increase the administrative burden on enterprises has been achieved and a similar policy should be adhered to in the future.

The Conference of Berlin made possible an identification of the problems in the field through direct consultation with field experts and hence helped to take appropriate action.



RECOMMENDATIONS

To improve the working of the different measures, the following recommendations can be made:

- A focus on the quality of the data included in the publications is a top priority: DG XXIII should try to achieve this by trying to encourage the national (statistical) organisations to obtain data that are both accurate and up-to-date.
- A clear definition of target groups at the European and Member State level for the different publications and subsequently the implementation of a focused distribution policy.
- Feasibility studies should be conducted in order to even better integrate new information technologies (CD-ROM, On-line Databases with interrogative software, ...) to make the data more user-friendly and accessible.
- Concerning the European Observatory for SMEs, the integration in the network of some non-academical organisations could help to engender a more practical approach towards SMEs. In addition, in order to avoid its heavy format, a publication per theme or segment could be considered or, preferably, a CD-ROM format with interrogative software. This argument also applies to the Enterprises in Europe publication;
- In view of its success in fostering closer contacts with and feed-back from the field, events like the Conference of Berlin should continue to be held; follow-up measures, however, should be implemented more rapidly (it took over a year for the Conference of Berlin). The idea of a Conference could also be used for other focused groups of SMEs.

CONCLUSION

What is the overall evaluation of the achievement of the objectives of the Multi-annual Programme as set forth in the Council Decision of June 14, 1993 ?

The table below presents the evaluation per objective for each criterion, and the number of measures.

DG 23 OBJECTIVE	SCORINGS PER CRITERION				NUMBER OF MEASURES			
	CONCEPTION	IMPLEMENTATION	ACHIEVEMENT	COST EFFECT	PILOTS	START UP	DEVELOPMENT	MATURE
Admin & Legal Environm.	G	A	A	E		1		2
Better access to Community information for enterprises	G	A	A	A				5
Improving the business-partner-search network	G	A	P	G				2
Direct Contact bt Entrepr - Subcontracting	G	A	G	G	1	1	1	3
Ensuring consideration of SME interests in the various Community initiatives and policies	G	A	A	G	1		1	2
Encouraging SMEs to adapt to structural changes and to changes brought about by the internal market	G	A	-	-	4		4	1
Promoting a better financial environment for enterprises	G	A	G	E	1	3		5
Promoting better observation of the economic development of enterprises	G	A	A	N.A.			2	3
Evaluation and development of enterprise policy	-	-	-	-	-	-	-	-

The scorings have the following meaning: "E" stands for "Exceed", "G" for "Good", "A" for "Adequate", "P" for "Poor", and "N.A." for "Not Applicable".

The last objective, i.e. "Evaluation and development of enterprise policy", has not been evaluated as it relates to the evaluation to be made by an external expert, i.e. the subject of the present report.

The interpretation to be made of the above table is as follows:

1. The *conception* of the different measures is "Good" as they respond to the objectives of the Council Decision: in most of the cases, the different aspects of the objectives are covered; synergies between measures are to a certain extent identified (e.g. between the EIC R&TD Group and the Euromanagement R&TD programme, correspondents of BC-Net, BRE, EIC which participate in one third of Europartenariat/Interprise events, ...) although there is still room for improvement. The budgets allocated to the network related measures (EICs, BC-Net, BRE, Enterprise, ...) seem to be very important compared to other measures (e.g. pilot projects). One could ask the question if the measures have been sufficiently prioritised.
2. The *implementation* of the objectives is "adequate". For most of the measures, the major strengths of the implementation are that:
 - Interactions with the target environment were sufficient;
 - Especially for pilot projects and measures in the start-up and development phase, a structured approach has been developed;
 - Appropriate levers have been identified and used.

The major weaknesses in the implementation of the measures are divided into a strategic and operational dimension:

- Strategic:
 - ✓ Insufficient "Customer focus", i.e. insufficient identification of the target customer for each measure (this is particularly the case for the EICs, Statistics, Information & Publication and others);
 - ✓ Insufficient identification and use of synergy and integration potential between all enterprise related Community networks;
 - ✓ With respect to mature measures, insufficient alignment on a continuous basis with the environment.
- Operational:
 - ✓ Insufficient management information allowing fine-tuning or redirection of the implementation of the different measures;
 - ✓ Constraining and slow decision process within the Multi-annual Programme;
 - ✓ Insufficient follow-up and delays in the implementation of the different measures.

3. The *achievement* of the different objectives is "adequate", except for the objectives which encompass the subcontracting measures and those related to the promotion of a better financial environment for SMEs. With respect to the latter two, the scoring is "good".

The scorings on achievement are closely related to the implementation of the different measures. Overall the qualitative and quantitative impact increased during the Multi-annual Programme. We believe however that a more significant increase could have been achieved.

4. Concerning the *cost-effectiveness* ratio, scorings are generally better and vary from "adequate" to "good" and "exceed".

The better scorings with respect to the cost-effectiveness ratio in comparison with those attributed to the achievement of the objectives can be explained by the following:

- The evaluation was made in light of the limited operational resources allocated to the Multi-annual Programme. These limited resources hamper to some extent an optimal quantitative and qualitative impact but not the cost-effectiveness;
- The levers, which, although valuable, could not sufficiently contribute to reach a significant quantitative impact on the total SME population.

The "adequate" scoring with respect to the achievement of the objectives compared to the good cost-effectiveness indicates an existing imbalance between the broad and ambitious objectives on the one hand, and the limited resources on the other hand.

Which conclusion can be drawn from the evaluation of the Multi-annual Programme from a dynamic perspective, i.e. the progress made compared to the situation two years ago ?

The actual Multi-annual Programme contains a lot more objectives and measures compared to the previous one.

Major progress has been achieved in the implementation of some measures (e.g. Recommendations have been adopted on Transfer of Businesses and Late Payments). For most of the measures, considerable improvement has been identified in terms of quantitative and qualitative impact.

The relationship between DG XXIII and the environment has become more interactive: the environment has been more often consulted and taken into consideration in the implementation of different measures.

Although it appears that progress is being made into the right direction, there is still considerable room for improvement.

RECOMMENDATIONS

What is the policy recommendation we could make after the evaluation of the different measures of the Multi-annual Programme ?

First, a suggestion for a mission statement for the new Multi-annual Programme : in view of the ambitious and broad objectives and the limited resources, the Multi-annual Programme should foremost be about the "Creation of an appropriate environment for Growth & Internationalisation of SMEs through a uniquely conceived network and by extensively using the adequate levers". We suggest six axes to achieve this mission:

- Create a visibility on SMEs
- Focus on deregulation
- Focus on an integrated approach
- Focus on levers
- Focus on Information Technology
- Continuous development of a single network

Visibility on SMEs

A precondition for an effective SME policy is to understand the SME population and the problems they face in their attempt to grow & internationalise³⁷. The instruments that currently exist (SME Observatory and Statistics) do not sufficiently provide policy makers with the daily realities SMEs face. We therefore recommend to set up additional measures allowing to :

- Create visibility on SMEs and their real needs,
- Analyse what kind of segmentation of SMEs could be done based on their current needs,
- Disseminate and integrate valuable information in the implementation of the existing measures³⁸.

To fill this information gap, alongside new measures, the existing networks should be used to serve as grass-roots points of contact with the SME population; they should help DG XXIII in identifying areas for priority action, with a continuous feed-back on the effectiveness of existing measures and projects and help fine-tune new measures by providing segmented 'market' information.

Focus on deregulation

Our analysis showed that the administrative and legal burden SMEs have to face should be one of the top priorities of any SME enterprise policy. Therefore, the new Multi-annual Programme should include measures concentrating on all aspects of this objective: DG XXIII should be the advocate and watch-dog of legal and administrative deregulation (or new regulation) within the Commission through the interservice consultation process, through consolidation of legislation and through a thorough impact assessment of legislation.

As an important part of the administrative and legal burden is created at the level of the Member States, the new Multi-annual Programme should also address this point by making DG XXIII a facilitator of deregulation within the Member States on the basis of the new partnership approach of article 130 of the Treaty of the European Union. The Committee for Simplifying and Improving the Business Environment is a first step in this regard

Integrated approach

DG XXIII should put more resources in its attempt to co-ordinate those activities resulting from other DGs within the Commission which could be considered in support of SMEs. DG XXIII should identify the adequate measures that will allow them to be more closely involved in most of the initiatives taken towards the SMEs at the Community level.

³⁷ The objective should also be to identify the percentage of SMEs interested by growth & internationalisation, who they are, and what are the actions to be conducted to increase this percentage. "Integrated Program in favour of SMEs" (Com (94) 207 Final) indicates that only 5% of SMEs are really interested by growth & internationalisation.

³⁸ This in order to respond to the lack of a "Customer focused" approach as highlighted in the conclusion

The levers

DG XXIII should place yet more emphasis on the use of levers in everything they do. While DG XXIII has done a good job in trying to identify levers in the implementation phase, these levers were not always effectively used.

Working through pilot projects to demonstrate the viability and feasibility of new ideas that might benefit SMEs also forms an integral part of DG XXIII's mission. DG XXIII should ensure that the ideas and projects that have passed the market test successfully are picked up by the market on a larger scale and thus create a leverage effect.

The exchange of best practices is another way to create leverage effects: it draws from a large pool of experience, it takes into account the different realities, it is in line with the new partnership approach (between the Member States, the Commission and representative organisations), and it is the most market oriented approach which should guarantee a high cost-effectiveness. Therefore, it should be used extensively as a tool in the pursuit of the different objectives, DG XXIII should be a facilitator of an effective exchange through the organisation of pilot projects, conferences, Round Tables, seminars. Issues to be discussed should certainly include finance, exporting, research, co-operation,...

Information Technology

The next Multi-annual Programme should consider as an objective a better access to information technology for the SMEs. Moreover, DG XXIII should better integrate information technology in the existing measures. We cannot sufficiently stress the importance of the information society in providing strategic opportunities for the SMEs.

The networks

The networks as they actually exist cannot fulfil the objectives as set forth in this recommendation, i.e. to provide valuable information on the SMEs and to adequately use levers by focusing on the distribution channels. Moreover, the preceding chapters have identified different recommendations that could significantly increase their quantitative & qualitative impact. We therefore believe that the networks should be significantly transformed and integrated into a single network. Moreover the new single network should be the instrument through which most of the measures should be implemented. The single network concept consists of one central structure and multiple distribution channels. The central structure combines all information and competences to maximise its effectivity and efficiency. The distribution channels include different types of non-exclusive most trusted business advisors to SMEs. This should contribute to the successful integration of the first-stop-shop and one-stop-shop concepts as the basis of the single network. The single network will continue the different types of individualised services that the networks currently provide.

The suggested new approach gives rise to a fundamental question: does the Multi-annual Programme provide DG XXIII with sufficient resources to achieve the objectives?

First the budget of the Multi-annual Programme: based on the suggestions outlined in the previous chapter:

- most of the existing non-network measures have been rated "adequate" or "good" ; different recommendations have been highlighted in the preceding chapters that could improve their effectiveness to achieve the objective. We therefore believe that most of them should be continued ;
- as previously mentioned, the network measures should be transformed, with significant investments in technology ;
- we believe that additional measures should be set up in the area of information on SMEs, deregulation and integrated approach.

On the one hand, the transformation of the networks will require investments. However, it is too early to say if the future functioning of the networks will be significantly more expensive than the current situation.

On the other hand, the new measures will require additional budget.

We therefore believe that, if such a policy statement wants to be adequately implemented, additional budgets should be required.

In terms of human resources, it was not the purpose of our evaluation study to review the adequacy of the human resources allocated to the execution of the Multi-annual Programme. Nevertheless, the evaluation has shown that some implementation problems were partly due to a lack of human resources. The additional measures proposed would probably also require additional human resources and specific skills.

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