



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 25.11.1997
COM(97) 610 final

**REPORT FROM THE COMMISSION TO
THE EUROPEAN PARLIAMENT, THE COUNCIL,
THE ECONOMIC AND SOCIAL COMMITTEE AND
THE COMMITTEE OF THE REGIONS**

**ON THE COORDINATION
OF ACTIVITIES TO ASSIST
SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs) AND
THE CRAFT SECTOR
1997**

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SUMMARY

This report on the coordination of activities to assist SMEs and the craft sector has been drawn up pursuant to Council Decision of 9 December 1996 on the third multiannual programme for SMEs, and is part of the follow-up to the Council's Resolutions of 1996 regarding coordination and the Integrated Programme and the corresponding Parliament Resolutions of 1997. It provides an overview of the Community's activities to assist SMEs and gives practical expression to the objectives of the Integrated Programme, which is the governing framework for the coordination of activities in this field. Its aim is to raise the profile of the Union's action to assist enterprises and to help make such action more visible, coherent and efficient.

The aim of the coordination is to ensure that the SME dimension is integrated into the definition and implementation of Community policies and to increase the participation of SMEs in Community programmes.

The report which updates the previous report of 1995 is structured on two priorities, namely improving the SME environment and presenting the programmes and support measures for SMEs. The conclusions demonstrate the progress made since the first report in this series was drawn up in 1992.

A political priority in favour of SMEs has gradually developed within the Union as a result of the recognition of the job-creation potential of SMEs, which has been reflected in positive indications from recent European Councils.

To improve the administrative, legal, fiscal and financial environment for SMEs, the Commission is keen to take greater account of the specific features of SMEs in drawing up all Community policies (such as the programme for the internal market, competition, taxation, the environment and social policy) and has proposed specific actions. The new definition of SMEs adopted in 1996 is contributing to better targeting of measures to assist SMEs. Coordination is achieved through the SME impact assessment sheet for legislative proposals and via interdepartmental cooperation. In the case of existing legislation, measures are being taken to simplify legislation relating to the internal market. Following the European Council in Amsterdam in June 1997, the Commission set up a "BEST" Task Force to improve and simplify the business environment. A recommendation on improving and simplifying the business environment during the start-up phase was adopted in 1997. Work on payment periods and the transfer of businesses is under way. Improvement of the financial environment of SMEs was the central topic of the Round Table of leading representatives of the banking sector and was the subject also of a Communication on the European capital markets. Practical questions relating to the change-over to the euro are being examined in working parties, one of which is dealing specifically with SMEs. Furthermore, following the Amsterdam Council, the Commission proposed guidelines for Member States Employment Policies as a framework for discussion at the special Job Summit in Luxembourg (20/21 November). These guidelines cover several topics, including the promotion of a new culture for entrepreneurship in Europe.

The programmes and business support measures are aimed primarily at access to finance and credit, support for the development of SMEs in disadvantaged regions, the Europeanisation and internationalisation of SMEs, strengthening competitiveness, improving access to research, innovation and training, promoting the spirit of enterprise and greater consideration of the environmental dimension.

The support measures taken under enterprise policy concern mainly information via the Euro Info Centres - recognised as "first-stop shops" for access to Community information for enterprises - the Europeanisation and internationalisation of enterprises through inter-enterprise cooperation networks (BC-NET and BRE) and the EUROPARTENARIAT and INTERPRISE programmes, as well as transnational subcontracting schemes such as the organisation of international buyers' exhibitions (IBEX). Measures have also been directed at the craft sector, at commerce - which was the subject of a Green Paper - and at the "social economy". The holding of the Third European Conference on the Craft Industry in Milan on 20 and 21 November 1997, whose theme is "Innovating for employment", reflects the importance attached to this sector of the economy. Moreover, with a view to helping craft and small enterprises, a series of measures has been taken, in particular to develop a culture and spirit of enterprise and to provide support for women entrepreneurs. In order to promote the creation of joint ventures within the European Union, the Commission has adopted the new programme entitled "JEV - European Joint Venture". A Euromanagement-Environment scheme is also being set up in order to help SMEs participate in the Community system of environmental management and auditing.

The other programmes and measures of Community support for SMEs are mainly through the structural funds, the programmes of research and technological development, the vocational training programmes and the programmes of international cooperation. Other actions concern SMEs in the fields of quality and standardisation, innovation, the environment (ECO-AUDIT), transport, energy and the audiovisual industry.

SME participation in the programmes has gradually increased. To start with, in the structural funds - the principal financial instruments of the Union - SMEs are a target group for aid. Between the periods 1989-1993 and 1994-1999 the Community appropriations for SMEs almost doubled, to an average of 10% for all objectives and notably more for the Objective 2 regions, where 16% on average is devoted to them for 1997-1999. In the new Member States the share reaches 30 to 40%. The Commission has also proposed that the margin available in the existing programmes be used for SMEs. The Community SME initiative, currently under way, is specifically devoted to the adaptation of SMEs to the internal market. Overall, there has been a noticeable increase in the allocations for SMEs. The Commission launched at the end of 1997 a thematic evaluation on the impact of structural funds on SMEs.

The European Investment Bank doubled the volume of its global loans to promote the competitiveness of SMEs between 1993 and 1996, and the number of SMEs benefiting also doubled, to stand at 11 034 in 1996. The SME facility has helped 4 435 SMEs to create more than 45 000 jobs. The European Investment Fund now devotes 34% of its activities to SMEs, with guarantees amounting to 613 million ecus, of which 397 million ecus is for the "growth and the environment" pilot scheme.

In the Research and Technological Development (RTD) programmes, the introduction of specific measures for SMEs has increased their participation in the Fourth Framework Programme, nearly doubling their participation compared with the Third Programme. 2 500 SMEs benefited from the technology stimulation measures between 1994 and 1996, most of them being enterprises with fewer than 50 employees. Besides, within the Innovation programme, the Commission launched in July 1997 the I-TEC pilot project to encourage start-up capital investment in technologically innovative SMEs.

To promote the internationalisation of SMEs, the existing Community methodologies and tools for information and partnership have been extended to a number of third countries under Community programmes: in the Mediterranean Basin (MEDA), in Latin America (AL-INVEST) and most recently in Asia (ASIA-INVEST), as well as in the countries of Central and Eastern Europe (PHARE, COOPME) and the beneficiary countries of the TACIS programme. Partnership meetings are held in third countries along the same lines as the EUROPARTENARIAT and INTERPRISE programmes.

In the field of vocational training, SMEs are the priority target in programmes under Objective 4 of the European Social Fund and the ADAPT scheme, the allocations for which vary between 50 and 80% depending on the Member State. In the enterprises strand of the LEONARDO DA VINCI programme, SMEs account for 16% of partners in the pilot projects and 26% of the mobility projects. These percentages should rise in the next calls for proposals because of the improved mobilisation of networks of intermediaries and the greater priority given to SMEs, the craft sector and micro-enterprises.

Finally, the report demonstrates the progress made and recognises that the coordination effort can be further strengthened in order to rationalise and make more effective the actions to assist SMEs. To increase the participation of SMEs in Community programmes, the barriers to their fully exploiting the measures available will be identified and possible solutions examined. Although SME policy remains essentially a matter for the Member States, the Commission can play a significant role. In application of Article 130 of the Treaty on European Union, concerted action stimulates closer cooperation amongst the Member States by organising the exchange and transfer of good practice in improving and simplifying the business environment and measures in support of SMEs. Moreover, the structured dialogue between the Commission and the professional organisations ensures that adequate account is taken of the situation of SMEs and that policy measures are explained. Coordination of all those involved is essential for translating the political priorities into tangible measures, thereby maximising the potential for jobs, growth and the competitiveness of SMEs.

FINANCIAL INSTRUMENTS, COMMUNITY PROGRAMMES AND SMEs				
Community operations	Amount allocated to SMEs in ecus	Number of SMEs	SME participation across all projects	SME share in overall budget
Financial instruments EIB - Financing via global loans since 1990 in 1995 in 1996	11 MM 2,9 MM 2,6 MM	42.000 11.736 11 034		45% of financing allocated to industry and services 58,4%
SME facility - Global loans with interest subsidy in 1994	1 MM	4 435 (45.000 new jobs)	100%	100%
EIF (guarantees) 1994-1997, of which "Growth and the environment"	613,5 M 397 M		100% 100%	34% of EIF activities as a whole
Seed capital action	35 M (investments)	207 (3000 jobs)	100%	100%
Structural funds (94-99)* CCA/DOCU Community Initiatives (94-99) SME LEADER II EMPLOYMENT-NOW	1 MM		100%	10% on average for Obj. 1 16% for Objective 2 30-40% for the new MS 100% 20% 50%
Research and development III Framework Programme for RDT (91-94) IV Framework Programme for RDT (94-98) TSME (in 10 programmes) (94-98) Results 94-96 Innovation Programme	700 M (indicative)	6.276 (4 yrs) 5.439 (2 yrs) 2500	18% 24% 100% 47%	100%
Vocational training ESF Objective 4 ADAPT LEONARDO DA VINCI (95-99)			majority 16% (enterprise strand) 26% (mobility strand)	50 to 80% majority
International cooperation JOP (91-97) PHARE -SME (95-96) national programmes COOPME (95-97) TACIS -SME (95-96) MED-INVEST/MEDA (95-96) AL-INVEST (95-99) ECIP (95-99) ASIA-INVEST (97-2002)	117,5 M 33 M 13 M 31 M 41 M 250 M 42 M	124 joint enterprises 4000 partnership contacts 825 (95-96)	majority (69% SMEs<100 employees) 100% 100% 100% SME- oriented	majority for SMEs 100% 100% 100% Facility 1 : 100% Facility 2 : 80%
Environment Financial instrument LIFE (93-97)		250 projects		40%
MEDIA II Programme of which Loans for SME development Action plan 16:9	3 M	220 220	85%	45%

MM = 1000 million

N.B.: The Community operations set out in this table are of differing types (subsidies, loans, guarantees) and cover different periods. The amounts given cannot therefore be added.

* An estimate is given of anticipated SME participation.

INTRODUCTION

This report has been drawn up in accordance with Article 5(2) of the Council Decision of 9 December 1996 on a **third multiannual programme for small and medium-sized enterprises (SMEs) in the European Union (1997 to 2000)**¹, which stipulates that “*the Commission shall submit to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions a biennial report assessing progress in the inclusion of the SME dimension in all Community policies and programmes, following its coordination activities*”. This report on the coordination of Community activities to assist SMEs and the craft sector is the fourth, following on from the reports for 1995² (published in 1996 and distributed in over 20 000 copies among interested circles), 1994³ and 1992⁴. It covers 1995, 1996 and part of 1997.

It is also a response to requests by the Council, which showed its interest in the 1995 report by adopting the **Resolution of 22 April 1996 on the coordination of activities in favour of SMEs and the craft sector**⁵, in which it asked the Commission to analyse in greater detail the impact of Community policies on SMEs. By adopting in July 1996 the updated version of the **Integrated Programme for SMEs and the craft sector**⁶, the Commission confirmed the usefulness of a global framework for all actions to assist SMEs in order to enhance their profile and increase their effectiveness. The Integrated Programme is thus a coordination instrument operating both externally, by encouraging concerted actions between Member States, and internally, by laying emphasis on coordination between enterprise policy and other Community policies or programmes. This report reflects the objectives of the Integrated Programme for SMEs and should be considered in the context of the Council’s request, expressed in its **Resolution of 9 December 1996**⁷ on the Integrated Programme, for a Recommendation on how to increase the participation of SMEs in Community policies and programmes. The European Parliament also expressed its interest in the coordination of actions to assist SMEs by adopting on 24 April 1997 an own-initiative Resolution on the 1995 report⁸ and an own-initiative Resolution on the 1996 Integrated Programme⁹ requesting the Commission to step up and sharpen its coordination efforts.

The attention paid by the Commission to coordinating its actions to assist SMEs led it in April 1996, following the restructuring of the departments in charge of enterprise policy, to set up a new Directorate to be responsible for concerted actions in the field of enterprise and tourism policy, in which a new unit has special responsibility for SME-related concerted actions with the Member States, coordination with the

1 Council Decision 97/15/CE of 9.12.1996, OJ L 6 of 10.1.1997, p.25

2 COM(95) 362 of 8.9.1995, mention of the 1995 report refers to this communication

3 COM(94) 221 of 7.9.1994, mention of the 1994 report refers to this communication

4 SEC(92) 704 of 26.5.1992

5 Council Resolution 96/C 130/01 of 22.4.1996 on the coordination of Community activities in favour of SMEs and the craft sector, OJ C 130 of 3.5.1996, p.1

6 COM(96) 329 of 10.7.1996

7 Council Resolution 97/C 18/01 of 9.12.1996 on realising the full potential of SMEs, including micro-enterprises and the craft sector, through an integrated approach to improving the business environment and stimulating business support measures, OJ C 18 of 17.1.1997, p.1

8 Rapporteur Mr Garosci, A4-0100/97, OJ C 150 of 19.5.1997, p. 50

9 Rapporteur Mrs Peijs, A4-0034/97, OJ C 150 of 19.5.1997, p. 47

Community policies concerned, and improvement of access by SMEs to Community support programmes. In this way, the Commission demonstrated its will to improve the coordination of actions to assist SMEs in view of the importance of SMEs for growth, competitiveness and employment.

This report deals with SMEs in general, irrespective of their sector and legal status. As regards tourism, which cuts across a number of fields, the Commission adopted in 1997 a specific report on Community measures affecting tourism¹⁰ setting out the contribution of Community policies to this sector, of growing importance for the European economy and employment

AIMS AND SCOPE OF COORDINATION

Coordination has two aspects: external via the concerted actions conducted with the Member States for the purpose of promoting cooperation among the Member States and between the Member States and the Commission, in particular by exchanges of experience and best practice, and internal via the interdepartmental work carried out within the Commission. Internal coordination applies to all Community programmes, policies and actions which may concern SMEs both from the **regulatory** point of view (social, environmental or competition legislation) and from the **financial** point of view (financial instruments and programmes such as the structural funds, research and technological development or vocational training).

Coordination has the twofold objective of **(a) ensuring that the SME dimension is incorporated into the planning and implementation of Community policies** so that greater allowance is made for the special features of SMEs and **(b) increasing SME participation in Community programmes**. Account is taken of the SME dimension in other policies mainly at the stage of **interdepartmental consultation on legislative proposals** (see the SME impact assessment form system) and on **proposals for Community programmes**. For support programmes, in addition to the planning and programming phase, coordination also applies to the implementation, follow-up and evaluation phases.

STRUCTURE OF THE REPORT

This report comprises two chapters organised around the Commission's priorities regarding enterprise policy, in accordance with the lines of action defined in the third multiannual programme for SMEs of 9 December 1996. The first chapter deals with **improvement of the SME environment**, which is looked at from the administrative, legal, financial, fiscal and social points of view, while the second concerns the **support programmes and measures for SMEs**, comprising mainly concerted actions, access to financing and credit, support for Europeanisation and internationalisation, improvement of SME competitiveness, improvement of SME access to research, innovation and vocational training, promotion of the entrepreneurial spirit and support for categories of enterprises such as those in the craft sector, distributive trade and the 'social economy'. The conclusions describe progress on coordination since the adoption of the first report in 1992.

¹⁰ COM(97) 332 of 2.7.1997

A COMMON DEFINITION OF SMEs

The Commission defined for the first time a single reference framework for all measures to assist SMEs by adopting, on 3 April 1996, a Recommendation on the definition of SMEs¹¹ addressed to the Member States, the European Investment Bank (EIB) and the European Investment Fund (EIF). This recommendation promotes the use of a definition of SMEs, small enterprises and micro-enterprises at both national and Community level, in order to increase the coherence, effectiveness and profile of all actions to assist such enterprises. Thus, an SME is defined as an enterprise which has fewer than 250 employees and an annual turnover not exceeding ECU 40 million or an annual balance-sheet total not exceeding ECU 27 million and in which no enterprise or enterprises which are not themselves SMEs own 25% or more of the capital or of the voting rights. Furthermore, other thresholds define small enterprises (fewer than 50 employees, turnover not exceeding ECU 7 million or balance-sheet total not exceeding ECU 5 million, together with the independence criterion) and micro-enterprises (fewer than 10 employees).

Since Commission departments are obliged to comply with this Recommendation, the application of the same definition to all Community programmes for SMEs should make it possible to improve the coherence between these programmes and to improve coordination both among them and between national aid measures for SMEs.

IMPROVED KNOWLEDGE OF SMEs

More than 99.8% of the 17.9 million enterprises in the European Union are SMEs, employing 66% of the private-sector workforce and generating 56.2% of total turnover.

In order to improve its knowledge of SMEs, the Commission adopted two main lines of action. First, it continued the statistical work which was started in 1987 with the national statistical institutes and led to the creation of the European System of Statistics on SMEs, a database containing information on enterprises broken down by size class. Second, it renewed its collaboration, begun in 1992, with the European SME Observatory, one of the most important analytical sources of information on the economic performance and the environment of SMEs, and which produces an independent annual report.

The European System of Statistics on SMEs

During the past two years, the Commission has considerably enhanced the European System of Statistics on SMEs, while ensuring that the burden on enterprises is kept to a minimum. Use was made of the content of the System in drawing up the fourth edition of the publication "Enterprises in Europe" and the third and fourth reports of the European SME Observatory.

¹¹ OJ L 107 of 30.4.1996, p. 4

The fourth edition of the publication “Enterprises in Europe”, published at the end of 1996, provides a descriptive analysis of the data, illustrated by graphs and tables of figures. It gives a picture of European enterprises (on the basis of their number, workforce and turnover), plus a comparison with the United States and Japan, thematic analyses (the demography of enterprises, innovation in SMEs, labour costs and productivity in SMEs, SMEs and subcontracting, SMEs and the recession in Europe), regional analyses, sectoral analyses (27 sectors of activity are examined) and national analyses (covering the countries of the European Economic Area). A new update of the European System of Statistics on SMEs has just been started, with the aim of publishing the fifth edition of “Enterprises in Europe” by the beginning of 1998.

Besides, the BACH Database contains business account data with a breakdown of different size groups based on a harmonised definition. The information is provided by Central Banks and Statistical Agencies. The database is well-suited for financial analysis and a first study “European Economy (Supplement A) : Financial situation of European enterprises” was published on 14 July 1997¹².

The European SME Observatory

During the period 1995-1996, the European SME Observatory produced two reports: the third and fourth. They contain both quantitative and qualitative information and a number of detailed thematic studies. The third covers the 15 Member States of the European Union plus Norway, while the fourth covers the countries of the European Economic Area plus Switzerland. The latter deals particularly with the effects of the internationalisation of markets on SMEs and their performance in the Single Market. It arrives at the conclusion that the completion of the Single Market has so far had a positive impact on economic growth in Europe, particularly on exports and the productivity of enterprises, and that SMEs have greatly benefited from it. **It is SMEs which now have the highest growth potential, implying the creation of many new jobs.** The detailed thematic studies presented in the fourth report deal with (a) women and SMEs and (b) cooperatives, mutual societies, associations and foundations. 1997 saw the start of preparatory work for the fifth report, which will comprise two thematic studies on tourism and the environment and new chapters on cooperation between SMEs, the use of external advisory services, and failures and bankruptcies.

CHAPTER I. IMPROVING THE SME ENVIRONMENT

Community measures to improve the SME environment are mainly directed at administrative simplification, taking the needs and constraints of SMEs into account in the drafting of legislative proposals and in policies likely to affect them (notably competition, the internal market, taxation, and social and environmental policies), the simplification of existing legislation, specific initiatives such as those on payment periods and the transfer of SMEs, and lastly the consultation of SME organisations and the representation of SMEs in the social dialogue.

1. ADMINISTRATIVE SIMPLIFICATION AND IMPROVEMENT OF THE LEGAL ENVIRONMENT

1.1 Concerted action with the Member States and organisations representing enterprises with regard to legal and administrative simplification

The administrative burdens imposed on enterprises are due mainly to Member State and not European Union regulations¹³. This is why the Commission has decided, in addition to the procedures to improve Community legislation described in point 1.2. above, to exchange information and best practice in the field of legal and administrative simplification with the Member States and the representatives of enterprises¹⁴. The aim is to disseminate this exchange of best practice in order to enable the Member States to assess their performance, for example by benchmarking, and thus to encourage them to devise, where necessary, new simplifying measures. This work has been carried out with the assistance of the group of experts for improving and simplifying the environment for enterprises, made up of representatives of the Member States and of enterprises¹⁵.

In order to structure this work, it was considered appropriate to concentrate first of all on the initial phase of the life-cycle of an enterprise, i.e. its start-up and its first few years of development. Despite the importance for employment, in some Member States it takes too long to set up an enterprise, owing to the lack of coordination between the administrative authorities, which is reflected in a maze of formalities and procedures. This has been confirmed by a comparative analysis of the situation in Europe, the United States and Japan conducted under the Innovation Programme - EIMS-96/142. A first concerted action with the Member States and organisations representing enterprises was therefore launched at a Forum held in June 1995 in Paris, which was followed up by three specialised workshops. The exchange of information and best practice resulted in a Commission Recommendation on improving and simplifying the business environment for business start-ups¹⁶. The Commission recommends that, for all the formalities involved in starting up an enterprise, Member States should set up single contact points, use a single registration form and a single identification number, and speed up authorisation procedures. It also urges the Member States to stimulate enterprises in their first years of existence by easing the fiscal, social, environmental and statistical constraints to which they are subject.

¹³ Report of the group of independent experts on legislative and administrative simplification (Molitor Group), COM(95) 288 of 21.6.1996 and 1995 UNICE report on regulation entitled "Releasing Europe's Potential through Targeted Regulatory Reform"

¹⁴ See the Integrated Programme for SMEs and the craft sector, COM(96) 329 final of 10.7.1997

¹⁵ Council Resolution of 10 October 1994, OJ C 294 of 22.10.1994, p. 6

¹⁶ Recommendation of 22 April 1997, OJ L 145 of 5.6.1997, p. 29

1.2 Assessment of the impact of Community legislation on business

1.2.1 Interdepartmental consultations on legislative proposals

The role of enterprise policy in interdepartmental consultations, including legislative proposals, is to ensure that the Commission is taking appropriate account of the impact on business, and in particular on SMEs. Legislation is often necessary in order to protect the environment, or to ensure the health and safety of employees, or to introduce essential social security provisions. However, such legislation often affects businesses by creating compliance costs and administrative burdens, which can put at risk their competitive position, their growth and their potential for creating sustainable jobs. This burden falls disproportionately on smaller businesses, which in comparison to large enterprises, do not have sufficient human or financial resources. SMEs are often not aware of or experience difficulty in understanding complex regulations. They do not have the time or the expertise to get involved in consultation procedures prior to the preparation of legislation.

In view of the importance of the SME sector within the European Union's economy it is the responsibility of enterprise policy services to ensure that when a legislative proposal is likely to affect SMEs, proper account is taken not only of the compliance costs and other burdens of the regulation itself, but also of the administrative procedures or requirements which stem from the regulations.

As part of the consultation process, enterprise policy services are introducing a "Think Small First" concept which should be applied by the Commission when legislation is being drafted. This on the basis that, while large firms can adapt to legislative requirements which have been developed with SMEs in mind, the reverse is not true. This means looking at a proposal for legislation from a small firm's point of view and ensuring that the appropriate SME business organisations have been properly consulted.

Policy areas where enterprise policy services have been active and directly involved in the interdepartmental consultations, because of the potential implications for the business environment and SMEs, include : the social dialogue, the Single Market Programme (new common VAT system, public procurement, revised Intrastat Regulation (Eurostat)), Revised Eco-label Regulation, euro , Environmental Liability, Food Law Green Paper, and Commercial Communications. On all these issues where the implications for SMEs are significant, the Commission services responsible for enterprise policy endeavoured to see that SMEs' concerns were understood and properly taken into account, and that SME business organisations were consulted and involved.

1.2.2 Community system for assessing the impact of legislative proposals on business, particularly SMEs

Where a specific legislative proposal is likely to have a significant impact on business, particularly on SMEs, enterprise policy services require the appropriate Directorate-General to complete a business impact assessment designed to provide a concise and comprehensive picture of the implications for SMEs so that decision-makers can see that the particular concerns of SMEs have been properly taken into account.

In the yearly Commission Legislative Programme, legislative proposals which will require the completion of a business impact assessment are indicated so that interests concerned have advance notice that business is going to be affected. This gives them the

opportunity to get involved in the consultation process. The business impact assessment will be based on the appropriate regulatory impact analysis undertaken by the Directorate-General responsible for the legislative proposal. The objective is to ensure that the appropriate balance has been struck between new requirements, for example, the environmental or health and safety controls, and compliance costs and other administrative burdens for business.

In 1995, 14 business impact assessments were completed including four legislative proposals concerning structural business statistics¹⁷; the protection of workers from risks related to carcinogens exposure at work¹⁸; interconnection provisions for telecommunications equipment¹⁹; and emissions from internal combustion engines in non-road mobile machinery²⁰.

Out of the 19 new legislative proposals contained in the Commission's 1996 legislative programme, 10 were considered likely to have a significant impact on business, particularly on SMEs, and the appropriate Directorates-General were required to complete a specific business impact assessment. Out of these 10, 7 business impact assessments were completed while the other 3 were deferred into 1997.

These included proposals on : the use of organic solvents in certain industrial activities including dry cleaning, printing and vehicle repair, involving many SMEs²¹, the implementation of the framework agreement on parental leave, where a number of European SME business organisations were concerned about the need to address the specific position of SMEs²², the charging of heavy goods vehicles for the use of road infrastructure²³, and the provision of labour costs statistics²⁴. All these business impact assessments can be examined by obtaining the appropriate COM document from the Office for Official Publications of the European Communities.

Lastly, in the framework of the first Action Plan for Innovation in Europe, the Commission has undertaken to set up an ex-ante mechanism for assessing the impact of regulations on innovation within the general guidelines for legislative policy.

1.3 Simplification and improvement of legislation on the Internal Market

The SLIM initiative²⁵ (Simpler Legislation on the Internal Market), launched by the Commission in May 1996, aims to find ways to reduce the constraints which Single Market rules impose on enterprises, particularly the smallest among them, and to make the operation of the Union more transparent and more efficient. The SLIM method is novel in that it leaves the task of drawing up recommendations on simplifying legislation

17 COM(95) 99 final of 31.3.1995

18 COM(95) 425 final of 13.9.1995

19 COM(95) 379 final of 19.7.1995

20 COM(95) 350 final of 06.9.1995

21 COM(96) 538 final of 6.11.1996

22 COM(96) 26 final of 31.1.1996. Council Directive 96/34/EC of 3.6.1996, OJ L 145 of 19.6.1996, p. 4

23 COM(96) 331 final of 10.7.1996

24 COM(96) 475 final of 16.10.1996

25 COM(96) 204 final of 8.5.1996

to small teams made up of experts from the national administrations and representatives of users, e.g. enterprises (manufacturing and distributive trade, including SMEs).

The first phase of the SLIM exercise concentrated on the following four sectors: INTRASTAT (system for collecting statistics on intra-Community trade), construction products, recognition of qualifications, and ornamental plants. For each of these sectors, solutions for simplifying or improving the legislation were defined by the teams of experts²⁶. Following their recommendations, the Commission has already drawn up proposals for improving the INTRASTAT system²⁷ and will soon draw up proposals in other areas.

The second phase of the SLIM project, which is currently under way, deals with the following sectors: obligations regarding value-added tax, banking services, the Combined Nomenclature for external trade, and fertilisers. The work will result in recommendations to be included in a Commission Communication to the Council in November 1997.

The SLIM exercise is only one component of a wider programme for simplifying and improving Single Market legislation with a view to making it more effective. It is one of the strategic measures of the Action Plan for the Single Market. This incremental simplification programme will combine the SLIM method and other rationalisation measures in order to simplify, by 1999, a number of areas of legislation such as insurance and real estate, consumer services, telecommunications, customs rules and procedures, and company law.

1.4 Single Market Programme

The Commission aims to ensure that SME demands and concerns are taken into account by the Commission services in the implementation of the Single Market Programme (SMP). The Euro Info Centres provide useful feedback information from SMEs operating in the Single Market. With regard to Public Procurement, a Green Paper²⁸ was published which enables interested parties to present their views. In addition, the potential impact of Single market legislation on different policy areas is examined by the Commission interdepartmental groups.

Fully exploiting the potential of the Single Market, which is one of the main thrusts of the **Confidence Pact for Employment**²⁹, is one of the priorities of the European Union. In this context, enterprises should be helped to take advantage of the internal market. In its report on the impact and effectiveness of the Single Market³⁰, the Commission confirmed the scale of the positive economic impact of the internal market (almost 1.5% additional growth and nearly 900 000 new jobs), while pointing out that the delays in national application of the Single Market rules continued to limit its positive contribution to growth, competitiveness and employment.

26 Commission report on the SLIM pilot project - COM(96) 559 final of 6.11.1996

27 COM(97) 252 final of 30.5.1997 and COM(97) 275 final of 4.6.1997

28 COM(96) 583 of 27.11.1996

29 CSE (96) 1 final of 5.6.1996

30 COM (96) 520 final of 30.10.1996

Following this report, the Commission defined its priorities for improving the performance of the Single Market in the coming years and presented them in its Single Market Action Plan³¹, which is based on four strategic objectives: improving the effectiveness of the rules; eliminating the main market distortions; eliminating sectoral obstacles to the integration of markets, and placing the Single Market at the service of everyone. Some of the specific actions are designed to improve more specifically access of SMEs to the Single Market, for example - those relating to the improvement of enterprises' access to the information they need, by setting up an info-line on the Internet as a coordinated addition to the activity of the Euro Info Centres; and those related to the simplification of national and Community provisions and to the improvement of payment periods in commercial transactions. The Amsterdam European Council (16-17 June 1997) gave the go-ahead to the Action Plan and endorsed its objectives, thus reaffirming the need to give a new political impetus to eliminating the remaining barriers and to ensure that full advantage is taken of the potential benefits of the Single Market.

Surveys and studies suggest that larger companies have benefited most from the Single Market Programme. SMEs operate at regional and local level, while larger companies have a wider knowledge and are more familiar with the Single Market legislation. However, the same sources reveal that SMEs operating at EU level prior to the Single Market Programme or SMEs operating in cross-border regions thought that the SMP had a positive impact on their business. They admitted that an increase of competitive pressure in the business environment had resulted in improved quality standards and productivity.

For most SMEs, whether they operate at international level or not, a major problem is the cost of complying with new technical, administrative and fiscal regulations. Large companies report that they have been able to reallocate a member of staff to deal exclusively with the paperwork needed in order to comply with the new legislation. Smaller companies state, however, that this poses a serious cost to their business. These represent once-off fixed costs that tend to be a higher proportion of an SME's total turnover than that of a larger company. Also, small manufacturers in some sectors, e.g. machinery, tend to produce custom equipment so the costs of conformity for each new model are high. For example, smaller machinery manufacturers view the CE marking as a necessary marketing tool. However, the cost of complying is a fixed-cost, which inevitably raises the break-even point : this is negligible for bigger manufacturers producing in large numbers, but can be important for manufacturers of specialised one-off machinery or machines produced in smaller numbers.

Nevertheless, SMEs from various sectors have expressed positive views about the impact of the Single Market on their activities. For example, in the detergent and cosmetics sector, SMEs have benefited from improved access to European markets. In the construction site equipment sector³², 29% of SMEs as opposed to 7% of large companies feel that Single Market legislation has encouraged them to sell in other markets. Small companies already operating at international level, in sectors such as machinery, considered that the system of self-certification for CE marking greatly supports SMEs, by helping them to raise the technical standard of their products, and compete more

31 CSE(97) 1 final of 4.6.1997

32 Ws/Atkins. "Impact and effectiveness of the Internal Market Programme in the Construction Site Equipment sector", May 1996

effectively against larger companies. Other surveys³³ confirm that since the implementation of the Single Market, 37% of SMEs surveyed claimed to have significantly improved their European distribution and marketing activities, 27% claimed to have developed improved products or production processes and a further 12% had taken on staff with new skills to adjust to the European market's needs. Also, concerning VAT procedures for intra-EU sales, 32% of SMEs considered that the new system has had a positive impact in their activities as opposed to only 30% of large companies.

Company law

The European Commission has just launched a broad exercise to consult the Member States, professional organisations and the academic community on the subject of "**The Single Market and company law**"³⁴. By this consultation, the Commission is seeking to establish whether the legal structures within which enterprises operate are appropriate or need to be changed in the context of the Single Market and Economic and Monetary Union, and to ascertain *inter alia* what the requirements are in terms of simplifying the present rules, particularly in relation to SMEs.

The Commission intends to adopt a new proposal for the Tenth Directive on **cross-border mergers of corporate enterprises**. The field of application of this new proposal will not be confined to public limited companies but will cover all corporate enterprises. This widening of scope will mainly benefit SMEs, which are often limited liability companies. The possibility of cross-border mergers will help to internationalise the activity of these enterprises, as advocated by the Commission in its multiannual programme for SMEs.

In addition, the Commission is planning to adopt a proposal for a **Fourteenth Directive on the transfer of head offices of companies** from one Member State to another. This Directive, the field of application of which is similar to that of the new proposal on cross-border mergers, is also likely to become an effective instrument for the internationalisation of SMEs.

Recognition of qualifications

On 8 February 1996, the Commission adopted a proposal for a Directive establishing a mechanism for the **recognition of qualifications in respect of the professional activities** covered by the Directives on liberalisation and transitional measures and supplementing the general system for the recognition of qualifications³⁵.

This proposal aims to recast the main provisions of the "transitional measures" and "liberalisation" Directives relating in particular to commerce, industry and small craft industries, so as to clarify and simplify Community legislation in this area. The proposal also aims to establish a mechanism for the recognition of qualifications in respect of professional activities not covered by the general system. This mechanism will enable

³³ "EU initiatives for SMEs - are the policies appropriate?", Deloitte Touche Tohmatsu International, 1995

³⁴ Based on a Commission report entitled "The Simplification of the Operating Regulations for Public Limited Companies in the European Union", 1995

³⁵ COM(96) 22 final of 8.2.1996

migrants to request the recognition of their qualifications if they do not have the professional experience required to apply for recognition under a “transitional measures” Directive.

Accounting rules

Directive 78/660/CEE³⁶ on the annual accounts of certain types of companies and Directive 83/349/CEE³⁷ on consolidated accounts allow the Member States to exempt from some of their obligations small and medium-sized companies or small groups of companies which do not exceed certain threshold levels. Article 53(2) of Directive 78/660/EEC stipulates that these levels may be revised every five years in the light of economic and monetary trends in the Union.

The latest revision was in March 1994, and the next one is due in 1999. Changing the threshold levels will form part of a project to adapt the directives to economic development, particularly with regard to small and medium-sized companies. Some of the changes planned are linked to the introduction of the euro, but the Commission will also re-examine the accounting procedures applicable to small and medium-sized companies with a view to a possible relaxation of these procedures, while at the same time taking account of the requirements imposed by the Single Market. The Commission has launched a questionnaire on accounting in SMEs, and the comments made will be used as a basis for drafting amendments to the Directives. The new definition of SMEs³⁸ is another element which the Commission will take into account when drawing up these proposals.

Protection of intellectual and industrial property

Following the consultation set in motion by the presentation, in 1995, of a **Green Paper on the protection of utility models in the Single Market**³⁹, the Commission is due shortly to propose a measure to harmonise national legislation in this field, in view of the impact of the present differences on the free circulation of goods and on the conditions for non-distorted competition. Utility models are a flexible, inexpensive form of protection well suited to SMEs active in certain sectors of innovation. The Commission is also continuing its efforts for the rapid adoption of proposals on the protection of designs and models, potentially of great interest for SMEs.

Public procurement

On 27 November 1996 the Commission adopted a **Green Paper entitled “Public procurement in the European Union: exploring the way forward”**⁴⁰, the aim of which was to increase the effectiveness of its policy of opening up public procurement by means of broad consultation with all interested parties. The Green Paper sets out the Commission’s ideas on the specific difficulties encountered by SMEs in taking advantage of the new potential sales opportunities created by Community Directives. It also seeks

36 OJ L 222 of 14.08.1978, p. 11

37 OJ L 193 of 18.7.1983, p. 1

38 OJ L 107 of 30.4.1996, p. 4

39 COM (95) 370 of 19.7.1995

40 COM(96) 583 of 27.11.1996

to promote a discussion whose ultimate objective is to propose a series of concrete measures likely to encourage greater SME participation in public procurement. These measures are to be based mainly on supporting enterprises in the fields of training, information, technical assistance and cooperation between enterprises.

A number of Euro Info Centres have developed specialised software for electronic tendering aimed at improving access to information on tender notices for their clients, notably in the Netherlands, the United Kingdom and France. In addition, Euro Info Centres were involved in different applications and a related study on SIMAP (Système d'Information pour les Marchés Publics).

1.5 Transfer of enterprises

Since the Commission sent the Member States the **Recommendation of 7 December 1994 on the transfer of SMEs**⁴¹, a number of them have adopted, or are at least planning to adopt, measures to improve the legislative and fiscal environment of enterprises in this area. The Commission set a time limit of two years, expiring on 31 December 1996, in which the Member States were to communicate to it the text of any legislation, regulations or administrative provisions adopted regarding the transfer of enterprises. In order to make an initial assessment of the measures taken since 1994 and to define existing best practice, the Commission organised a European forum on this subject in Lille on 3-4 February 1997⁴². The work of this forum showed that progress has been achieved mostly with regard to simplified public limited companies, one-man businesses, the right to transform one legal structure into another, the continuity of partnerships, and taxation of donations, inheritances and sales of enterprises. The efforts to facilitate the transfer of enterprises will be continued in the coming years.

1.6 Competition policy

European enterprises generally benefit from effective competition policy. This is particularly true for SMEs. Competition policy benefits SMEs directly in markets where large enterprises' market power threatens them or indirectly by keeping prices and costs low. Simultaneously, competition policy favours new entries, which are frequently SMEs. Furthermore, unjustified state aid distorts market forces and therefore creates disadvantages for SMEs.

1.6.1 Competition rules applicable to enterprises

SMEs are the main beneficiaries of the recent Commission Communication⁴³ on the revision of its Communication of 3 September 1986 on agreements of minor importance (in application of Article 85 of the EC Treaty on agreements between enterprises).

The Commission notes that agreements between SMEs, as defined by the Commission Recommendation of 3 April 1996⁴⁴, are rarely likely to have any appreciable effect on trade between Member States or on competition. Therefore, as a general rule, they are not subject to the prohibition provided for in Article 85(1). Where such agreements

41 OJ L 385 of 31.12.1994, p. 14 and C 400 of 31.12.1994, p. 1

42 OJ C 284 of 27.9.1996, page 3 of the cover

43 COM(96) 722 final concerning agreements of minor importance, OJ C 29 of 30.1.1997, p. 3

44 Commission Recommendation of 3.4.1996 to the Member States, the EIB and the EIF concerning the definition of SMEs, OJ L 107 of 30.4.1996, p. 4

exceptionally fulfil the conditions of application of this provision, they would not be of sufficient Community interest to justify intervention. This is why the above-mentioned text states that the Commission will not institute any procedure, either on request or automatically, to apply the provisions of Article 85(1) to such agreements.

However, the Commission reserves the right to intervene with regard to such agreements if they relate to a substantial share of the market in question and if competition is restricted by the cumulative effect of distribution networks.

With regard to vertical restraints, i.e. agreements between operators at different stages of commerce, the Commission has just published a Green Paper⁴⁵ opening the way to a broad consideration of future policy with regard to the application of competition rules.

In this context and in the light of the Council Resolution of 10 October 1994⁴⁶, which called on the Commission to examine the possibilities for SME cooperation, the Commission intends to refine its analysis in the field of cooperation in joint purchasing.

As regards the application of competition rules in specific sectors of activity, such as motor vehicle distribution and servicing, the adoption of Regulation 1475/95⁴⁷ introduced several provisions securing for dealers, most of whom are SMEs, greater commercial independence vis-à-vis manufacturers. This has also made it possible to rebalance the position of manufacturers and distributors of spare parts in relation to that of motor manufacturers.

On 31 January 1996 the Commission adopted a new Regulation on the application of Article 85(3) to categories of technology transfer agreements⁴⁸ with a view to facilitating certain technology transfers, which should be favourable to SMEs.

1.6.2 State aid

As regards State aid, the Commission's general policy has always taken account of the position of SMEs. This attitude was reflected, in 1992, in the first specific guidelines for aid to SMEs⁴⁹, which stipulate that, as long as it is within certain limits, aid to SMEs may be eligible for the exemption provided for in Article 92(3)(c) of the Treaty and are thus deemed to be compatible with the common market. In addition, the guidelines introduced a *de minimis* rule dispensing the Member States from the obligation to notify the Commission in the case of very small amounts of aid, which are assumed not to affect trade between Member States. Although the *de minimis* rule does not set a limit on the size of recipient enterprises, it is obvious that it concerns mainly SMEs.

The guidelines on aid to SMEs, which provided for a review of their application after three years, **were revised⁵⁰ in 1996**. Although the main guidelines defined in 1992

45 COM(96) 721 final of 22.1.1997

46 Council Resolution 94/C 294/04 of 10.10.1994 on giving full scope the dynamism and innovatory potential of SMEs, including the craft sector and micro-enterprises, in a competitive economy, OJ C 294 of 22.10.1994, p. 7, par. III, 4th indent

47 OJ L 145 of 29.6.1995, p. 25

48 OJ L 31 of 9.2.1996, p. 2

49 Community guidelines on aid to SMEs, 92/C 213/02 of 20 May 1992, OJ C 213 of 19.8.1992, p.2

50 Community guidelines on State aid for SMEs 96/C213/04, OJ C 213 of 23.7.1996, p.4

(general assessment criteria, acceptable intensity) did not change, some clarifications and amendments were introduced. First, the guidelines extend the range of eligible purposes of aid by stipulating that the favourable attitude to aid for tangible investment will also apply to aid for intangible investment in the form of technology transfer. Such aid is intended to encourage SMEs to use advanced technologies which they would not have been able to develop themselves. As for other types of aid, the new guidelines retain most of the criteria of the previous guidelines (aid for consultancy services, training and dissemination of knowledge) or refer to guidelines specific to these types of aid⁵¹, which often contain more favourable rules for assessing aid for SMEs. For example, the threshold applied to environmental aid or aid for research and development intended for SMEs is 10% higher than that normally applied to large enterprises. Second, the *de minimis* rule was amended and is now the subject of a separate notice⁵². Compared with the original *de minimis* rule, the new rule has considerably simplified application procedures. It also extends its field of application to all types of aid (except export aid, which remains excluded) and replaces the rules on the cumulation of different categories of expenditure by a single threshold. The threshold below which aid need not be notified to the Commission is set at ECU 100 000 over a period of three years, irrespective of the type of aid. Lastly, the definition of SMEs used in the guidelines has been adapted to the harmonised definition adopted by the Commission⁵³ (see Introduction).

It is important to add that, as a result of three notifications it received in 1996, the Commission decided that the SME guidelines also apply to aid granted to SMEs for direct investments in third countries. This decision reflects the attitude of the Commission, which wishes to encourage SMEs to internationalise their activities, also via investments in extra-Community countries.

Apart from the new guidelines on aid to SMEs, the Commission recently adopted guidelines on aid to enterprises in deprived urban areas. This instrument permits the granting of aid to enterprises setting up or already located in such areas, on condition that the criteria laid down in the guidelines are met. Since the potential beneficiaries of such aid are mainly SMEs, the Commission's favourable approach in this field is of particular interest to them.

It should be added that the Commission's attitude to SMEs, as reflected in the above-mentioned texts, is the expression of a general policy. In the supervision of aid, as in its other fields of activity, the Commission seeks to take account of the special situation of SMEs and to help to stimulate their development, while complying with competition rules.

2. FINANCIAL ENVIRONMENT

2.1 Late Payment in commercial transactions

Late payment is an increasingly serious obstacle to the development of European enterprises, in particular SMEs whose cash-flow, profitability and competitiveness are

⁵¹ Community guidelines applicable to State aid for the protection of the environment OJ C 72 of 10.3.1994, p. 3; Community guidelines applicable to State aid for research and development, OJ C 45 of 17.2.1996, p. 5; Guidelines applicable to aid for employment, OJ C 334 of 12.12.1995, p.4

⁵² Commission notice on the *de minimis* rule for State aid, OJ C 68 of 6.3.1996, p. 9

⁵³ Commission Recommendation of 3.4.1996, OJ L 107 of 30.4.1996, p.4

undermined. In its **Recommendation of 12 May 1995 on payment periods in commercial transactions**⁵⁴, the Commission set out a range of practical and legal measures to tackle late payment in Europe. This Recommendation requested Member States to take the most appropriate measures to improve payment periods and to forward a report to the Commission on action taken in respect of this Recommendation before 31 December 1997. The Commission undertook an evaluation of the effect of the Recommendation in 1997 and has published a Communication⁵⁵ which shows that little action has been taken by Member States to reduce the problem of late payment, and that the payment situation is not getting better. In the absence of sufficient action by Member States before the end of 1997, the Commission will propose a directive to combat late payment, containing minimum requirements to be incorporated into national legislation. These requirements should include a statutory right to interest on late payments, efficient and inexpensive redress procedures for obtaining payment, and a maximum payment period for public procurement contracts.

2.2 Preparing SMEs for the introduction of the euro

The enterprise policy departments have played an active part in all the Commission's work concerning the euro, participating in the corresponding working parties on "enterprises", "consumers", "payment systems", "means of payment", "accounting and taxation", and were involved in preparing the Round Table on practical aspects of the transition to the euro, which was attended on 15 May 1997 by all the economic operators concerned. They have regularly put the euro on the agenda of the meetings they hold with trade organisations, the Euro Info Centres (EICs) and the members of the Bank-SME Round Table. They have set up an *ad hoc* group on SMEs and the euro, in which the intermediaries of enterprises meet in order to promote mutual exchanges of information and between themselves and the Commission. They have encouraged private and public initiatives on euro-related information for SMEs and have forwarded to the EICs all the documents on the euro likely to be of use to them. In addition, a **campaign to raise awareness of the introduction of the euro** was launched by the EICs in 1996, to be carried over into 1997 and beyond. This campaign will involve a number of information events and the production of a number of information documents answering the main questions on the effects of the introduction of the euro on the various business functions. These awareness-raising actions are also directed at the craft and micro-enterprise sector.

2.3 Cross-border credit transfers

In order to simplify transnational operations of SMEs and hence to reduce their costs the Commission has proposed concrete measures such as the Directive on cross-border money transfers⁵⁶ which will ensure that businesses will be able to transfer money quickly and more reliably. In addition, under the Directive, Member States must ensure that there are settlement procedures for transnational disputes relating to matters covered by the Directive.

⁵⁴ OJ L 127 of 10.6.1995, p.19

⁵⁵ C(97) 2121 of 9.7.97, OJ C 216 of 17.7.97

⁵⁶ Directive 97/5/EC, OJ L 43 of 14.2.1997, p.25

2.4 Access to finance for innovation

The Action Plan for Innovation in Europe, adopted on 20 November 1996, provides for measures to encourage the financing of innovation, in particular by venture capital. The European Council Resolution on growth and employment, adopted at the Amsterdam Summit, reaffirmed the importance of access to financing for advanced-technology projects and for SMEs.

3. TAX ENVIRONMENT

Commission activities in the fields of customs and taxation policy aim to support the full implementation of the Single Market by adapting the administrative sets of rules in these policy areas to the Market. At the same time, a simplification of legislation is intended. The latter is expected to substantially reduce the administrative burdens on businesses, especially SMEs. Under the Action Plan for Innovation in Europe a Communication on taxation and innovation is being considered.

3.1 Taxation of enterprises

Following the Commission's discussion paper "Taxation in the European Union" of 20 March 1996⁵⁷, a High Level Group on taxation was set up. On the basis of discussions in that Group, the Commission presented a Communication "**Taxation in the European Union, Report on the development of tax systems**"⁵⁸. This report recommended setting up a new, permanent group to provide a strategic overview of taxation policy, and identified the simplification of the tax environment of SMEs and other businesses as an issue which that group could examine. This new Taxation Policy Group has now been set up, and started work on 11 March 1997.

Following the work carried out by this Taxation Policy Group, which has already met four times, and by the informal Ecofin Council in Mondorf-les-Bains, the Commission adopted on 1 October 1997 a Communication⁵⁹ to the Council proposing a set of measures to combat damaging tax competition in the Union. These measures include, *inter alia*, a Code of Good Conduct involving a political commitment on the part of the Member States to combat damaging tax competition in the field of business taxation, measures to eliminate serious distortions in indirect taxation, and measures to eliminate deductions at source in respect of payments of interest and royalties between related enterprises based in different Member States, an area in which the Commission could put forward a new proposal.

3.2 Indirect taxation: VAT

In the field of indirect taxation, the Commission proposed in July 1996 a work programme for introducing a common system of value-added tax (VAT)⁶⁰. This will find practical expression in a number of Commission proposals with the following main objectives:

57 SEC (96) 487 final of 20.3.1996
58 COM(96) 546 final of 22.10.1996
59 COM(97) 495 final of 1.10.1997
60 COM(96) 328 final of 22.7.1996

- to achieve **equal treatment of national trade and intra-Community trade in goods and services**, thereby enabling SMEs to operate throughout the Community from their place of establishment without having to face increased administrative charges (by applying the principle of a single place of taxation);
- to reduce the uncertainty and complexities associated with the application of VAT by setting up a **uniformly applicable harmonised VAT system** in accordance with the demands of a proper internal market, while maintaining the level of tax revenue;
- to reduce the uncertainty caused by differing interpretations of the Directives, by altering the legal status of the VAT Committee. As in the case of customs and excise, the Council could call on the Committee to assist the Commission when it adopts implementing measures.

This strategy involves a preparatory phase during which the Commission has submitted two proposals, one on a change in the legal status of the VAT Committee⁶¹ and the other on reinforcing administrative cooperation (FISCALIS Programme)⁶². A proposal on mutual assistance in tax collection is also due this year.

The Commission then intends to produce three series of formal proposals:

- the first is intended to define taxable transactions, taxable persons and the taxation basis and to settle the question of exemptions and deductions prior to proposing a new alignment of rates;
- the second concerns the territorial field of application of VAT, the place of taxation, the organisation of transactions, the rights and obligations of taxable persons, and inspection methods;
- the third covers mechanisms for redistributing tax revenue, special arrangements and transitional measures, and a final alignment of rates.

The conference held in Limelette (B) in November 1996 on “*the common system of VAT*” provided an opportunity to consult the various interested parties, including organisations representing SMEs.

Furthermore, the **Commission has chosen VAT obligations as the subject of the second SLIM (Simplified Legislation on the Internal Market) exercise planned for 1997**. The aim is to look at two areas (obligations on taxpayers, the person liable to pay) with a view to improving the current system. The SLIM team responsible for this question has concentrated on a number of basic national and Community VAT obligations which impose a burden on enterprises, with a view to pinpointing the areas in which simplifications should be introduced.

3.3 Customs 2000

The **Customs 2000** action programme, adopted in the form of a Decision of the European Parliament and the Council on 19 December 1996⁶³, aims to modernise the national customs administrations and to promote cooperation among them and with the Commission. Its objective is to ensure that Community legislation is applied uniformly at

⁶¹ COM(97) 325 final of 25.6.1997

⁶² COM(97) 175 final of 23.4.1997

⁶³ OJ L 33, of 4.2.1997, p. 24

the external borders and that the internal market can function as it should. Article 6(2) and Article 9 of this programme provide for simplification measures intended to provide the Commission with a coherent framework for taking steps to simplify customs rules and procedures in order to make it easier for enterprises to engage in external trade.

The main actions being conducted in this area relate to the following:

- with regard to Community transit, adapting and simplifying customs transit systems by amending the Customs Code and its implementing provisions; negotiating a new convention on common transit; and computerising the management of the procedures. The planned measures should reinforce the security and effectiveness of these procedures, which fulfil a major need of economic operators;
- simplifying economic customs procedures by amending the Community Customs Code and its implementing provisions and by developing systems for the computerised management of these procedures in order to enable enterprises to export Community products in economically favourable conditions;
- amending the Community Customs Code in order to permit the centralised management of the simplified procedures and the relaxation of the obligation to submit certain accompanying documents with the declaration, thereby facilitating the computerisation of customs clearance procedures;
- standardising and simplifying the rules on preferential origin. During the first half of 1997 this led to the adoption of a single text of the “origin” protocol annexed to the free trade agreements concluded by the Community with its European partners. The same text is to be proposed this autumn to the Mediterranean countries and probably to Mexico and South Africa. A similar text will be proposed to the countries covered by the System of Generalised Preferences with a view to its entering into force on 1 January 1998.

Furthermore, a SLIM exercise to simplify the Combined Nomenclature for External Trade is currently under way with the aim of proposing a modernisation of the Nomenclature, some subdivisions of which seem outdated from an economic point of view.

4. SOCIAL ENVIRONMENT

4.1 Action for Employment in Europe: a Confidence Pact

Unemployment has increased steadily in Europe since the 1970s. It means a precarious situation for millions of men and women and undermines European society. In order to define the general framework for the creation of jobs, the Commission adopted a Communication⁶⁴ in June 1996 proposing a European Pact for Confidence.

The European Pact for Confidence builds on the strategy proposed in the 1993 Commission’s White Paper on growth, competitiveness and employment. By restoring a climate of confidence it aims to mobilise all actors, public authorities and social partners alike, to define their respective commitments in a coordinated comprehensive strategy for employment. Its approach combines an employment-oriented macroeconomic policy with resolute action to complete the Single Market, accelerated reform of unemployment systems and better use of European structural

⁶⁴ Action for employment in Europe: A confidence pact, CSE(96) I final of 5.6.1996

policies. SMEs are particularly addressed with regard to the full exploitation of the Single Market. The Commission lays down the priorities for its SME policy and its attitude towards State aids for SMEs. The Commission also advocates to use additional financial resources available from the structural funds for the development of SMEs, adaptation to industrial change, local initiatives for development and employment and territorial pacts for stronger partnership towards employment creation. Furthermore, a much closer partnership with the European Investment Bank (EIB) should make support the creation of SMEs by the structural funds. The confidence pact received broad support from Member States, social partners, European Parliament and Committee of the Regions.

At its meeting in Amsterdam on 16-17 June 1997, the European Council confirmed its commitment to reduce the administrative burden on SMEs. It urged also the EIB to examine the establishment of a facility for the financing of high-technology projects of SMEs. **The European Council in Amsterdam was also a watershed for employment policies in the Union.** With the adoption of the employment title, the Heads of State and Government agreed that employment was to be considered as a matter of common concern. The new Treaty reinforces the coordination of National employment policies and foresees the establishment of common guidelines which can in due course lead to recommendations to Member States. Following the Amsterdam agreement to anticipate the application of the new employment Title, the Commission has adopted on 1st October 1997 a **Communication on Guidelines for Member States Employment Policies**⁶⁵ as a framework for discussion at the extraordinary European Council on 20/21 November in Luxembourg. The Commission will, on the basis of the Presidency's Conclusions from the Jobs Summit, present a final proposal for adoption by the Council. The guidelines proposed focus on four main lines of action for Member States' employment policies, the first one being **entrepreneurship**, followed by employability, adaptability and equal opportunities. To **promote a new culture of entrepreneurship in Europe**, further efforts are required for example to make it easier to start-up and run a business (in particular through administrative simplification), to develop venture capital markets and make taxation more employment friendly.

4.2 Social dialogue

Social dialogue at a European level is, as in many Member States, organised on a sectoral and interprofessional basis. SMEs are represented in both forms of dialogue. There are no social dialogue arrangements at Community or National level specific to SMEs.

European Social Dialogue at Interprofessional Level

The Val Duchesse social dialogue was organised for the first time in 1985 bringing together the three European organisations who represent the main national interprofessional employer and trade union confederations. In addition, all European confederations, including UEAPME, are consulted on the topics under discussion. The informal (until the Single Act and the Agreement on Social Policy) and voluntary dialogue has made a positive contribution towards European social policy in terms of joint opinions or declarations.

In 1995, the interprofessional dialogue received a significant boost by the Directive on Parental Leave⁶⁶, adopted by the Council on 3 June 1996 arising out of the Agreement on

⁶⁵ COM(97) 497 final of 1.10.1997

⁶⁶ Directive 96/34/CE of 3.6.1996, OJ L 145 of 19.6.1996, p. 4

Parental Leave concluded between UNICE, the CEEP and ETUC on 14 December 1995. This is the first European Agreement based on Article 4 of the Social Protocol attached to the Treaty on the European Union (TEU). Article 4 empowers the social partners to “dialogue between them at Community level which may lead to contractual relations, including agreements”. The framework Agreement on Parental Leave includes specific arrangements to take into account the particular functioning and organisation needs of SMEs. However, certain SME organisations have expressed serious concerns about the validity of this aspect of the social dialogue on the grounds that because they are excluded from negotiation of social policy agreements under it, such agreements do not take proper account of SMEs.

European Social Dialogue at Sectoral Level

Not all sectors have developed a social dialogue at a European level. This depends on a number of factors, first the joint willing of social partners and the existence of a common sectoral policy at a European level (e.g. agriculture, fisheries or road transport), the need for large restructuring at a European level (e.g. textiles, telecommunications or civil aviation) or the recognition of the sector, having very specific requirements (e.g. industrial cleaning or security).

Sectors differ considerably with regard to company size. In general, in the primary sector, dominated by SMEs, social dialogue is well-established. Social partners have used this forum to discuss issues such as employment, vocational training, health and safety issues. Apart from discussion, activities also lead to participation in EU training projects or to real negotiations. For instance, the European level social partners in the agriculture sector signed the first sectoral recommendation framework agreement concerning the improvement of paid employment in this sector on 24 July 1997. It includes recommendations on the adaptation of working time and supplementary provisions relating to working conditions.

The services sectors can be broadly divided into sectors under restructuring and sectors in expansion. Most restructuring service sectors, such as banking and insurance, telecommunications, postal services, aviation, railways are dominated by large (public) companies. Many of these sectors are challenged by a fast changing economic environment : globalisation, ever faster introduction of information technology and privatisation. This evolution may lead to the emergence of new, smaller companies.

Most of the expanding service sectors are characterised by a high concentration of SMEs. Social dialogue is well established in traditional sectors such as road (as from 1965) HORECA (as from 1983) or commerce (1985). Discussions here concentrate on employment, working conditions and political issues, which result in joint opinions or joint actions.

Furthermore, the expansion of new services, such as security or cleaning, has led to a multiplication of sectors actively involved in European social dialogue. Indeed, as recognition of the sector is one of the incentives for developing activities in the field, the social partners have a common interest to obtain concrete results. In general, sectors dominated by large companies have a tendency to concentrate activities more on industrial policy issues, while sectors dominated by SMEs, especially the sectors in expansion, stick more to social issues (employment, safety or equal opportunities).

European Social Dialogue at a Cross-roads

Parallel to the construction of a true European Union, awareness of the need for further development of a European social policy is growing, in particular as regards an Employment policy, as indicated by the European Councils at Florence and Amsterdam. Social dialogue is an important tool in the creation and implementation of social policy and is expected to grow in importance in the coming years, in particular in view of the incorporation of the Agreement of Social Policy in the TEU as a result of the Amsterdam Council in June 1997.

The Commission has already met with European social partners to discuss the European Pact of Confidence for Employment. As a direct consequence interprofessional as well as sectoral social dialogue will increasingly focus on employment and directly related social aspects. As the motor of future employment creation, SMEs are expected to play a key role in this process.

With a view to reinforcing social dialogue, the Commission issued on 18 September 1996 a **Communication concerning the Development of the Social Dialogue at Community Level**⁶⁷. The Communication included an appeal to all social partners to give their views on the future shape and framework of social dialogue. A **forum** was organised in The Hague on 28-29 April 1997 to bring together the social partners to discuss the responses to the consultation. SME organisations which responded to the Communication were invited to participate. On the basis of these opinions and assessment of current structures in terms of efficiency and impact, the principles of the future social dialogue will be laid down in a second Communication, to be adopted before the end of 1997.

As proposed in the Communication concerning the Development of the Social Dialogue at a Community Level, the Commission has also launched a study to examine the degree of representation of existing European social partners involved in the social dialogue.

4.3 Consultation of professional circles

4.3.1 Consultation meetings with the European SME Business Organisations

Recognising the importance of consulting the representatives of the European SME business sector, the Commission services responsible for enterprise policy, play a coordinating role to ensure that the European SME business organisations are properly consulted on issues of interest being developed by various Commission services. Regular consultation meetings are arranged where representatives from other Commission services make presentations about their policy objectives e.g. preliminary ideas before issuing a Green consultation paper or ideas and objectives in advance of reaching final decisions on a proposed directive or regulation. The consultation meetings in 1996 covered such issues as environmental liability, the social dialogue, a Green Paper on the protection of utility models in the Single Market, the use of industrial solvents (Commission proposal for a directive), sectors and activities excluded from the Working Time Directive, and a proposed directive on end of life vehicles. In addition to these consultation meetings the European SME business organisations were kept up to date and informed about other areas of interest to them, including on such issues as late payment in commercial transactions, the transfer of ownership of businesses, the Banking Round Table, and the Commission's Recommendation on the simplification of administrative procedures in Member States for business start-ups.

67 COM(96) 448 final of 18.9.1996

4.3.2 Consultation of interested parties in the 'social economy'

A special dialogue was conducted with the Advisory Committee on cooperatives, mutual societies, associations and foundations (CMAF), which was set up by the sector itself and, since its plenary session of 11 December 1995, has no longer been "temporary". It does not replace bodies representing the various sectors or formal consultative bodies of the European institutions. Its main task, thanks to its organisation in subject-specific working parties, is to draw the Commission's attention, on its own initiative or at the Commission's request, to the opinions of cooperatives, mutual societies, associations and foundations on all matters concerning the construction of Europe and its impact on them. The Committee has, for example, issued a statement on the Commission Communication on worker information and consultation⁶⁸, delivered opinions on the revision of the European Treaties and, in particular, on the application to the CMAF sector of the concept of general interest, and has adopted a declaration on the legal basis of the work programme to assist CMAF. It is also drawing up opinions on the White Paper on education and training, on the Green Paper on the information society and on the introduction of the euro.

4.3.3 Consultation of bodies in commerce and distribution

In order to launch a broad consultation on European internal trade, a **Green Paper on Commerce** was adopted by the Commission on 20 November 1996⁶⁹. This text was discussed with the Directors-General for Internal Trade, who launched the debate at national level by organising seminars with the help the Commission.

The Committee on Commerce and Distribution (CCD)⁷⁰ held several meetings to discuss various subjects directly concerning distributive trade and to draw up opinions. Since the end of 1996, a number of subjects have attracted special attention, particularly the euro and the introduction of the single currency, vertical restraints, electronic commerce and the Green Paper on Commerce. After its renewal in 1997 and the restructuring of its operating procedures in order to increase its effectiveness, the new CCD will be able to provide the Commission very rapidly with opinions which reflect the point of view of operators in the commerce and distribution sector.

4.4 Local development and employment

As a result of the European employment strategy outlined at the Essen European Council (December 1994) and then fleshed out at subsequent European Councils, the problem of Local Development and Employment Initiatives (LDEIs) was regarded as one of the priority themes of Community action.

It is in this context that the Commission presented in June 1995⁷¹ its Communication entitled "A European Strategy for Encouraging LDEIs", which highlighted both the job-creating potential of the local level and the structural obstacles which have to be removed to enable such initiatives to develop.

LDEIs offer three benefits: they provide new sources of employment arising from unmet needs; they are a means of enabling new entrepreneurs to engage in projects which, in

68 COM(95) 547 final of 14.11.1995

69 COM(96) 530 of 20.11.96

70 Commission Decision 81/428/CEE of 20.5.81, OJ L165 of 23.6.1981, p.24

71 COM(95) 273 final of 13.6.1995

creating jobs, help to reinforce local cohesion; lastly, they often play an active part in the regeneration of the weakened fabric of urban or rural areas.

However, LDEIs are still too often faced with financial, legal, technical and institutional obstacles.

The question of local development and employment has therefore become a major theme of Community action and has been the subject of a number of initiatives both at policy-making level and as part of the action of the Community Structural Funds ⁷².

Following President Santer's initiative to establish a European Confidence Pact ⁷³, the Florence Summit of Heads of State or Government (June 1996) reacted favourably to the Commission's suggestion to launch on a trial basis about sixty territorial employment pacts to be financed under the Community Structural Funds, in particular by using the flexibility margins available.

The features of the territorial employment pacts - particularly their bottom-up approach, their emphasis on innovation, and the setting-up of local partnerships - mean that the actions will be geared to the idea of local development promoted by the Commission following the publication of the White Paper on Growth, Competitiveness and Employment.

4.5 Hygiene, health and safety at work

In 1995, **20 000 copies of the Self-audit Handbook for SMEs were published** and distributed by the Community networks, notably the Euro Info Centres and the specific "health and safety at work" networks. Intended to identify and assess anomalies and accident hazards, this **Self-audit Handbook** is one of the keys to improving the safety and health of workers and thereby the quality of products and performance in SMEs. Although such assessment is common practice in large enterprises, it is, for obvious reasons of cost, less frequent in SMEs. In publishing this handbook, the European Commission has offered heads of SMEs an assessment and decision-making tool in the field of safety and health at work. Its purpose is to help entrepreneurs to analyse and deal with their in-house safety and health problems themselves. The Commission deals regularly with requests for publications, mainly from SMEs or organisations representing them. Besides the handbook, two other publications in the series "Health and safety at work" - "Guidance on risk assessment at work" and "A Guide for SMEs" - are also in great demand.

The Commission departments, in coordination with the National Institute for Research and Safety and the French Ministry of Social Affairs and with the participation of the other Member States, organised in 1995 the **Second European Festival of Health and Safety Films**, the aim of which was to extend the use and quality of audiovisual productions on the subject. Numerous representatives of SMEs attended the event, and it was apparent that many products produced by manufacturers are intended for SMEs. In addition, the Commission departments organised in 1996, in partnership with the International Social Security Association, a **competition to reward products for education and training in prevention**. Here again, the SME dimension figures large, in terms of both participation in the competition and the dissemination and use of award-winning products intended for SMEs.

⁷² COM(96) 109 of 20.3.1996 "Community Structural Assistance and Employment"

⁷³ CSE (96) 1 final of 5.6.1996

In October 1996, the **First European Week for Health and Safety at Work** saw a considerable and rapid mobilisation of resources in organising a large number of events or basic actions. A large proportion of the projects involved practical activities to assist SMEs. In almost half of the 36 projects subsidised by the European Commission, SMEs were the targeted public, e.g. the visits to SMEs in the metal sector organised in Belgium. At the same time, a number of information meetings for SMEs were a great success. In Ireland the "good neighbourhood" pilot project attracted more than 50 large enterprises and visitors from both sides of industry, also supporting the least active SMEs. In general, keen media interest was reflected in the press. Given the success of the first European Week, **a second week will be organised in 1997 on the subject of "promoting a method of risk assessment", whereby special attention is to be paid to SMEs**

At the same time, in 1995 and 1996 several projects on SMEs were supported. One of them, launched in 1995 as a pilot project, is the "Safety check", the purpose of which was to develop a practical instrument for risk assessment in micro-enterprises. The success of the pilot project, initially conducted for Germany, was borne out by on-the-ground assessments in France, Belgium and Luxembourg. The safety institutes of other EU countries are currently using the method for other craft trades. An exchange is planned after the results have been obtained.

At sectoral level, a project was subsidised which resulted in the **preparation of a guide for risk assessment and the monitoring of chemical hazards in SMEs**. A similar project involves drawing up a guide for workers who have to handle waste. This project, launched in 1996, deals with the problems which workers may encounter in SMEs, where there is often a lack of sophisticated equipment and appropriate expertise.

In 1996, various projects were started as part of the **SAFE programme (Safety Actions for Europe)**, the overall objective of which is to improve safety, hygiene and health at work and prevent or reduce occupational risks, particularly in SMEs. For 1997, two types of action will be conducted: basic projects and awareness-raising events. A call for proposals will be published in the Official Journal for the first type of action. The second type (awareness-raising) will be conducted in close cooperation with the network of Euro Info Centres.

In addition to the SME information campaigns, a number of projects were launched to collect data on SMEs and health and safety at work. The first concerns **the incorporation of a chapter on working conditions and the quality of work in SMEs into the Fifth Annual Report of the European SME Observatory**. Another project is **the publication of a report on health and safety at work in the European Union**. In this report, which is due to be published in 1998, a number of data will relate to SMEs. The European Agency for Health and Safety at Work, based in Bilbao, was officially set up in 1996, and its structures are being established, notably the development of the information network, which could be operational in 1997.

5. ENVIRONMENTAL LEGISLATION

5.1 Environment Fifth Action Programme

The Commission adopted in 1996 an interim report⁷⁴ on the implementation of the Environment Fifth Action Programme⁷⁵ which evaluates progress made between 1992

⁷⁴ COM(95) 624 of 10.1.1996

and 1995. Although, the Commission stresses that other policies generally take greater account of environmental concerns, it concludes that progress is being made at varying speeds.

The Commission also adopted a proposal for a European Parliament and Council Decision on the **Review of the Fifth Action Programme "Towards sustainability"**⁷⁶ which identifies five priority areas where action needs to be stepped up. The proposal stresses that particular emphasis should be put on the development of programmes for **the further promotion of environmental awareness in industrial SMEs**. SMEs wishing to use clean technologies should be helped to overcome the technical and financial obstacles encountered. On 9 December 1996, a political consensus on the text of a common position was reached in the Council.

5.2 Environmental Management and Audit Scheme

In order to promote constant improvements in the environmental performance of industrial activities, the Council adopted on 29 June 1993 a Regulation allowing for the voluntary participation by industrial companies in the Community Eco-Management and Audit Scheme (EMAS)⁷⁷. This scheme requires the establishment and implementation, by companies, of environmental policies, programmes and management systems at production site level. This is accompanied by systematic and regular evaluation of the environmental performance of sites by independent verifiers, and the publication of annual environmental statements by each company participating in the scheme. Participation in the scheme could represent an important competitive advantage and could be required by prime contractors of their sub-contractors. However, EMAS registration is a challenge for SMEs which often lack the necessary management and financial capacities. The Commission has therefore developed instruments to promote their participation (see Chapter II).

5.3 Volatile organic compounds

The impact of environmental policy on SMEs was also taken into account and evaluated when preparing the proposal for a Council Directive on the limitation of emissions of volatile organic compounds due to the use of organic solvents in certain industrial activities⁷⁸. The Commission undertook considerable regulatory impact analysis and completed a business impact assessment. This proposal allows the achievement of the environmental targets set by the use of abatement technology and/or the substitution of high solvent products with low solvent or solvent free products. This flexibility was specifically introduced to respond to the concerns of the many SME operators of the plants covered by the proposal.

⁷⁵ Environment Fifth Action Programme, COM(92) 23 of 18.3.1992

⁷⁶ COM(95) 647 of 24.1.1995

⁷⁷ EEC Regulation 1836/93, OJ L168 of 10.7.1993, p.1

⁷⁸ COM(96) 538 final of 6.11.1996

CHAPTER II. PROGRAMMES AND SUPPORT MEASURES FOR SMES

1. CONCERTED ACTIONS WITH THE MEMBER STATES TO ASSIST SMES

The concerted actions provide the framework for consultation among the Member States and between the Member States and the Commission in order to promote the exchange of best practices for improving the SME environment (see Chapter I, point 1.1. on Concerted Action n°1) and policies and measures to assist SMEs. **This should lead to a gradual improvement in the coherence between national and Community schemes.**

The framework for the Concerted Actions is set out in the Integrated Programme⁷⁹, as a concrete outcome of Article 130 of the Treaty on European Union, and proposes a series of fora on central issues, involving political leaders, national and regional officials, business organisations and practitioners, along with various follow-up activities. Several fora have now taken place with a focus on issues arising at different stages in the life cycle of an enterprise.

Under **Concerted Action n°2 on Support Measures for Enterprises**, the Madrid Forum of 16 and 17 November 1995 debated measures designed to assist SMEs in their start-up and in the early stages of their development. The Forum examined financial support and taxation, assistance, training and advisory measures and support infrastructure. Participants were helped in their deliberations by "The European Directory of Measures in Favour of Business Start-ups and Assistance for New Enterprises"⁸⁰, which highlighted interesting experience and good practice in each Member State.

Follow-up work through a Steering Group has sought to develop an appropriate methodology for identifying and promoting best practice. This work is to be assisted by a database of support measures and various Internet tools promoting an exchange of information between support agencies and between entrepreneurs. Both of these developments were subject to the launch of a call for tender in 1997⁸¹. In addition, discussions with the Member States are expected to lead to their organising a series of seminars on the different forms of support measure identified in Madrid to carry forward the concerted action process at a more detailed level.

Under **Concerted Action n°3**, a forum on the stimulation of demand for services among SMEs was held in Dublin in November 1996 with the theme of **increasing the profile and effectiveness of services to assist SMEs**. Over two hundred participants - enterprises, public authorities (national, regional and local) and intermediaries - debated the present situation of the market in SME support services, the current difficulties and the gaps encountered, in order to identify actions likely to improve any dysfunctions in this market. Three working parties dealt respectively with: recent trends in public measures and programmes at regional and national level, recent trends in measures and programmes offered by intermediaries, and marketing experience in support services. They deliberated on three fundamental questions: what the requirements of SMEs are; what the role (1) of intermediaries and (2) of government is; and how to assess whether

79 COM(94) 207 of 3.6.1994

80 This document is available as an OPOCE publication.

81 OJ S 189 of 30.9.1997, p.33

the services provided meet the needs of SMEs and whether they are effective and of high quality.

The conclusions highlighted the following: the role of "first-stop shops" in assisting SMEs to obtain relevant information, the need to decentralise information so as to reach local SMEs, and the need to strengthen the role of intermediaries and increase the use of information systems. Emphasis was also placed on administrative simplification and the crucial need for coordination both between local, regional and national authorities and between administrations and SME intermediaries. The Commission will continue its work by organising various specific working parties.

A further **Forum on the Transfer of Enterprises** took place in Lille in February 1997, which examined both simplifying and supporting measures at the transfer stage (see point I.1.5.)

2. BENCHMARKING

The Internal Market, the prospect of Economic and Monetary Union and the process of globalisation all challenge European industry to continuously improve its competitiveness. In order to meet this challenge, Europe needs to address systematically and with determination all the factors which limit its growth potential. In response to requests from industry and the Council, the Commission has proposed in its Communication of April 1997⁸² that benchmarking in the economy and society should be used to compare performance in various key areas and to identify factors crucial to economic success.

Benchmarking will be promoted at different levels: that of enterprises, at the sectoral level and in relation to the framework conditions for the economy and society.

At the enterprise level, benchmarking is primarily the responsibility of industry itself. Public authorities can mainly contribute via its promotion to a wide audience, particularly to SMEs, which do not have the resources or the necessary experience to undertake benchmarking alone. The Commission has proposed to examine with all the parties concerned the **possibility of creating a European network for enterprise benchmarking.** Such a network should ensure that coherent, trustworthy and equivalent services are available, in particular for SMEs, throughout the Union. These initiatives are being sponsored by the Commission:

- a pilot project from Forbairt (Ireland) aiming to identify experience, services and methodologies already developed in Europe, and to prepare an action plan for the creation of a European Network for enterprise benchmarking;
- a project from Eurochambres to use the existing network of European Chambers of Commerce and Industry to promote awareness programmes about quality in SMEs, to encourage them to apply benchmarking through pilot projects and to improve the conditions for SME access to the European Network for enterprise benchmarking.

At **sectoral level**, benchmarking focuses on the evaluation of specific framework conditions required for sustaining competitiveness in a particular sector. Various initiatives on **sectoral benchmarking** have been undertaken by the Commission and by industry:

Consumer electronics : a five year EU-Japan programme for electronics suppliers completed in 1996 was sponsored by the Commission and the Japanese Ministry for International Trade and Industry (MITI). This aimed to improve the quality of European-based suppliers through a process of benchmarking against Japanese best practice;

Automotive : a project to benchmark the competitiveness of European manufacturing locations for the automotive industry is being undertaken by the Commission;

Chemicals : a project, implemented in close collaboration with industry and worker representatives, is being undertaken in three phases: planning, analysis and implementation. It is now entering the analysis phase;

Biotechnology, Pharmaceuticals and Agri-food : a study will pay particular attention to those areas which can be benchmarked and are susceptible to action e.g. the regulatory framework. It will also study the significance of corporate culture, venture capital, optimum size for successful innovation and factors affecting the mobility and productivity of scientists;

Mechanical Engineering : an inventory of actions for this sector is being prepared to provide a basis for sectoral benchmarking concentrated on a few key aspects;

Construction : a case study approach is being used to define best practice and benchmarks for this sector.

Benchmarking of framework conditions, in particular factor costs, infrastructures, skills, innovation and the environment, is a means of evaluating the efficiency of public policies affecting competitiveness and identifying the steps required to improve them. The Member States in conjunction with the Commission will implement four pilot projects, with a working procedure which ensures transparency, dialogue and expertise. The themes for these projects are : a new technological and organisational paradigm (benchmarking covering mainly diffusion and use of new information and communication technologies by enterprises) ; financing of innovation (this project will build on experience gained through the Innovation Programme); logistics and skills.

In its Communication, the Commission also suggests further fields for benchmarking, such as the weight of regulation on SMEs, protection of intellectual property and innovation. For instance, the Integrated Programme in favour of SMEs and the Craft Sector envisages the use of benchmarking in relation to the legislative and administrative environment in which enterprises operate and benchmarking of business support measures forms part of the work undertaken in the follow-up to Concerted Action n°2. Results will be communicated to all Member States, Community institutions and other interested parties. Finally, the Action Plan for Innovation provides for the development with the profession of a benchmarking system for European venture capital firms.

3. ACCESS TO FINANCE AND CREDIT

3.1 Measures to promote access to finance

3.1.1 Bank-SME partnership: the Round Table of Leading Representatives of the Banking Sector

The Round Table, launched in September 1995 by Commissioner Christos Papoutsis, continued its work throughout 1996. Its primary objective was to identify best practices in improving bank/SME relations by bringing together experts from the banking sector and European SME organisations in a series of workshops. 22 members took part: 7

from European SME organisations and 15 bankers (one from each EU Member State), covering cooperative, savings and commercial banks. The role of the European Commission was essentially that of a facilitator, providing a secretariat for the initiative, acting as a catalyst and helping to bridge differences in opinion where they arose.

The Final Report of the Members of the Round Table, published on 27 February 1997, contains a wide range of Best Practices and Recommendations. Not only does it outline what banks have been doing to develop and improve the services and products they offer to SMEs, it also looks at efforts to improve communication, initiatives to support entrepreneurship and the ways in which banks have reshaped their organisations in order to respond better and more rapidly to the needs of their SME customers. The Recommendations are addressed to a variety of target groups: banks and other financial institutions, SMEs, their organisations and other enterprises, regional and national authorities and European institutions. An Executive Summary of the Final Report, Best Practices and Recommendations is available in all 11 Community languages.

In the context of the Commission's Innovation Programme, the I-TEC INFO project (Intensive Transeuropean Exchange and Communication on Innovation Financing) will continue studying the support mechanisms created by EU banks to facilitate the financing of innovative projects. A series of policy exchange workshops will subsequently be organised by the Commission, involving relevant policy makers and actors in the field. Specifically in this area, the First Action Plan for Innovation called on the reinforcement of the interfaces between the spheres of innovation and technology and the sphere of finance.

3.1.2 European capital markets

The Commission actions for improving access for SMEs to capital markets and for the stimulation of the creation of new markets for SMEs have been carried out by different Commission services, with enterprise policy services in the lead. For example, the Commission provided financial help for the start-up of the European Association of Securities Dealers, which subsequently led to the creation of the European Association of Security Dealers Automated Quotation stock market (EASDAQ). The Commission adopted in 1995 a Communication on **Reporting on the feasibility of the creation of a European Capital Market for smaller entrepreneurially managed growing companies**⁸³, on which the Parliament adopted a resolution on 4 July 1996⁸⁴. As a follow-up, the Commission adopted a Communication entitled "**European Capital Markets for SMEs: Prospects and Potential Obstacles to Progress**"⁸⁵, which involved close-cooperation between the Commission departments concerned, namely enterprise policy, telecommunications, financial affairs and internal market. Also, in its First Action Plan for Innovation, the Commission has stressed the importance of creating favourable conditions for the functioning of the new stock markets for innovative, high growth SMEs, and has called on the Member States to explore actions in this field.

Since 1995 a number of stock exchanges have been set up to cater for the needs of SMEs, especially for high-growth SMEs. These new exchanges are "regulated" markets according to Directive 93/22/EEC on Investment Services (ISD) adopted on

83 COM(95) 498 final of 25.10.1995

84 A4-0168/96, OJ C 211 of 22.7.1996, p.40

85 COM(97) 187 final of 5.5.1997

10 May 1993, and therefore if they so wish (e.g. EASDAQ) they have the right to operate cross-border. In the absence of the IDS any cross-border operation would have been much more difficult or simply impossible. The Alternative Investment Market (AIM), launched in London on 19 June 1995, listed 270 companies at the end of March 1997. The "Nouveau Marché" in Paris began trading on 20 March 1996 and listed 26 companies at the end of May 1997, while other markets started operating in Frankfurt, Amsterdam and Brussels in 1997; these four markets form the Euro.NM network (established as an EEIG), in which admission rules as well as quotation procedures and ways of disseminating information have been harmonised, and by the end of 1998 it should be possible to trade securities from one market to another within the network. The pan-European market EASDAQ was launched in Brussels on 30 September 1996. The Commission is following closely the developments in these new markets and is available to help their promoters with information on the possibilities provided by EU directives.

3.1.3 Mutual guarantee

The European Mutual Guarantee Association (EMGA) continued its activities in 1996 with the help of the Commission. Backing was given to creating support for the mutual guarantee system in Portugal and Greece. A seminar was held in Budapest to make Eastern European countries aware of the possibilities offered by the mutual guarantee system. Lastly, the feasibility study for the setting-up of a mutual guarantee scheme was conducted in Finland, which has become a member of the EMGA, although the scheme is not yet operational.

3.2 The financial instruments of the Union

3.2.1 The European Investment Bank

The general presentation of the activities of the EIB has not changed since the previous report. It should be noted that, under its cooperation policies towards third countries, the EIB has extended its activities to the Republic of South Africa.

3.2.1.1 EIB global loans to SMEs

The EIB finances SME investments indirectly via its global loans. The updated figures in the table below show the importance of the EIB's role in supporting SME investments.

Since 1990, the EIB has provided considerable support for the financing of SMEs, nearly 42 000 of which have benefited from loans totalling more than ECU 11 billion, or nearly 45% of the financing granted to industry and services. Over four-fifths of them employ fewer than 50 people and 97% fewer than 250. More than 23 000 operations (ECU 6.4 billion in loans) involve investments in aided areas, and there are some 13 000 projects outside these areas.

THE EUROPEAN INVESTMENT BANK AND SMEs

In 1996, the EIB concluded global loans totalling ECU 5 580 million compared with ECU 5 175 million in 1995. During the year, 13 033 loans amounting to ECU 4 444 million were granted under current global loans (13 801 loans and ECU 4 354 million in 1995).

58.4% of this amount was devoted to supporting some 11 034 SMEs, eight-tenths of which employed fewer than 50 people. 70% of these SMEs are located in regional development zones.

About 42% of the loans are for small or medium-scale investments in the infrastructure sector (environment, communications, energy), mostly made by local authorities.

EIB financing granted in the Community to **support the competitiveness of enterprises** amounted:

in 1995: to ECU 3.5 billion, of which 2.9 billion for 11 736 SMEs;

in 1996: to ECU 3.8 billion, of which ECU 2.6 billion for 11 034 SMEs. Italy (882 million), France (409 million), Germany (295 million), Spain (279 million), the United Kingdom (253 million) and Belgium (247 million) benefited most from financing via global loans. In addition, the EIB supports SME investment relating to the environment or the rational use of energy.

3.2.1.2 The SME facility: subsidised loans for job-creating SMEs

4 435 Beneficiary SMEs create over 45 000 jobs

A facility for interest subsidies on European Union budgetary resources relating to **ECU 1 billion in EIB global loans** in favour of SMEs was approved in April 1994 by the Council of Ministers⁸⁶. An agreement was signed between the European Commission and the EIB on 14 June 1994 on the implementation by the latter of the interest subsidy facility. The Commission adopted the third report on the implementation of this Decision on 25 October 1996⁸⁷.

This facility is open to SMEs with net fixed assets not exceeding ECU 75 million and a maximum of 500 employees, but it is also stipulated that at least 60% of the beneficiaries are to be SMEs with fewer than 250 employees and an annual turnover not exceeding ECU 20 million or a balance-sheet total under ECU 10 million. The **interest subsidy of 2% per year** is applied for five years to a maximum loan of ECU 30 000 per job created, which amounts to a subsidy of ECU 3 000 over five years per job created. The subsidy is granted to beneficiaries on the basis of a written declaration to the effect that the new jobs

⁸⁶ Council Decision EC/94/217 of 19 April 1994, OJ L 107 of 28.04.1994, p. 57.

⁸⁷ COM(96) 522 final of 25.10.1996, Commission report on the implementation of the Decision regarding the provision of Community interest subsidies on loans for SMEs extended by the EIB under its temporary lending facility (the SME Facility).

have been in existence for at least six months. The subsidy is paid when the loan has actually been disbursed to the beneficiary and the first interest payment is due. Following a Council Decision, this facility was implemented in September 1994. At the end of December 1995, the full amount of the SME facility, ECU 1 billion, had been lent to 4 435 SMEs and 8% disbursed to 444 beneficiary enterprises. **By mid-June 1997, 63% of the facility had been disbursed to 3 086 enterprises, representing loans worth ECU 626 million, and 36 000 jobs were actually created. 95% of the volume of loans was granted to SMEs with fewer than 250 employees and 80% to SMEs with fewer than 50 employees.** By the end of 1997, the EIB will have completed all subsidy payments to SMEs. Thus **4 435 SMEs will have benefited from the SME facility, representing over 45 000 new jobs.** The sectoral breakdown shows that the majority of the loans were granted to the secondary (71%) and tertiary (28%) sectors. The metal industry and mechanical engineering account for 20%, followed by private- and public-sector services (19%), other important sectors being food, distributive trade, woodworking, the rubber industry, the paper/pulp industry and printing (5-7% each).

3.2.1.3 The Amsterdam Special Action Programme

Following the Resolutions adopted by the Amsterdam European Council, the EIB adopted during the summer of 1997 guidelines concerning a three-year programme, the "Amsterdam Special Action Programme" (ASAP), which includes a section devoted to SMEs active in the new technology field and to which an amount up to ECU 1 billion will be allocated from the Bank's surpluses.

3.2.2 The European Investment Fund

3.2.2.1 Loan guarantees granted to SMEs

The purpose of the **European Investment Fund (EIF)**, created under the growth initiative following the Edinburgh Council, is to provide loan guarantees for projects relating to trans-European networks and for SMEs. Of the ECU 2 billion authorised capital of the EIF, at the end of 1996 ECU 1 786 million was subscribed by the EIB (40%), the Community (30%) and 76 financial institutions in all the Member States (19.3%). The EIF can grant guarantees for a total amount which can ultimately be up to eight times its subscribed capital, i.e. ECU 16 billion.

In June 1997, **the sum of the guarantee operations signed in favour of SMEs amounted to ECU 613.5 million** (not including the operations signed for trans-European networks, which amounted to ECU 1 195 million), **of which ECU 397 million was for the pilot project "Growth and Environment"** and ECU 14.5 million for equity participations. **The SME operations accounted for 34% of the total operations of the EIF.**

Since mid-1996, the EIF has also been able to participate in the equity of enterprises specialised in the financing of SME capital. By mid-February 1997, the EIF had received and analysed over 25 proposals for SME equity participations, three of which have already been signed. For these equity participations, the EIF will concentrate its resources (ECU 70 to 80 million until the end of 1998) on those parts of the equity participation market in which it can add value to the operations of the private sector and the capital market, i.e. venture capital investments in enterprises with high growth potential, in particular those developing and exploiting new technologies or products.

Other guarantee and equity participation operations are being examined, and for 1997 **EIF equity participations are expected to reach about 4%, and newly signed SME**

guarantee operations will reach 30 to 35% of the total operations in 1997. Thus the balance between EIF operations involving trans-European networks and those involving SMEs, as far as new operations are concerned, is already fairly reasonable. The strategy of the EIF is gradually to diversify its activities in the SME sector to include operations with high value added for the European SMEs financed.

In 1996, besides the project "Growth and Environment", the Fund signed five transactions to assist SMEs, demonstrating its ability to help mobilise private funds for investment by European SMEs.

Examples of EIF operations signed in 1996 to assist SMEs:

Scottish Equity Partnership, a financial instrument aimed at improving the access of SMEs to own capital, whereby the EIF guarantees loans by private financial operators (banks or institutional investors), to top up public funds for the allocation of a venture-capital-type fund which will take equity participations in Scottish SMEs;

First Irish Mezzanine Fund II, in which the EIF guarantees private-sector loans in a financial instrument set up by Allied Irish Bank, an EIF shareholder, which will invest own funds in Irish SMEs;

The securitising transaction of the Caisse National du Crédit Professionnel (CNCP) in Belgium, whereby the EIF guarantees the financing necessary for the sale to third parties of SME loans held by the CNCP, making it possible for the CNCP to grant new SME loans;

Merseyside Special Investment Fund in the United Kingdom, where the EIF guarantees part of the loan granted by Barclays to sub-funds promoting new investments, via loans in British SMEs;

The aim of the Efibanca transaction is to top up the credit from a global loan granted by the EIB to Efibanca, an institution established in the SME sector in Italy, making it possible to increase the EIB credit lines to Efibanca.

3.2.2.2 Pilot project "Growth and Environment": guarantees on environmental loans

In December 1995, following an initiative by the European Parliament in favour of SMEs and the environment, the Commission and the European Investment Fund (EIF) signed an agreement on the implementation of the pilot project "Growth and Environment", under which the EIF provides a partial guarantee on loans to small and medium-sized enterprises with fewer than 100 employees (with a preference for SMEs with fewer than 50 employees) for investments resulting in significant environmental benefits. "Growth and Environment" is one of the measures taken in the context of the *White Paper on Growth, Competitiveness and Employment* and of the of Commissioners' group on competitiveness. Its aim is to encourage environmental investments by SMEs in the Union. The Community finances the premiums for the loan guarantees granted by the EIF on borrowings to finance investments, issued by intermediary banks, in the Member States. The EIF is thus indirectly involved via a network of banks in the various Member States, selected on the basis of a call for expressions of interest⁸⁸. The responsibility for

⁸⁸ Published in OJ C 177 of 12.07.95, pp. 10-13.

approving and administering the loans is delegated to these intermediary financial institutions. It is estimated that the volume of loans guaranteed will reach ECU 1 800 million.

This loan guarantee instrument will enable SMEs to obtain more favourable terms for financing loans for environmentally beneficial investments. The EIF guarantees make it possible not only to facilitate access to the sources of loans but also to lower the interest rate.

The system operates as follows:

- the guarantees cover loans for investments which have a minimum maturity of three years (no working capital) and are for less than ECU 1 million;
- only investments generating directly or indirectly significant environmental benefits (e.g. prevention/reduction of all forms of pollution, energy savings, environmental improvement of production processes, and improved products and services resulting in enhanced environmental protection) are eligible under the programme;
- the guarantees offered by the EIF cover up to 50% of the cost of the entire project;
- only new loans are eligible for guarantees under the system.

To date, the EIF has signed twelve contracts with financial intermediaries in nine Member States and is continuing its discussions to set up a complete network in each of the fifteen Member States. The first commitments of bank guarantees began at the end of 1996, and the Commission is awaiting with interest the full achievement of its objective, which is to make it easier for SMEs in the European Union to obtain financing for environmental investments. Since this is a pilot programme, it will be evaluated mainly in terms of the type and overall volume of environmental investments made by SMEs. This evaluation will provide the basis for deciding whether this programme should be made permanent and, if so, how.

3.2.3 *Venture capital pilot schemes*

3.2.3.1 "Seed capital" pilot scheme

«SEED CAPITAL» PILOT SCHEME

At the end of 1988, the European Commission launched a pilot scheme to stimulate seed capital (regional policy and enterprise policy). The pilot scheme comprises 23 investment funds in operation, created between 1990 and 1993 following a call for expressions of interest. The 23 funds in the pilot scheme received, for five years, repayable advances covering 50% of their operating costs. In addition, 15 of these 23 funds, located in assisted regions of the Union, received a capital contribution from the Commission via the European Enterprise and Innovation Centres (EEIC) established in these regions. These funds, established in eight European Union countries - Germany, Belgium, Spain, France, Ireland, Italy, the Netherlands and the United Kingdom - are independent private-law entities responsible for their investment decisions. Three funds are transnational in scope. They cover respectively: Benelux, France-Spain and Sarre-Lorraine-Luxembourg.

The pilot scheme was the subject of an **external evaluation** carried out between November 1996 and May 1997. The resulting report will be available in the second half of 1997.

The 23 funds have so far raised ECU 49.7 million and invested 35 million in the start-up of 207 enterprises, which are still active. They have directly generated 3 000 jobs.

The interim evaluation report notes that, since the pilot action was launched, there has been a natural breakdown of the 23 funds into two poles and two types of performance:

1. private funds with a purely commercial approach, and
2. public or private local development funds.

In the case of the first, the notion of seed capital involves a rigorous selection of a very small number of relatively large investments. Only three out of the 23 funds were managed as purely commercial seed capital funds. The input of the pilot scheme contributing to the operating costs was essential in two out of three cases. In the second type, seed capital involves small shareholdings in local SMEs with limited growth potential and an essentially regional market. As for the Regional Funds, the input of the pilot scheme was fundamental to their creation.

The report emphasises that Europe, and particularly its southern regions, is lagging far behind the United States in terms of the level of seed capital activity. However, the best European funds achieve profitability rates only slightly lower than those of American Funds. Germany leads in seed capital investments, with 41% of the total investments in this sector in Europe.

Some achievements of the seed capital pilot scheme

Technostart (Stuttgart): 12% holding in Jet and Lasersystem, a company which created a prototype of a laser painting system. Applications in the aeronautical sector. Nine new jobs.

F.A.I.R. (Liege): 33% holding in ICM, a company specialising in the design and manufacture of portable "constant potential" X-ray generators for the on-site quality control of welding. Five new jobs.

Business Innovation Fund (Dublin): 20% holding in EDI Factory, a company specialising in devising computer solutions to promote exchanges between industries with electronics know-how. Six new jobs.

Innovi-Euroventures (Benelux): 20% holding in Fondatech, a company which develops equipment for reinforcing the structures of building foundations by means of gas pressure. Fifteen new jobs.

RTVL (Lille): 37.5% holding in ACTN, a company working to help a metalworking enterprise to diversify into surface treatment, painting, and powder and liquid lacquering, with the installation of an automatic painting line. Twenty-five new jobs.

Korda Associates (London): 26.5% holding in Cambridge Animation, a company specialising in the audio-visual production of animated films. Fifteen new jobs.

3.2.3.2 Eurotech Capital action

The purpose of the Eurotech Capital action is to encourage the financing by private capital of transnational advanced technology projects. The Commission has thus authorised European venture capital funds specialising in investment in advanced technology. These financial entities, each of which has a minimum investment capacity of ECU 50 million, agree to earmark at least 20% for shareholdings in SMEs which develop transnational advanced technology projects.

In 1996, the Eurotech Capital network had 14 members covering the majority of the Member States. This network has undertaken to invest a total amount of ECU 232 million in transnational advanced technology projects. Since the total commitment of the Community budget is ECU 9.2 million, the resulting leverage effect is 1 to 25.

3.2.3.3 Finance for Innovation

A number of actions to support the finance for innovation have been launched since 1995 under the Programme for Innovation in Europe.

Investment forums held in the Member States (five in 1995 and two in 1996) attracted, on the one hand, entrepreneurs from over **500 innovating SMEs in full expansion seeking sources of funding** and, on the other, financial institutions seeking investment opportunities (mostly venture capital companies from all over the Union).

Officially launched on 1 July 1997 as part of the Innovation Programme, the I-TEC (Innovation and Technology Equity Capital) pilot project is an initiative for encouraging start-up capital investment in technologically innovative SMEs. I-TEC aims to develop the ability of venture capitalists to evaluate and manage start-up investments in such SMEs, which - despite their economic viability and inherent quality - would not otherwise be taken into consideration. Nine venture capitalists will be selected by the end of 1997 to participate in the I-TEC pilot project, with a total investment capacity of ECU 380 million.

Lastly, in 1997, there will be a trial of an interface service between SMEs participating in the 4th Framework Programme for RTD and sources of financing. This pilot project will involve setting up an "Innovation-financing Help Desk" to inform potential investors about the projects under way and their potential, and to help the SMEs or researchers concerned to obtain easier access to private capital, in particular at transnational level (e.g. information on sources and access conditions for venture capital, and the expectations of investors). Through the studies and the seminars for the exchange of best practices which it has organised, the Innovation Programme has gained experience in innovation financing, which it intends to develop by means of instruments such as the European Innovation Monitoring System (EIMS) and I-TEC INFO.

4. SUPPORT FOR THE DEVELOPMENT OF REGIONAL SMEs

The previous reports for 1992, 1994 and 1995 gave detailed accounts of the principles governing the Structural Funds. The major multiannual guidelines for Objectives 1, 2, 3, 4 and 5b (for the period 1994-1999) presented in the 1995 report still apply. However, for Objective 2 the new programmes for the period 1997-1999 have been the subject of negotiations in 1996 and 1997. In addition, following the accession of the three new Member States in 1995, programmes were adopted to assist these countries.

It should be remembered that in the Community Support Frameworks (CSF) and the Single Programming Documents (SPDs) a total of about **10% of the total resources of the Funds are specifically devoted to measures to promote and improve the production facilities and the economic environment of SMEs, and this percentage is even higher in the zones covered by Objective 2.**

4.1 Regionalised operations

Objectives 1, 2 and 6

With regard to **Objective 1** (regions whose development is lagging behind), the Operational Programmes (OP) or Single Programming Document (SPD) are currently being drawn up. The interim assessment is not yet available. The programmes for Objective 1 regions dealing more particularly with SMEs, such as the "industry" operational programmes for Ireland, Italy, Portugal and Greece, are being monitored by the departments in charge of enterprise policy in order to take more account of the SME dimension in the implementation of these programmes and, where appropriate, to transfer best practices and tried and tested schemes.

Following the accession in 1995 of the **three new Member States (Austria, Finland and Sweden)**, SPDs were negotiated in which a large proportion was earmarked for assisting SMEs. **The funds made available to assist SMEs in these countries (30 to 40% of Community aid) are almost double those granted for the other objectives (15 to 20%).** In its Communication of July 1996⁸⁹, the Commission presented the SPDs of the three new Member States (in particular, content and financial allocation), which give **considerably more place to the SME dimension than the previously negotiated programmes. Objective 6 was created for the most thinly populated regions of the Union (< 8 inhabitants/km²) in Sweden and Finland.**

Actions to assist the revival, creation and development of SMEs figure very prominently in the national initiative programmes which the regions and the Member States present as part of the multiannual operations under regionalised structural policy. It should be noted that regional policy and the policy of cohesion are based on shared responsibility. Community action is designed as a complement or a contribution to corresponding national or regional actions (Article 4 of Council Regulation 2081/93 of 20.07.1993⁹⁰). Operations are defined as part of an overall regional development or conversion strategy adopted on a multiannual basis.

In the central regions of the Union, often characterised by the proximity of large urban centres, the emphasis is placed on the quality of the economic environment of SMEs and their adaptation to changes in external markets. In less developed areas, including rural areas, SMEs are more fragile and regional policy requires different instruments. In particular, by setting up SME networks it is possible not only to attain a "critical size" for the sale of certain products on the local and extra-regional market, but also to share skills.

For the Arctic regions, the concern is to develop in small localities a decentralised network of activities using new information technologies and advanced communication services intended for the global market, since local demand is very limited. The active population seeking skilled jobs is usually already well qualified.

⁸⁹ COM(96) 316 final of 3.7.1996 on the implementation of EU regional policies in Austria, Finland and Sweden.

⁹⁰ "Coordination" Regulation, OJ L 193 of 31.7.1993, pp.5-19.

On 30 May 1997, the Commission presented a set of guidelines for adapting the programmes of the Structural Funds until 1999 for Objectives 1 and 6, in particular to take account of the political priorities defined at the informal Council of Ministers responsible for regional policy and town and country planning policy held in Ballyconnell (IRL) in November 1996 and of the Florence European Council in June 1996. It was proposed in Florence to use the resources available in the existing programmes to support SMEs and local development and employment initiatives. Thus the priorities defined are centred mainly on job creation, particularly by SMEs. Member States and regional authorities should therefore be encouraged to take advantage of resources to exploit the job-creating potential of SMEs.

With regard to Objective 2 (regions in industrial decline), 1996 was a crucial year devoted to the negotiation of the new programmes for the period 1997-1999, which were adopted in 1997. The development of SMEs is one of the priorities defined by the Commission in its guidelines for Objective 2⁹¹, which is reflected in the SPDs presented by the Member States. A reference to the new definition of SMEs⁹² was included in them with a view to harmonising both Community and national procedures.

Thus there is the gradual emergence of a priority to assist SMEs, which is reflected in practice in the most recent SPDs by a greater financial effort to assist measures directly aimed at enterprises, in particular by co-financing national measures. It is therefore the task of the partners in charge of implementing this programme (Commission, Member States, Regions and socio-economic partners) to make every effort to ensure that these programmes achieve their objectives and that the measures to assist SMEs are used and are effective in boosting their competitiveness and increasing job creation.

Coordination between enterprise policy and regional policy is ensured, in particular through interdepartmental consultations not only on the numerous regional programmes but also on thematic actions. Such consultation took place during the adoption of a number of communications. These included : “Structural assistance and employment”⁹³, which recommends making use of the margin of flexibility in the programmes and reorientating them towards assisting job creation (investment in human capital, reinforcement of business services, technological innovation and new sources of jobs, and the introduction of regional employment pacts between public and private operators); “Cohesion policy and culture”⁹⁴ and “Cohesion policy and the environment”⁹⁵, which acknowledge the importance of SMEs as a new source of jobs in the ecological sector and the need to promote environmentally friendly products and technologies, in particular in SMEs; and “Towards an urban agenda in the European Union”⁹⁶ and “Cohesion and the information society”⁹⁷.

91 Note for guidance concerning operations in the declining industrial areas for the second programming period 1997-1999, Document C(96) 952 final of 29.4.1996.

92 Commission Recommendation to the Member States, the EIB and the EIF of 3 April 1996 concerning the definition of SMEs, OJ L 107 of 30.4.1996, p.4

93 COM (96) 109 of 20.3.1996

94 COM (96) 512 of 20.11.1996

95 COM(95) 509 of 22.11.1995

96 COM (97) 197 of 06.05.1997

97 COM (97) 7 of 21.1.1997

The Commission also adopted, in accordance with Article 130b of the Treaty on European Union, the **first report on economic and social cohesion in 1996**⁹⁸, which analyses the effects of national, Community and structural policies on cohesion. An analysis of the impact of enterprise policy on cohesion shows that, although the measures to assist SMEs should contribute to reinforcing cohesion, there has been little or no response from enterprises in some of the areas lagging behind.

The annual reports on the Structural Funds have, since the 1994 report⁹⁹, included a chapter on the complementarity between the Structural Funds and SME and tourism policy, which will be continually improved.

In order to ensure the sound and efficient management of the operations co-financed by the Structural Funds as part of the SEM 2000 exercise (Sound and Efficient Management), the Commission is drawing up a Regulation on the detailed methods of the Member States' financial control of operations co-financed by the Structural Funds. In preparing this legislation, it has framed rules distinguishing those types of expenditure which are and those which are not eligible for Community co-financing and fact sheets have been drawn up on financial engineering measures such as venture capital and guarantee funds (available on the Internet <http://dg1608.intro.html>).

Various studies have been conducted, one of which, in 1996, was on **the impact of the structural policies on the economic and social cohesion of the Union 1989-1999**¹⁰⁰. In order to find out more about the nature of the co-financed actions and their economic impact on SMEs, the Commission launched a **thematic evaluation of "the impact of Structural Funds on SMEs"**¹⁰¹ during 1997, which will deal with the whole range of current programming, including the Community initiatives. It will supplement and update the 1993 assessment, the results of which were commented on in the 1994 report¹⁰².

With regard to the **network of 250 Euro Info Centres**, mention should be made of the work of the **sub-group specialising in the Structural Funds**, which is made up of 49 EICs from the 15 Member States. In 1996, besides the information meetings and exchanges of views on the Community SME Initiative and inter-regional cooperation under Article 10 of the ERDF, this sub-group compiled records of "success stories" involving projects which had made a positive contribution to local development in Germany and Italy, for example. In this way, about a hundred projects were analysed and presented to the Commission. The specialised EICs are also a very valuable relay for passing on grass-roots information to the Commission, and also provide local, regional and national authorities with technical advice for the planning and implementation of the programmes supported by the Structural Funds. Quite a few EICs play an important role in informing SMEs of the opportunities which the regional programmes offer them. The EICs are often involved in the planning and promotion of regional development programmes such as INTERREG and OUVERTURE. Lastly, the EICs were involved in promoting the DIRECTORIA event on inter-regional cooperation held in Brussels on 4-6

98 COM (96) 542 of 6.11.1996, published by the Publications Office, ISBN 92-827-8878-4

99 COM(95) 583 of 14.12.1995 and COM(96) 502 of 30.10.1996.

100 Published by the OPOCE, ISBN 92-827-9168-8

101 OJ S 133 of 12.7.97, p.39

102 COM(94) 221 of 7.9.1994

December 1995 and in Strasbourg on 24-26 February 1997, and about ten members of the network were present on the European Union stand.

Objective 5b (fragile rural areas)

If SMEs are “the backbone of the EU economy”, as Eurostat stated in its fourth report “Enterprises in Europe”, the description is even more apt for the rural areas of the Union. SMEs are a fundamental component of the economic fabric of rural areas, all the more so as this fabric evolves away from a structure once dependent mainly on agriculture, a sector which has undergone profound changes, towards multisectoral socio-economic development. This is why, under the various rural development programmes and measures co-financed under the Structural Funds, SMEs receive special aid which is intended not only to facilitate the creation and ensure the permanence of SMEs but also to improve their environment, for example by contributing to the development of the services they need, and to improve their competitiveness. For the second period of the reform of the Structural Funds 1994-1999, **over 25% of the appropriations granted to Objective 5b programmes are intended for investments in production, SMEs, the craft sector and services, i.e. a Community contribution of approximately ECU 1.7 billion.**

4.2 Community Initiatives

The Community Initiative programmes are drawn up on the basis of guidelines laid down by the Commission. They generally relate to topics of Community interest or permit the implementation of more appropriate or innovative procedures, and the European dimension offers opportunities for dealing with the problems to be solved and deciding on the content of the actions to be undertaken.

The following 13 Community Initiatives, which may also contribute to the development of SMEs, were adopted in 1994 (scheduled for 1994-1999): SMEs (ECU 1 065 million), ADAPT (1 600 million, adaptation of workers to industrial changes), LEADER II (1 755 million, development of rural areas), INTERREG II (3 472 million, border areas), REGIS II (600 million, the most remote regions), EMPLOI (1 810 million, human resources), RECHAR II (453 million, conversion of areas affected by the decline of the coal industry), RESIDER II (568 million, conversion of steelmaking areas), KONVER (725 million, conversion of areas seriously affected by industrial decline, and military installations), RETEX II (596 million, conversion of textile areas), URBAN (869 million, urban areas), PESCA (296 million, conversion of areas dependent on fishing) and PEACE (295 million, special aid programme for reconciliation in Northern Ireland). A presentation of the REGIS, URBAN and RETEX initiatives can be found in the previous report¹⁰³.

The SME Community Initiative

The Community Initiative on SMEs, with a budget of ECU 1 billion (regions covered by Objectives 1, 2, 5b and 6), of which ECU 800 million for Objective 1 regions, supplements the actions under the Integrated Programme in favour of SMEs and the craft sector, according to the methods and procedures applicable to the Structural Funds. This initiative aims to make SMEs in the Union more competitive by improving their environment and know-how. The operational programmes under the SME Initiative were

¹⁰³ COM(95)362 final of 8.9.1995.

adopted in 1995 and 1996 (except the programme for England). They include measures in the field of cooperation between SMEs which vary from one Member State to another, and concentrate on their internationalisation, improved access to the internal market and public procurement contracts, actions relating to subcontracting, the adoption of a "total quality" strategy, cooperation with research centres, access to new technologies, marketing, financing, improving the organisation and management of enterprises or improving environmental management (environmental audits). The departments responsible for enterprise policy are generally members of the monitoring committees and regularly attend the meetings in the Member States. The state of progress of the programmes varies considerably from one Member State to another. In Ireland, for example, the programme focusing on a financial engineering measure (interest subsidies) for small enterprises (<50 employees) is almost entirely under way. In France, two calls for projects aimed at inter-enterprise cooperation for modernisation and innovation and transnational partnership are at the project-selection stage. In Italy, calls for projects are also being launched. In Spain and Portugal, on the other hand, there are difficulties in starting up the programmes. In Greece, as a result of the political will to coordinate measures to assist SMEs between the various ministries, seven SME support structures were selected to help enterprises to take better advantage of the whole range of Community programmes which might concern them. The measure to assist "clusters" is at the project-selection stage. The programmes of the new Member States adopted in 1996 include, in particular, measures in Austria to assist environmental audits, advice and training in telematics, and environmental technology; in Sweden, access to markets via networks, the improvement of training and management, access to the Single Market, new information technologies and the environment as a factor of competitiveness; and in Finland, measures to help strengthen the links between research and training, the application of the technical regulations of the Single Market, and clusters.

In addition, the Commission proposed to the Community Initiatives Management Committee on 17 November 1996 three types of action to promote transnational actions to be financed by the **Community SME initiative reserve of ECU 25 million**:

1) exchanges of experience and best practices between the Member States in previously identified fields, 2) support for International Buyers' Exhibitions (IBEX)¹⁰⁴ and 3) teletourism¹⁰⁵ (to promote the inclusion of tourism enterprises on the Internet).

The Commission selected, following an invitation to tender¹⁰⁶, an intermediary support structure for planning and organising transnational actions, in particular exchanges of experience in the context of the SME Initiatives and industrial change. The enterprise policy departments cooperate closely in all these actions by transferring their practices in relation to SME policy to the regional policies and providing technical support for the selection of projects (in particular for IBEX and tourism).

104 Brochure presenting the Vademecum ISBN 92-827-7852-5 and publication in OJ S 38 of 22.2.1997, p. 46

105 Call for proposals to establish a European coordination and transfer structure aimed at promoting the use of electronic publicity and commerce through the Internet network amongst SMEs operating in the tourism sector and located in the less favoured regions of the Union, OJ C 162 of 6.6.1996, p.21

106 Open procedure, OJ S 142 of 25.7.1996, p.33

The LEADER II Community Initiative

Support for SMEs and the craft sector is an important dimension of LEADER II, which so far comprises 100 programmes/global subsidies. The Community contributes ECU 1 755 million (at 1995 prices, including the reserve) to help finance investments of ECU 4 billion in 800 LEADER territories. **It is estimated that on average over 20% of the funds are intended for aid to small and medium-sized enterprises and the craft sector.** This percentage varies from one territory to another and only reflects part of the support provided by LEADER to SMEs and the craft sector, since, while the actions financed under LEADER II include measures to assist SMEs directly (*access by SMEs and the craft sector to business services, creation of local services such as one-stop shops, aid for innovative investment, aid for setting up enterprises or facilitating teleworking*), other actions are of indirect benefit to SMEs in the territories in question. This applies to the various technical assistance measures for rural development, measures for exploiting and marketing the products of local agriculture, forestry and fisheries, or training measures. But it is incontestably the approach underlying the implementation of LEADER, namely an integrated development strategy covering a territory with the participation of the players concerned, which enables SMEs to expand their activities under a more global development project. In addition, since innovation is a condition of eligibility for the LEADER programme, the projects implemented make it possible to test new methods of organisation and marketing and new products, thus offering SMEs new opportunities.

Lastly, in LEADER II, a new section was introduced concerning **transnational cooperation, with a budget of ECU 137 million.** Thus the beneficiaries of LEADER II have the possibility of jointly planning, producing and marketing products and services in all fields of rural development. This section will enable SMEs in LEADER areas to work together and expand their activities.

4.3 Innovative forms of intervention

The purpose of the **European Business and Innovation Centres (BICs)**, supported by the Commission under Article 7 of the ERDF Regulation, is to contribute to the creation of innovating enterprises and the modernisation and development of existing SMEs. There are currently 140 BICs in the Union, mostly in the Objective 1 and 2 regions but also in Objective 6 and 5b regions. These centres belong to the European Business and Innovation Centre Network (EBN). In May 1997 the Commission launched an assessment study on its action to support BICs, which it has been conducting since 1984 under its regional policy. By this study, the results of which will be available in March 1998, the Commission intends to: make an initial assessment of its action; establish how far it is consistent with other similar regional development measures financed by Community or national credits; and propose the adjustments necessary for implementing this action.

Article 10 of the ERDF Regulation¹⁰⁷ permits the financing of studies and pilot projects concerning regional development at Community level, in particular in the frontier regions of the Member States. The Article 10 budget is limited to 1% of the annual allocation of the ERDF. A budget of almost ECU 400 million is earmarked for actions grouped around four themes: internal and external inter-regional cooperation (RECITE II and

¹⁰⁷ Regulation 2083/93 of 20.7.1993, OJ L 193 of 31.7.1993, p.38

ECOS/OUVERTURE II - ECU 180 million), innovation for regional and local economic development (90 million), town and country planning (45 million) and urban policy (80 million). These actions were the subject of calls for proposals published in the OJ. In this way, support will be provided for pilot projects in the following areas: urban environment, the information society, innovation and technology transfer, new sources of employment, cultural cooperation, internal and external inter-regional cooperation, and town and country planning. RECITE II more specifically concerns SMEs.

The Commission is also currently examining the possibility of launching a new instrument called "Eurofin", intended to improve the financing of innovating SMEs in the assisted regions through equity holdings

The Commission also supports territorial development strategies for innovation and the information society. Thus the pilot projects under Article 10 of the ERDF, RIS (Regional Innovation Strategies) and RISI (Regional Strategies on the Information Society), are conducted by about 60 regional authorities and will mobilise more than 1 000 key regional players, both public and private, in particular heads of SMEs, in structured strategic deliberations aimed at devising a regional strategy and converting it into a concrete action plan on the basis of the identification of priority projects. The purpose of the RIS is to promote innovation, including technological and research aspects and other equally important purely economic and institutional aspects, within the traditional fabric of production. The purpose of the RISI is to identify the economic opportunities and risks which the information society will create in the regions so that they can anticipate the effects of this new revolution and thereby maximise the opportunities and minimise their negative impact. These two actions are being conducted in conjunction with activities to promote (a) innovation (RITTS under the Innovation Programme) and (b) the information society.

The elaboration of these territorial strategies, including their action plan, is based on the reinforcement of cooperation between the public and private sectors and between regional enterprises, in particular SMEs, and the supply infrastructure, for technology and services, associated with technological innovation and the information society in the region. All strategic planning exercises begin by analysing demand, in particular the needs of SMEs, and involve a multidisciplinary and integrated approach based on the implementation of genuine subsidiarity at the level of regional responsibilities.

Article 8 of the EAGGF-Guidance Regulation also permits the support of studies, pilot and demonstration projects, and projects to disseminate Community results concerning rural and agricultural development (for example, see chapter on women entrepreneurs). **Article 6 of the ESF Regulation** permits the financing of innovative technical assistance actions and pilot and demonstration projects in the field of vocational training and job creation, and actions to monitor and assess the measures co-financed by the ESF.

5. OPERATIONS TO ASSIST SMEs IN SPECIFIC SECTORS (AGRICULTURE AND FISHERIES)

Objective 5a (adaptation of agricultural structures and modernisation/restructuring of fisheries)

The measures under the former EC Regulation N° 866/90, now replaced by Council Regulation N° 951/97 of 20 May 1997 and EC Regulation N° 867/90 on the improvement of processing and marketing conditions for agricultural and forestry products, concern primarily SMEs. Practical experience and statistical information on

the structure of the food sector reveal that more than 90% of the approximately 253 000 firms in the EU food sector employ fewer than 20 people and that 6% employ between 20 and 99 people. However, these measures do not consider SMEs as a target group and do not contain any particular actions or rules applying to them. Furthermore, no quantitative information concerning the participation of SMEs in the programmes and the related financial efforts at Community level can be provided.

The Common Fisheries Policy

The fisheries sector includes a very large number of SMEs: according to a European Commission study ¹⁰⁸, the branch of European industry which processes fisheries and aquaculture products, for example, employed some 90 000 people in 2 240 establishments, with a Community average of 40 workers per enterprise (ranging from 16 in Italy to 91 in Germany). In addition, 95% of the vessels in the Community fleet are less than 24 metres long. In this context, SMEs represent a considerable proportion of the beneficiaries of the structural operations to assist the fishing and aquaculture sector, since it is towards SMEs that most of the structural and socio-economic measures in the sector are directed, in particular via the Financial Instrument for Fisheries Guidance (FIFG) and the PESCA Community initiative.

The FIFG, which since 1994 has accounted for a quarter of the EU Structural Funds (Objective 5a) and to which ECU 2 800 million has been allocated for 1994-99, can co-finance operations in the following areas:

- adapting fishing capacity (withdrawal of vessels, setting up joint ventures);
- modernisation and renewal of the fleet;
- development of aquaculture;
- protection of inshore areas;
- infrastructure works in fishing ports;
- processing and marketing of products;
- product promotion;
- socio-economic measures for fishermen;
- other measures (technical assistance).

6. SUPPORT FOR SMEs IN THE EUROPEANISATION AND INTERNATIONALISATION OF THEIR STRATEGIES, IN PARTICULAR VIA IMPROVED INFORMATION AND COOPERATION SERVICES

6.1 – Information for enterprises

6.1.1 The network of Euro Info Centres

In January 1995, the enlargement of the European Union to 15 Member States led to the opening of seven EICs in Finland, nine in Sweden and seven in Austria. At the same time, the policy of setting up Correspondence Centres (EICCs) in the countries of Central and Eastern Europe was continued and was extended to the countries of the Mediterranean Basin.

¹⁰⁸ Statistical study on the processing of fisheries and aquaculture products in the European Community, April 1993, European Commission

There are 227 EICs, to which 21 EICCs have been added, so that they constitute a unique network present in public, private or mixed structures in direct contact with SMEs (Chambers of Commerce, local development agencies or banks). Entirely dedicated to enterprises, EICs are multi-purpose and provide SMEs with all-round expertise in Community matters.

As the most valuable link between Europe and SMEs; EICs inform enterprises, initiate them, advise them and assist them in all areas relating to Community programmes and policies.

A new function for the Euro Info Centres

The 1996 Council Decision on the third multiannual programme for SMEs made the EICs **first-stop shops for Community information for SMEs**. This new function is intended to give SMEs simpler, clearer and thus more efficient access to the European Union than in the past: to its legislation, programmes and opportunities. It found its practical expression in a strategy to adapt the network which was favourably received by the Member States on 19 September 1997. This strategy spells out the practical implications of the first-stop shop function, the range of services offered by EICs and the feedback procedures for information from SMEs.

The first-stop shop dimension

In accordance with the concept of the first-stop shop, the EICs are centres for routing and processing requests for information. In this way, SMEs find a local interlocutor who is likely to provide straightforward, pragmatic answers to all their queries: either directly, or indirectly by directing them to specialised structures and/or service providers who can deal with the request more thoroughly.

On the operational level, fulfilling the first-stop shop objective implies developing close cooperation with other SME intermediaries, including other Community networks such as the Innovation Relay Centres, the CRAFT network of National Focal Points or the European Enterprise and Innovation Centres, to which the EICs refer entrepreneurs who require services which such intermediaries provide. The status of first-stop shop does not mean that the EICs becomes the sole interlocutors of SMEs. EICs develop in an organised fashion their partnerships with other SME intermediaries (host structures, partners in the same locality, region, country, trade, category, etc.) by encouraging synergies and avoiding duplication of functions and responsibilities in line with the principle of subsidiarity. It is important that each interlocutor of SMEs fully assumes his information and advisory role at a clearly defined and complementary level (general Community information for EICs; specialised Community information for the Commission's other networks; local and national information for local and national partners).

In order to guarantee the quality of their services, the EICs are permanently subject to an independent audit. This evaluation exercise will lead to a partial renewal of the EICs at the end of 1997. In addition, on the basis of a call for tenders, organisations representing SMEs, whether sectoral or horizontal, European or national, will be able to join the EIC network as associate members.

The range of EIC services:

The Info-service

In 1995, the EICs answered 310 000 questions from enterprises in the European Union on all EU-related subjects. **In 1996 this figure rose to more than 350 000.** As disseminators of information, the EICs make available to enterprises a very large range of documentation: brochures, information bulletins, and guides such as the ECO-Management Guide, which is a tool for self-assessment and awareness-raising with regard to the application of European environmental standards in SMEs. As organisers of seminars and conferences, they are actively involved in high-profile events such as the European information society weeks, organised with the ISPO (Information Society Project Office) in the countries of the European Union, the CEECs and the Mediterranean Basin. As part of the 1996 and 1997 promotion campaigns on, respectively, standardisation and the euro, the EICs organised information days, conducted surveys of enterprises and widely disseminated self-assessment brochures and software which they had themselves produced. **At the end of the first half of 1997, it is estimated that these campaigns gave rise to over 6 million contacts.** Lastly, during 1997, about 100 EICs organised over 150 events as part of an awareness-raising campaign on health and safety at work in SMEs.

Initial advisory and assistance services

The EICs provide initial assistance at the various stages in the development of an enterprise. They are involved mainly as advisers on European financing schemes open to enterprises, such as the Community research and technical development programmes and the structural funds, on quality, standardisation and certification policy, and on environment policy.

The EICs also provide support for maintaining and consolidating new markets. This theme covers the activity of the EICs in areas relating to the Europeanisation and internationalisation of enterprises, by providing them with better information on all third country markets, and to the relevant EU programmes, and the promotion of cooperation between both intra-EU and third country enterprises, by using other Community networks and instruments.

In these various areas, the collective expertise of the network is based on the specialised groups of EICs which develop the products and services which meet the needs of SMEs. The main areas covered by these groups are the environment, the euro, external relations, the information society, public procurement contracts, and standardisation.

Feedback of information from SMEs

The Commission departments are aware of the privileged place occupied by the EICs in informing them of the particular problems faced by SMEs in implementing legislation or participating in certain Community programmes. This feedback takes the form of direct consultation of EICs or surveys of SMEs conducted in their region. The EICs are continuing the work on the Single Market begun in 1994 thanks to a now well established feedback procedure and by the compilation of success stories. The EICs have also participated in consultation panels such as the VAT pilot group and passed on opinions and comments, on their own behalf or on behalf of their SME clients, on a number of Green Papers: the single currency, innovation and public contracts. Lastly, the EICs play

a practical role in the operation of the Single Market by informing SMEs of the complaints procedures and by following up the complaints lodged.

6.1.2 Other information actions

In order to meet the large number of direct requests to the Commission for information from widely differing groups (enterprises, professional bodies, consultants, students), the enterprise policy departments restructured their general information service to businesses in 1995 by setting up an information centre open to visitors. As a result of close collaboration with the information centres of the other Commission departments, it is possible to provide information efficiently, focusing on individual needs, and to organise study visits and group visits. 60 000 copies of the monthly EURO-INFO, a concise information bulletin aimed at SMEs, are distributed free of charge to organisations, associations, professional groups, members of the BRE and BC-NET networks, EICs, enterprises and information offices of the European Institutions, and to Commission offices and EU delegations which expressly request it. The presence of the enterprise policy stand with its targeted documentation is one of the most sought-after and appreciated instruments, particularly in the less favoured regions of the Union, where it is sometimes the only direct instrument of Community information. The stand is reserved for events which target SMEs (in particular, INTERPRISE, EUROPARTENARIAT, Buyers' Exhibitions, conferences on the craft sector) and which are expected to attract an average of 300 visitors. In order to raise the profile of Community actions to assist SMEs, the enterprise policy department has for a number of years participated in certain events jointly with other Commission departments. Lastly, the Commission has supported SME information seminars in the Member States.

6.2 Inter-enterprise cooperation and partnership for Europeanisation and internationalisation

One of the priority areas of enterprise policy is cooperation between enterprises, mainly in the European Union but also with third countries. To stimulate inter-enterprise partnerships in the Union, the Commission has set up partner-search networks and specific programmes of meetings between enterprises (EUROPARTENARIAT and INTERPRISE). To promote the internationalisation of enterprises, in particular partnerships between EU enterprises and enterprises in third countries, the Commission has set up specific programmes and actions.

Partner-search networks

In 1996, the 500 correspondents in the 73 countries which form the BRE network produced 8 200 offers of, or requests for, cooperation. At the same time, the 300 advisers in the 40 countries currently covered by BC-NET submitted 7 300 offers of, or requests for, cooperation. These requests come from SMEs wishing to conclude lasting technical, financial or commercial cooperation agreements.

The third multiannual programme for SMEs (1997-2000) provides for the creation of a database allowing global access to partnership possibilities, i.e. incorporating opportunities for cooperation offered by BRE, BC-NET and INTERPRISE and EUROPARTENARIAT events. In accordance with these guidelines and following a broad consultation of the members of the cooperation networks, the BC-NET/BRE sector began work to introduce a new computer tool linking the members with one other and with the Commission. Certain aspects were decisive in its design, in particular the need to construct a user-friendly tool which is simple to use and based on modern

technologies, and the need to maintain the specific nature of each of the networks in terms of mode of operation and access by the members to the database. One of the priorities of the new computer tool is therefore to enable members of BC-NET and BRE to play an active role, since they will in future be able to carry out real-time consultation of the data stored in the common base and extract the profiles which interest them by combining different pre-defined search parameters.

6.2.1 Europeanisation of enterprises

6.2.1.1 A legal instrument favourable to transnational cooperation: the European Economic Interest Grouping (EEIG)

The European Economic Interest Grouping (EEIG)¹⁰⁹ is a legal framework which is particularly suited for promoting transnational cooperation between SMEs. This is why the Commission departments responsible for enterprise policy took the initiative to create an **EEIG network**, called **REGIE**, the purpose of which is to provide the information and technical assistance necessary for promoting EEIGs among these economic operators¹¹⁰.

As part of this action, a conference was held in March 1996, in close collaboration with the departments responsible for company law, in order to assess the first six years of experience of the EEIGs and to promote this legal instrument among SMEs. This conference was a unique opportunity for the Commission departments and existing and potential EEIGs to meet, and provided the necessary impetus for new actions to assist EEIGs, notably the adoption by the Commission on 9 September 1997 of a Communication aiming to promote the participation of EEIGs in public contracts and programmes financed by public funds¹¹¹. These will involve the design of practical working tools such as a brochure for SMEs wishing to use this cooperation instrument.

6.2.1.2 Partnership programmes: EUROPARTENARIAT and INTERPRISE

EUROPARTENARIAT

EUROPARTENARIAT is directed towards the economic development of regions eligible for the Structural Funds (Objectives 1, 2, 5b and 6) by stimulating transnational cooperation between SMEs. Managed jointly by the enterprise policy and regional policy and cohesion departments, this programme offers enterprises the opportunity to meet potential partners to discuss and negotiate possible cooperation agreements. Two events a year are held in the European Union. The organisation follows a methodology which has proved to be effective: a host country is chosen, SMEs located in the chosen area and wishing to enter into a partnership are selected (about 400), a catalogue with the profiles of the selected enterprises is produced, the catalogue is distributed throughout the 15 Member States and third countries, personalised business meetings are arranged, and the results of the contacts are evaluated and followed up.

The success of the formula has led EUROPARTENARIAT to cover more than 70 countries. In collaboration with the Directorates-General responsible, the promotion of

¹⁰⁹ Council Regulation 2137/85/EEC of 25 July 1985, on the European Economic Interest Grouping (EEIG), OJ L 199 of 31.7.1985, p. 1

¹¹⁰ See the notice to readers on the setting-up of the European Network of European Economic Interest Groupings (REGIE), OJ C 146 of 13 June 1995. The current legal basis of the REGIE project is contained in the Council Decision on a third multiannual programme for SMEs, OJ L 6 of 10.01.1997, p.25

¹¹¹ Communication of 9.9.1997, OJ C 285 of 20.9.1997, p. 17

each event now extends to the Mediterranean partners, the countries of Central and Eastern Europe, the Commonwealth of Independent States, and the countries of Latin America and South-East Asia. Furthermore, the methodology has been incorporated into the respective Community economic development programmes for these countries.

EUROPARTENARIAT in figures:

In 1995, Germany and Portugal.

EUROPARTENARIAT North Rhine-Westphalia (Dortmund, 20-21 March 1995) attracted about 5 000 visitors from 54 countries. The 357 German enterprises were able to hold about 10 000 business meetings with the 2 000 visiting SMEs, 200 of which came from countries in the Commonwealth of Independent States. The evaluation report shows that 188 cooperation agreements were concluded between German enterprises and visitors and 124 between visiting enterprises. Aware of the importance of the economic spin-off for enterprises, the German local authorities wanted to follow up this event by organising, in February 1998, a second event under the INTERPRISE programme.

EUROPARTENARIAT Portugal (Lisbon, 24-25 November 1995). 406 Portuguese enterprises met about 2 000 SMEs (250 of which came from Sweden, Norway and Finland) in the course of almost 11 000 interviews. This event was a milestone in the EUROPARTENARIAT programme in that it introduced a software system for managing "spontaneous" meetings between visitors. EUROPARTENARIAT is thus becoming a platform for European and international meetings of SMEs.

In 1996, Sweden and Italy.

EUROPARTENARIAT Northern Scandinavia (Luleå, 13-14 June 1996), the first EUROPARTENARIAT organised in one of the three new Member States of the Union, attracted more than 1 500 SMEs from 50 countries. Exceptionally for the occasion, EUROPARTENARIAT was directed not at a single country but at Finland, Norway and Sweden alike. 386 enterprises were able to hold 7 500 business meetings with the 1 200 visiting enterprises, 225 of which came from PHARE countries and 160 from TACIS countries. At the same time, a number of seminars were held, in particular a conference on women entrepreneurs.

EUROPARTENARIAT Italy (Genoa, 27-29 November 1996), besides a large delegation of enterprises from the PHARE, TACIS and Mediterranean countries, saw for the first time considerable participation by enterprises from Asia, Latin America and the United States, so that in all more than 70 countries were represented. The 406 northern and central Italian enterprises selected met almost 2 350 SMEs in some 12 000 bilateral interviews.

In 1997, Hellas and France Massif Central

EUROPARTENARIAT Hellas (Piraeus, 23-24 June 1997). 400 Greek SMEs met 1733 visiting companies from more than 60 countries. Out of the 1733 registered visiting companies, 758 came from the EU, 37 from EFTA countries, 299 from the Mediterranean, 360 from PHARE countries, 200 from TACIS countries, 64 from Asia and 12 from the USA. In total, 11 336 meetings were organised.

EUROPARTENARIAT France Massif Central (Clermont-Ferrand, 16-17 October 1997). 418 French SMEs met 1750 visiting companies from more than 60 countries. Out of the 1750 registered visiting companies, 974 came from the EU (333 from France), 48 from the EFTA countries, 213 from the Mediterranean, 201 from PHARE countries, 138 from TACIS countries, 104 from Asia, 34 from Latin America, 25 from the US and 13 from Canada. In total, 10 300 meetings were organised.

Forthcoming events : EUROPARTENARIAT The Netherlands 1998 (Apeldoorn, 11-12 June) and EUROPARTENARIAT Spain 1998 (Valencia, 12-13 November).

INTERPRISE

The purpose of INTERPRISE, which is implemented under enterprise policy, is to boost local, regional or national initiatives to stimulate SME transnational cooperation through interviews between heads of enterprises.

This programme is based on the EUROPARTENARIAT methodology. There are, however, major differences between these two programmes. INTERPRISE supports small-scale events (about 100 SMEs) focused on one or two sectors of activity and directed at all the regions of Europe, whether or not they are eligible for the Structural Funds.

As a result of these features, local operators can use INTERPRISE to provide a practical illustration of an economic development policy in a chosen sector of activity. The formula is proving a great success. There have been over 200 projects since the programme was launched in 1990.

It was possible to involve third countries in some of these projects - initially Central and Eastern European countries and Mediterranean partners. The Commission then extended this methodology to the PHARE countries, the TACIS countries, the countries of Latin America, the Mediterranean partners and the countries of South-East Asia. The event held in Riyadh on 20-22 May 1997 as part of cooperation between the Union and the Gulf States is an example of the extension of the INTERPRISE method. On that occasion, 170 enterprises took part, 75 from the Gulf and 95 from the European Union, and there were 800 meetings between participants.

38 INTERPRISE events held in the Member States in 1995 mobilised 6 000 enterprises and resulted in 15 000 business meetings. Nearly 500 cooperation agreements were recorded in the project assessment reports. 35 events were supported in 1996, and 32 events are planned for 1997.

6.2.1.3 Encouragement of inter-regional cooperation: RECITE II

As part of internal inter-regional cooperation, a call for proposals was published in October 1996¹¹² to support projects in five fields of action, two of which directly concern SMEs, namely improving the access of SMEs to the European market, in particular by appropriate techniques of cooperation between enterprises, and improving the services on offer to SMEs to encourage them to innovate.

6.2.1.4 Transnational subcontracting

The Commission has progressively developed a policy in the field of subcontracting which initially aimed to promote the creation of a truly European subcontracting market and more recently fosters the internationalisation of European subcontracting and the strengthening of its competitiveness in the global economy. Initiatives are carried out under enterprise policy as part of its third multiannual programme for SMEs in the European Union. Joint initiatives are carried out with other Commission departments, in particular Industry, Regional Policy and Eurostat. The Commission has also established a good working relationship with a number of trade associations and subcontracting intermediary organisations such as Chambers of Commerce and Industry and Development Agencies at European, national and local levels.

Initiatives developed pursue three main objectives, which are to:

¹¹² OJ C 326 of 31.10.96, p. 9

- **Improve the transparency of the subcontracting market** through the production of a Practical Guide on legal aspects of industrial subcontracting and a Directory of subcontracting intermediary organisations (third edition being prepared), statistical studies on the economic importance of subcontracting and the organisation and support of seminars and fora on subcontracting (consumer electronics, textiles/clothing and construction);
- **Reinforce inter-industrial partnerships**, through the establishment of a subcontracting assistance network called SCAN (results of the pilot phase were presented in Brussels in Feb. 1995) for the interconnection of existing subcontracting databases and exchanges across Europe based on a common approach in compiling data on suppliers in key industry sectors; the preparation of sectoral subcontracting nomenclatures; the promotion and support of International Buyers' Exhibitions (IBEX programme, see box below) and the production of a "European Guide on Cooperation" and "Guidelines for partnership in industrial subcontracting" in cooperation with UNICE, subcontracting development poles and sectoral projects notably in consumer electronics and scooter sectors ;
- **Promote the internationalisation of European Subcontracting** via scholarships for training programmes in Japan (Human Resource Training Programme - HRTP now called Japan Industry Insight) in cooperation with the EU-Japan Centre for Industrial Cooperation and the European Automotive Suppliers' Mission to Michigan held in February 1997.

IBEX: INTERNATIONAL BUYERS' EXHIBITIONS

The IBEX concept was launched and tested under enterprise policy following the request by the Council¹¹³ to test the formula of inter-enterprise meetings organised to meet the demands of large enterprises for the development of new inter-industry partnerships (buyers' exhibitions). This concept was taken over in the context of regional policy and the Community SME Initiative (CSMEI). In this way, the Commission encourages and supports the organisation of International Buyers' Exhibitions in the regions eligible for the Structural Funds, in particular those eligible under Objective 1.

The IBEX programme organises planned meetings between large enterprises and SMEs on an international scale, focusing on the needs clearly identified by large enterprises and the specific capacities of SMEs to meet them. These inter-enterprise contacts, directed towards a particular strategic sector (motor industry, agri-food, textile, wood, etc.) are intended (a) to assist large enterprises in their international search for partner SMEs for specific cooperation requirements and (b) to promote relations between large enterprises and SMEs by offering SMEs opportunities for direct contacts with large enterprises interested in their products and services or their know-how. The IBEX optimise the quality and benefits of bringing together SMEs and large enterprises and offer the participants savings in time and financial commitment compared with traditional subcontracting fairs.

Under its enterprise policy, the Commission supported seven IBEX:

VETIS in Turin in November 1996 (motor industry), where 67 customers met 316 subcontractors in the course of 4 550 meetings, following on from the 1994 VETIS, where 54 buyers met 530 suppliers in the course of 7 314 meetings;

MET in Strasbourg in October 1996 (advanced technology), 20 buyers, 156 suppliers in 1 485 meetings;

AEROMART in Toulouse in December 1996 (aeronautical sector), where 31 buyers met 182 suppliers in the course of 2 500 meetings; Elmia Food in Jönköping, Sweden, in March 1997 (agri-food), where 25 buyers met 68 suppliers in the course of 280 meetings; Eurocontract in Brussels in October 1995 (multisectoral), where 54 buyers met 145 suppliers in the course of 1 340 meetings; Telematics is due to be held in Milan in November 1997.

¹¹³ Council Resolution of 22 November 1993, OJ C 326 of 3.12.1993, p.1

6.2.1.5 Joint ventures in the Union: JEV instrument

The purpose of this new JEV (Joint European Venture) programme is to support the creation of transnational joint ventures between SMEs in the European Union. It falls within the conclusions of the Commission Communication of 10 July 1996 concerning the Integrated Programme in favour of SMEs and the Council Decision of 9 December 1996 on the multiannual programme for SMEs, which calls on the Commission to encourage SMEs to create or expand an activity in another Member State.

It is a mechanism providing for a Community contribution to cover part of the expenses involved in setting up a joint venture. The amount of this contribution and the rules governing it are as follows:

- a repayable advance covering up to 50% of the eligible costs up to a maximum of ECU 50 000;
- when a joint venture is set up, this contribution may be increased up to a maximum of ECU 100 000 covering, besides 50% of the eligible costs, an additional payment limited to 10% of the total amount of the investment.

This programme will operate via a network of financial intermediaries, including institutions specialised in investment financing.

6.2.2 Internationalisation of enterprises: cooperation with third countries

Much of the prosperity of the European Union depends on foreign trade and investments. There is a positive correlation between free world trade and business expansion, economic growth and employment. Therefore, despite the increased competitive pressures, the globalisation of the world economy has made it possible for SMEs to enjoy unprecedented growth and competitiveness potential which must be enhanced.

EU enterprises need both to fully exploit the advantages of the Single Market and to ensure their presence in third country markets. Benefits to foreign competitors from the liberalisation of the internal market should be matched by efforts to ensure EU companies, including SMEs, business and investment opportunities on third markets. Besides providing for free access to third country markets through its trade policy, the Commission has therefore developed special tools to support SME activities outside Community borders.

6.2.2.1 Commercial policy

On 14 February 1996 the Commission adopted a Market Access Strategy¹¹⁴ in which it outlined a strategy to open up other markets. The Commission recommends a twin-track approach comprising bilateral measures coupled with multilateral action in the WTO and elsewhere. In the context of this Market Access Strategy an important step has been the establishment of the interactive Market Access Database (available on the Internet). This allows SMEs to inform the Commission of barriers they encounter whilst operating abroad thus enabling the Commission to act on their behalf either in the context of the WTO or bilaterally.

¹¹⁴ "The global challenge of international trade: a market access strategy for the European Union", COM(96) 53, adopted on 14 February 1996

Within the Trade Barriers Regulation (TBR)¹¹⁵, entering into force on 1 January 1996, a so-called third track was created. It envisages complaints of individual companies including SMEs (next to Member States and EU-Industry sectors) alleging adverse trade effects caused by trade obstacles in third countries. With the aim of offering SMEs relevant and easily accessible information on the possibilities for operating and trading abroad, the EU currently develops a system for providing information about conditions and requirements of third country markets.

Mutual recognition with its reciprocal nature may be more attractive (and therefore more effective) than unilateral pressure to liberalise third country markets by reducing regulatory obstacles faced by European traders and exporters. Up to date, Mutual Recognition Agreements (MRAs) of conformity assessment of regulated products have been initialled with Australia, New Zealand, Canada and the United States. Their positive benefits will be mostly felt by SMEs which are usually unable to cope with the burdens of multiple domestic jurisdictions.

At the same time, on the multilateral level the EU pursues a firm market opening strategy. It consists in a) consolidating the Uruguay Round *acquis* and making sure that all of the undertakings are scrupulously implemented, b) identifying ways of pushing market opening still further and exposing new areas such as competition and investment to multilateral or plurilateral disciplines, and c) responding to the new challenges and new obstacles raised by the globalisation of the world economy. The impact on SMEs businesses development is expected to be positive.

Within the WTO context, the EU has played a key role in the successful negotiations on basic telecommunications services and on information technology products, and provided the decisive push for the agreement on financial services, where negotiations are now reopened. In particular, and at the end of the WTO Ministerial Conference in Singapore in December 1996, Ministers adopted the WTO Declaration on Trade in Information Technology Products (ITA), providing for participants to eliminate customs duties and other charges on information technology products by the year 2000. The final agreement ensured participation of 41 WTO members, accounting for 92% of world trade in IT products. With extra EU imports of some US\$ 105 billion in 1995, the EU is the second largest importer of IT products. The elimination by the EU of tariffs on about 400 Information Technology Products represents a significant market access improvement for foreign suppliers. This will enable EU enterprises including particularly SMEs to purchase Information Technology Products at lower costs and thereby stimulate an indisputable competitive boost to them.

6.2.2.2 Cooperation with EFTA

The EEA Agreement (European Economic Area) between the EU and the EFTA-EEA States (Norway, Iceland and Liechtenstein) entered into force on 1 January 1994. It provided the framework for the participation of the EFTA-EEA States in the Multiannual Programme of Community measures to intensify the priority areas and to ensure the continuity and consolidation of policy for enterprise, in particular SMEs, as of 1 January 1994. Cooperation has been extended to the third Multiannual Programme for SMEs with effect from 1 January 1997.

¹¹⁵ EC Regulation n° 3286/94, adopted by the Council on 22.12.1994, published in OJ L 349 of 31.12.1994, p. 71

6.2.2.3 Cooperation with the Northern American market

UNITED STATES

In November 1995, the European Commissioners for Trade and Industry and the US Secretary of Commerce opened the **Trans-Atlantic Business Dialogue (TABD)**, a unique business-driven process by which European and American CEOs (Chief Executive Officers) can make joint recommendations to the highest levels of governments from the EU and the US and thus facilitate transatlantic trade and investment.

In November 1996, the **Transatlantic Small Business Initiative (TASBI)** was launched at the TABD Conference in Chicago to cater for the **specific needs of small businesses**. It is an integral and horizontal part of TABD and aims to facilitate mutually beneficial business relations between European and American SMEs. Presently it consists of two major components:

- partnering events that focus on stimulating sector-specific SMEs from both sides of the Atlantic to form business alliances and partnerships;
- the development of an interlinked EU and US information and cooperation system that acts as a one-stop-shop providing enterprises with complete information on topics relating to doing business in the EU and the US.

Furthermore, the particular concerns of SMEs are taken into consideration in treating important issues such as standards and certification and in implementing the EU/US joint study.

In November 1997, during the TABD conference in Rome, further progress was made on TASBI development. Additional key issues for SMEs were identified such as electronic commerce. The TASBI committee (composed of representatives from the European Commission, the US Government and the private sector) will be expanded and meet twice a year. New proposals were launched to be further examined (in the field of analysis, training, diffusion of success stories and general information). New actions on partnering events and the development of information and cooperation systems were decided.

• Partnering Events

Two partnering events were organised in 1997:

- a. in the United States: the "European Automotive Suppliers' Mission to Michigan" (EASMM97) took place in February in Detroit during the world's largest event dedicated to automotive engineering (the Society of Automotive Engineers-SAE Expo). This was the first action coordinated and supported by the European Commission. 140 European enterprises and organisations participated in the event, in over 200 meetings with 52 US automotive firms and/or exhibiting in the European Village.
- b. in Europe: the "Eurobenefit Matchmaker" mission, organised by the US Department of Commerce (DoC) and supported by the Commission, took place in April. It attracted 15 US companies from the medical, automotive, sporting goods, computer, franchising and other sectors who visited Amsterdam, Brussels and Rome and participated in the "Eurobenefit Business Conference".

American companies participated at the 1997 EUROPARTENARIAT events in Greece (Piraeus, 23-24 June) and France-Massif Central (Clermont-Ferrand, 16-17 October).

Other partnering events are scheduled for 1998-1999 :

- a. EASM98, third European Automotive Suppliers Mission to Michigan;

- b. "Healthcare matchmaker" event organised by the US Department of Commerce in February 1998;
 - c. American companies will participate at the 1998 EUROPARTENARIAT in Apeldoorn;
 - d. Partnership event involving European and American high-tech SMEs in Texas in 1999;
 - e. The Commission and the US Department of Commerce are examining other partnering events that could be organised both in Europe and the US (such as an INTERPRISE event and a US "matchmaker mission" on the franchising sector).
- Information and cooperation system.

The EU and the US are developing an SME user-friendly information and cooperation database. The DoC has already developed a TABD/SME home page providing information about services, and upcoming SME events. The Commission is examining how it could link up the information system with its existing cooperation networks, notably the BC-NET and the BRE. The Department of Commerce, is examining the possibility of extending the BC-NET network in US.

CANADA

The signature, in December 1996 of the EU-Canada Political Declaration and Action Plan marked a new departure in EU/Canada relations. Business-to-business contacts are considered as a priority, and the focus will be on:

- identifying and supporting the establishment of transnational strategic business alliances, technology transfers and other forms of industrial cooperation;
- exploring the scope for supporting business-to-business contacts, including round-tables, seminars and conferences on issues of mutual interest and, if appropriate, using the existing mechanisms established by the 1976 Framework Agreement.

The Sub-Committee on Industrial Cooperation will be reactivated and given a leading role in promoting business contacts and particular importance will be given to contacts between SMEs.

For the first time a delegation of Canadian enterprises participated in the EUROPARTENARIAT France-Massif Central in 1997.

6.2.2.4 Industrial cooperation with Japan

Industrial cooperation is one of the four pillars of the competitiveness policy defined in 1994 in the Commission's Communication "**An industrial competitiveness policy for the European Union**"¹¹⁶. The purpose is to reinforce EU industry's presence on fast growing markets and to improve the competitiveness of companies through the exchange of experience and know-how. The Commission's industrial cooperation activities with Japan have therefore been established along three main mutually complementary lines:

- **Long-term intangible investment with training and exchange programmes** which should "produce" European industry leaders, scientists, and government officials with a substantial understanding of Japan. The EU-Japan Centre for Industrial Cooperation was established in 1987 as a joint-venture between the Commission and MITI. It provides an efficient business information service as well as training programmes. In June 1996, a Brussels office was opened. Topical missions consisting of a two-week

seminar on specific industry-related topics, as well as the Senior Management Training Programme consisting of 11 to 16 week seminars of course work and individual company visits, provided European managers of SMEs with the opportunity to study the Japanese language and culture as well as management practices, to analyse the market and to learn about industrial structures, distribution channels and legal matters, and, last but not least, to establish valuable contacts to Japanese industry. Taking into account their limited financial resources, participating SMEs have been supported by scholarships provided by the Commission under enterprise policy.

- **Support to industrial sectoral initiatives, including industrialists' missions to Japan, Business Conferences and Seminars.** The first JAMA-CLEPA Business Conference on "European car-parts for the Japanese automotive industry", held in Paris in March 1995, included 80 face-to-face meetings between EU and Japanese industrialists. The second conference took place in Berlin in May 1996. Furthermore, the Commission continued its support to the Consumer electronics programme, which has run since 1991 and has generated a significant improvement in the competitiveness of products of participating component producers and buyers. This industry-led programme has been extended to Eastern European partners and to additional fields of consumer electronics.
- Encouragement of **high level contacts between industry leaders** through the **EU-Japan Industrialists Round Table** (which has taken place three times since 1995), the **UNICE-KEIDANREN meetings** as well as the **EU-Japan Business Forum**.

To implement this policy, the permanent Dialogue between MITI and the European Commission, established in 1993, was pursued. Various high level meetings between representatives of MITI and the Commission took place in 1995 and 1996, aiming at:

- launching, supervising and supporting joint programmes promoting EU-Japan industrial cooperation (training and exchange programmes, industrial initiatives in specific sectors, EU-Japan Industrialists Round Table);
- promoting the convergence of industrial policies through joint working groups on the information society, on biotechnology and standards and quality.

6.2.2.5 Cooperation with Mediterranean, Latin American and Asian countries

Cooperation between the EU and the Mediterranean, Latin American and Asiatic developing countries aims primarily at supporting economic development in third countries, notably through SMEs. However, European SMEs also benefit from business cooperation, e.g. through the establishment of joint ventures (ECIP) or the provision of equipment and services in these countries.

In addition to the promotion of investments under the programmes of aid to these third countries, the inter-enterprise partnership programmes and networks set up as part of enterprise policy have been gradually extended to cover these countries. Thus the methodologies developed for European enterprises have been transferred in order to establish cooperation arrangements with enterprises in third countries.

- **The ECIP programme: Promotion of Direct Investment and Joint Ventures in the Mediterranean Region, Asia, Latin America and South Africa**

The Commission has developed a specific instrument: European Community Investment Partners¹¹⁷ - ECIP (ECU 250 million for 1995-1999) intended to facilitate direct investments in Mediterranean, Asian and Latin American countries. Since 1996 it has been extended to cover South Africa.

ECIP supports the creation of **Joint Ventures** between EU and local companies or **licensing agreements**. **ECIP targets SMEs** but operations from larger companies are also eligible. Large multinationals may not benefit from the scheme. 825 proposals were approved during 1995 and 1996, (compared to 624 in 1993 and 1994) for a volume of funding of ECU 99 million. This reflects the increasing volume of actions supported.

The four different programme facilities provide grants or loans to support actions concerning the search for investment partners and identification of projects (facility 1), feasibility studies and/or pilot projects (facility 2), joint ventures with capital (facility 3) and training, management and technical assistance by covering the costs (facility 4). **All Facility 1 actions are oriented towards SMEs and over 80% of all Facility 2 actions.**

The Commission seeks to target this scheme on SMEs, expressly excluding large multinational undertakings. **The new Regulation introduced specific improvements for SMEs as regards the conditions of finance available**, in particular under Facility 2 and 4. The EU is now offering **financial assistance to pre-feasibility missions**. If an action co-financed under Facility 2 is successful, the Community contribution may exceed 50% and be up to 100% of the cost for SMEs. Under Facility 4, for SMEs only, the costs of training, technical assistance and management expertise provided by external sources or by the European partner to the joint venture are eligible for grant finance.

- **MEDA: Cooperation with the Mediterranean region**

The economic and financial basket of the Euro -Mediterranean Partnership established by the **Barcelona Conference of November 1995** envisages the creation of an "area of shared prosperity". This will be achieved through the progressive establishment of a free trade area by the year 2010, and appropriate economic cooperation measures. The Barcelona Declaration¹¹⁸ emphasises the importance of the private sector development and **the role of SMEs in the process of economic transition.**

In 1996, the Commission services in charge of enterprise policy have also been closely involved in the preparation and follow-up of the **first Euro-Mediterranean Conference of Ministers of Industry (20-21 May 1996)**, which adopted the **Brussels Declaration on Industrial Cooperation**. This Declaration outlines priorities for encouraging industrial modernisation and investment flows to the region. **The SME topic ranks high among these priorities**, which include: the development of specialised services centres, SME start-ups and development, strengthening of the Euro -Mediterranean partnership and information and communication networks to foster cooperation among companies. A **Work Programme** is part of the Brussels Declaration, and focuses on cooperation measures. The Commission services in charge of enterprise policy will actively

117 ECIP Regulation 213/96 of 29.1.1996, OJ L 28 of 6.2.1996, p. 2

118 EU Bulletin 11.1995, 2-3-1

contribute to its follow-up, especially in the Working Group 'Development of the industrial fabric and entrepreneurship', which deals with SME policy.

Since 1992, under the former Med-Invest Programme, **the Commission has contributed in a significant way to promoting transnational cooperation among SMEs in the European Union and the Mediterranean. These actions were reinforced throughout the year 1996 under MEDA financing.**

Participation of Mediterranean SMEs in the partnership instruments:

- **The participation of Mediterranean SMEs in EUROPARTENARIAT and INTERPRISE events has been promoted.** 2000 SMEs from the Mediterranean have taken part in nine Europartenariats since 1992, and 200 Mediterranean companies are expected in the forthcoming Europartenariats taking place in Greece and France in 1997.
- **The partnership methodology (Med-partenariat and Med-Interprise) has been extended to the Mediterranean.** Med-partenariats took place in **May 1995 (Morocco) and, with a particularly high participation, in October 1995 (Israel).** Med-Interprise events are also attracting a growing interest (10 Med-Interprise organised up to now in the various countries). Three Med-Interprise events took place in 1996: in Bethlehem (Palestine), in Cairo (Egypt) focusing on the electronics and information technology sectors), and Med-Interprise Algeria in Montpellier (France), which enabled Algerian entrepreneurs to meet with their European counterparts.

On the whole, EUROPARTENARIAT, Med-Partenariat and Med-Interprise events have enabled close to 4 000 companies from the Mediterranean Partners to establish targeted contacts with SMEs from the European Union over the past four years.

Extension of the BC-Net, BRE, and Euro Info Correspondence Centres (EICCs) networks to the Mediterranean countries

BRE now covers all Mediterranean Partnership countries except Syria. BC-Net is active in 8 of the 12 Mediterranean Partners, including Egypt, Israel and Jordan. In line with the objectives of the Euro -Mediterranean Partnership, these networks assist SMEs and their support institutions in the search for lasting economic partnerships. Euro-Info-Correspondence Centres have also been set up in 10 of the 12 Mediterranean countries, the most recent ones being the EICCs in Gaza, Lebanon and Syria. Like their European counterparts, these EICCs provide SMEs with all the necessary information on EU activities and programmes. In June 1996, the first Euro -Mediterranean Forum on information and cooperation networks for small businesses and craft firms was held in Rome, and adopted an operational action plan with a view to creating an integrated permanent Euro-Mediterranean Network and exchanging information, experience and best practices.

For 1997, four Med-Interprise (Lebanon, Morocco, Gulf and Malta) are already scheduled, together with two Med-Partenariat events (Jordan, Tunisia). An extension of BRE to Syria is envisaged, and emphasis will be put on the **synergy and links between these networks and the Business Centres recently created in some of the Mediterranean Partner countries.**

All these activities are now financed under the MEDA programme, since the Commission has decided not to renew the MED-INVEST programme. The Commission is also providing support to set up Euro-Mediterranean Networks of business operators,

such as Chambers of Commerce and Industry, Industrial Federations, banks, export promotion institutes and trade fairs.

A programme for 1998-1999 on partnership actions in the Mediterranean was agreed in 1997 by the competent Commission services, which provides for a high rhythm of events (one Med-Partenariat and five Med-Interprise per year) and defines target countries. The **political dimension**, as well as the **regional approach** will be a main component of all the foreseen events, especially in the Middle-East in support of the Peace process.

- **AL-INVEST: Cooperation with Latin-American countries**

After the initial period (1992 to 1994), the Commission decided in 1995 to launch AL-INVEST II (ECU 41 million for 1995-1999). AL-INVEST is intended to increase European investments in Latin America, as well as enhancing commerce between both regions. It targets both EU and Latin American SMEs and has concentrated on encouraging business-to-business meetings between European and Latin American entrepreneurs, mainly through INTERPRISE-type events.

The first Partenariat EU/MERCOSUR event will take place in Montevideo, Uruguay, on 3-5 December 1997. Three hundred companies from the Mercosur area (Argentina, Brazil, Paraguay and Uruguay) and Chile will meet with 200 companies from the European Union to establish contacts and explore cooperation in the following industrial sectors: agro-industries and food, chemical products, plastics and components, textiles and garments, metallurgy and machinery.

Besides these sectoral meetings, a network of South-American organisations ("Eurocentros de cooperación empresarial") was created and linked with the European cooperation and information networks (notably BC-NET and BRE) that are fully operational in most of the Latin American countries

- **ASIA-INVEST: Cooperation with Asian countries**

ASIA-INVEST (ECU 32 million 1997-2002) aims at facilitating business cooperation between economic operators from Europe and Asia. It contains several instruments to **stimulate growth in trade and investment flows and to create a greater awareness amongst European businesses, especially SMEs, of business opportunities in Asia**. In 1996, Asia-Invest was extended to China with an additional budget of ECU 10 million. ASIA-INVEST will be administered by a Secretariat to be established in Brussels in autumn 1997.

ASIA-INVEST has three instruments for providing support to cooperation initiatives:

- the **Business Priming Fund**, aimed at preparing groups of companies for new markets and partnerships;
- **Asia-Interprise** and **Asia-Partenariat**. The ASEAN-EU Partenariat takes place in Singapore in November 1997;
- the **Asia Investment Facility**, through which research is carried out by country and by sector into investment trends and conditions in Asia.

ASIA-INVEST links EC-supported European Business Information Centres (EBICs) in Asia with Euro Info Centres, chambers of commerce and trade and industrial associations in Europe, helping companies to get in touch. EBICs are operational in Bangkok, Kuala Lumpur, Manila and Mumbai, and are planned for Colombo, Jakarta and Hanoi/Ho Chi Minh City. ASIA-INVEST provides for the extension of BC-NET and BRE throughout

South and South-East Asia and China. ECIP is also applicable as well as EIB loans (loans worth ECU 340 million in Asia).

As a result of the first Euro-Asia summit (ASEM), held in Bangkok in March 1996, **much attention is being given to strengthening the role of SMEs in their process of internationalisation, especially in Asia.** The ASEM Business Forum, whose first session was held in Paris in 1996, is an example of excellent cooperation among the EU and Asia business communities in this field.

6.2.2.6 Cooperation with the Central and Eastern European Countries (CEEC) and the Newly Independent States (NIS)

The EU assists Central and Eastern European Countries (CEEC) in their political and economic transition, with a particular eye to future accessions to the Union. With regard to SMEs, the EU promotes the establishment of Joint Ventures and direct investment (JOP programme under the PHARE programme) as well as the development of SME support institutions and networks (PHARE programme). EU assistance to the Newly Independent States (NIS) and Mongolia through the TACIS programme (Technical Aid to the Commonwealth of Independent States) includes SME support for building-up intermediary agencies, a senior expert service and partnership events.

- **JOP: Promotion of Joint Ventures and direct investments in Central and Eastern European Countries, the Newly Independent States and Mongolia**

Set up in 1991, JOP (Joint Venture Programme, ECU 117.5 million allocated so far) is a specific programme within the PHARE programme which aims to assist the creation of joint ventures in the CEECs between Community SMEs and partners in those countries. Since 1995, JOP has been extended to include the Russian Federation. Moves are under way to include in JOP other countries covered by the TACIS programme (Newly Independent States and Mongolia). Like ECIP, JOP uses a **network of financial intermediaries** to support feasibility studies, participation in the equity of the joint venture, the training of its staff and the information necessary for setting it up. The measures implemented have mostly enabled Community SMEs to carry out the preparatory phases of their joint venture projects, thus reducing the administrative, financial and legal constraints. By encouraging the creation or extension of joint ventures in the CEECs, this programme promotes foreign investment by Community SMEs. **The programme mainly assists SMEs: 69% of the approved applications were submitted by enterprises with fewer than 100 employees.** In 1996, aid was granted for 400 projects. **By the end of 1996, 124 joint ventures had been set up and had generated investments of about ECU 90 million, representing a leverage effect of 1:9.**

- **PHARE Programme**

Within PHARE¹¹⁹, the Commission has set-up **SME National Programmes** by providing technical assistance to the following countries: Poland, Hungary, Czech Republic, Slovakia, Slovenia, Bulgaria, Romania, Albania, Lithuania, Latvia, Estonia and the Former Yugoslav Republic of Macedonia. For these SME programmes, **the EU provided ECU 33 million in 1995 and 1996** of which 23 million (69%) were devoted to technical assistance and transfer of know-how and ECU 10 million (30%) to financial

¹¹⁹ EEC Regulation 3906/89, OJ L 375 of 23.12.1989, p.1 ; amended by EC Regulation 753/96 OJ L 103 of 26.4.1996, p.5

instruments. Most programmes are managed in a decentralised way by a management unit established in each country.

PHARE has supported the development of SME support institutions (providing information, advice and training services), of National SME agencies (established in Albania, Czech Republic, Hungary, Lithuania, Poland, Romania, Slovakia, and Slovenia) and of local delivery mechanisms for technical assistance, either public or private or a combination of both. There are now PHARE-supported local institutions in all partner States, and networks of regional development agencies in some of them.

PHARE has also supported a number of financial schemes through different delivery mechanisms to cover an urgent need which the existing financial system cannot easily address, while using the financial instrument as a lever to promote institutional development of the banking system.

PHARE has also supported a number of **transnational actions**, to promote contacts between businesses in the EU and in the CEEC (participation of CEEC companies in EUROPARTENARIAT and INTERPRISE), promote the establishment of EU-sponsored networks in Central and Eastern Europe (EICs, BC-Net), and promote best practice and experience from EU institutions and associations. So far, one Euro Info Correspondence Centre (EICC) has been set up in each associated country. They have been working in close cooperation with the Euro Info Centres in the EU, as they are members of this network.

In addition to JOP, the **COOPME** is a multi-country programme (ECU 13 million for 1995-1997) developed to: improve the ability of SME associations from Central and Eastern Europe to serve their members; expand relations and twinning arrangements between EU SMEs and trade associations and their counterparts in Central and Eastern Europe; expand cooperation and partnership between SMEs in the two regions. COOPME notably supports the extension of EU networks (BC-NET, Euro-Info-Correspondence-Centres, Business and Innovation Centres) to Central and Eastern Europe, the participation of PHARE countries in EUROPARTENARIAT and INTERPRISE events, and the organisation of such events in PHARE countries (EUROPARTENARIAT Poland was organised in Gdansk and an INTERPRISE event in Hungary), the operation of two manager-mobility schemes. It also finances actions managed by European organisations (e.g. Eurochambres, the European Venture Capital Association and EURADA).

The Baltic Sea Partenariat, held in Gdynia, Poland in September 1996 and financed under COOPME, brought together 700 SMEs from around the Baltic Sea area and the European Union for business meetings (200 SMEs from the maritime industries of these countries and 500 visiting companies from the EU and other Central and Eastern European countries). The objective was to enable SMEs to explore business partnerships with their counterparts from other countries and thus to facilitate the further development of international business activities in the Baltic Sea area. Baltic Sea Partenariat was a highly successful event which will contribute to strengthening economic development in this region and between this region and the EU.

PHARE's operations in the next five years will focus on: the completion of an SME-friendly environment (legal, regulatory and fiscal) as a pre-condition to further assistance; a systematic SME impact assessment of PHARE programmes; further integration of SME support into private-sector development programmes as well as environmental considerations and women's entrepreneurship into SME programmes;

SME development in integrated regional/rural development programmes complemented, at National level, by further emphasis on banking and financial sector reform programmes, the development of financial instruments (mainly equity, debt and guarantees) through professionally run delivery institutions (investment funds, or banks), independent from Government; increased cooperation between EU-based and CEEC-based SMEs to facilitate transfer of know-how on internal market uses and practices, as well as management and vocational training programmes for SMEs.

The new PHARE orientations confirm the creation of a multi-country SME facility to boost investments in the CEECs. The facility is currently under preparation through the joint involvement of the Commission departments in charge of external and financial affairs and enterprise policy, EBRD and EIB. Also, the new orientations call for concentration of activities in a few accession-related core areas. In that light, a new programme to support economic operations (and particularly SMEs) to facilitate their integration into the internal market is currently being prepared by an interdepartmental working group involving the departments responsible for external and financial affairs, industry and enterprise policy. The new programme could integrate and re-focus some of the existing actions mentioned, e.g. JOP and COOPME.

The enterprise policy departments are closely associated with the establishment of measures in favour of SMEs in PHARE. This coordination is carried out at several levels, notably through technical assistance for the development of SMEs in these countries, contributing to the definition, monitoring, and evaluation of calls for tender, as well as joint organisation of seminars. They contribute to the progressive integration of new partners from the CEEC into the EU SME information and cooperation networks and to the development of joint ventures through JOP.

Finally, in line with the Additional Protocols to the European Agreements and the pre-accession strategy, a certain number of Community programmes will be opened up to the associated countries in Central Europe. **Preparations for the opening up of the Third Multiannual Programme for SMEs to the CEECs from 1 January 1998 onwards are currently under way.**

• TACIS Programme

TACIS¹²⁰ (Technical Aid to the Commonwealth of Independent States) is a European Union Initiative for the development of harmonious and prosperous economic and political links between the European Union and the New Independent States (NIS) and Mongolia. **Within TACIS, ECU 51 million has been allocated to SME support for 1992-1994 and ECU 31 million for 1995-1996.**

The TACIS SME Programme, has been based on **the need to build up intermediary agencies**, which can provide assistance to existing entrepreneurs and start-ups. Since 1992, over 40 centres have been established in the New Independent States.

Programmes have been developed to assist individual entrepreneurs such as the **European Senior Service Network Programme**, which provides through senior executives practical managerial experience, know-how and skills directly to enterprises in the NIS. Projects have also been developed with Eurochambres to assist the NIS Chambers of Commerce and Industry.

¹²⁰ EEC-Euratom Regulation 2053/93, OJ L 187 of 29.7.1993, p.1 and EC-Euratom Regulation 1279/96, OJ L 165 of 4.7.1996, p.1

Furthermore, the Commission will progressively include the TACIS Support centres in the BC-Net, starting with the Russian Federation and Ukraine. In June 1994, CIS entrepreneurs participated in the EUROPARTENARIAT in Gdansk (Poland). Since then, TACIS has formalised the CIS participation to EUROPARTENARIAT and trains National counsellors. While the Commission services directly responsible for TACIS provide the funding for National counsellors, the enterprise policy departments have included them in all activities with regard to EUROPARTENARIAT.

Finally, six panels are to be established in Hungary, Russia, Ukraine, Estonia, Latvia and Lithuania by the Committee on Commerce and Distribution with Commission support. The objective is to raise awareness in these countries of the problems that EU enterprises wishing to do business there are facing, and to provide technical advice and assistance for the development of independent professional federations and efficient distribution networks in these countries.

In conclusion, there is a steady and constructive cooperation between the Commission services in implementing the TACIS SME programme which enables the Commission services in charge of TACIS to benefit from the experience gained in the field of SME policy by the Commission services directly in charge of enterprise policy.

6.2.2.7 Development cooperation with the associated countries in Africa and the Caribbean and Pacific Region (ACP countries)

Since 1990, the **Fourth Lomé Convention** between the EU and the 70 associated countries in Africa, the Caribbean Sea and the Pacific Region (ACP-countries), is the legal basis for development cooperation and economic ties. On 4 November 1995, the agreement amending the Fourth Lomé Convention was signed in Mauritius at the ACP-EU Council. The Convention will expire in 2000. The Commission opened the debate about **the future of EU-ACP-relations** with the publication of a **Green Paper in November 1996**¹²¹, in which it evaluates the achievements of development cooperation up to now. In its presentation of options to **revitalise the EU-ACP partnership**, the Commission underlines **the importance of supporting the private sector**. Particular importance should be attached to cooperation between the European regions bordering certain ACP countries (e.g. the ultra-peripheral regions) and the ACP countries in order to support inter-regional cooperation actions relating to SMEs.

Technical assistance measures designed to promote SMEs include support to specialised bodies (Chambers of Commerce), the dispatch of experts to banks financing SMEs, but also and above all the promotion of Investment Fora. These fora have brought together **hundreds** of European investors with local entrepreneurs. In recent years, the Commission has started to organise sectoral fora which assist local enterprises to improve their competitiveness.

For about fifteen years, the **Centre for Industrial Development (CID)** has supported cooperation between European industrial SMEs and those in ACP countries by using instruments such as joint ventures, management contracts, licensing and subcontracting, while at the same time relying on a network of local and European antennae and close cooperation with promotion bodies in the Member States.

The CID receives approximately 600 requests for assistance a year and uses a budget of ECU 72 million to launch about 300 direct operations to assist ACP and European SMEs.

¹²¹ COM(96) 570 of 20.11.1996

Given the complementarity of their respective roles, **the Commission, the EIB and the CID work in close operational cooperation.** For example, the CID selects “bankable” projects which will benefit from easier access to the resources of the EIB, and certain EIB global loans to local SMEs are provided with technical assistance by the Commission and the CID. A Technical Assistance Fund (TAF), set up by the Commission, co-finances CID support measures to assist heads of enterprises who have signed cooperation protocols as part of the EU-ACP Industrial Fora. European SMEs are generally involved in the implementation of Community development aid via contracts for works, supplies and services. Although works contracts are dominated by major European enterprises, it is now SMEs - especially via trading companies - which are by far the most active in contracts for supplies and services (technical assistance).

To help SMEs to be more widely involved in such contracts, **the Commission has improved the availability of information, particularly on the Community rules on competition and on existing opportunities.** As a result, there are over 800 inquiries a day for the information on programmes and projects which is available on the Internet and in the “Blue Pages” of the *Courier*.

6.2.2.8 Cooperation with South Africa

In 1997, two important private sector development programmes of the European Programme for Reconstruction and Development (EPRD) for South Africa will be implemented : the Small and Micro-enterprise Development Programme and the Trade and Investment Development Programme.

The first programme consists basically of the Small and Micro-enterprise lending facility and a Micro and Small Credit Scheme.

The second one aims at creating a dynamic and successful Small, Medium and Micro-Enterprise sector by improving its international competitiveness, specifically for emerging entrepreneurs. The expected beneficiaries are previously disadvantaged small and micro-enterprises who will receive training in the basic principles of international competitiveness for export. This Trade and Investment Development Programme will include training in international competitiveness, product and market development for export and international partnership. Measures under the “International partnership programme”, will target SMEs within specific product sectors, who would receive opportunities for upgrading technology. A series of events are foreseen : INTERPRISE type events; linking with the BRE; an Industrial Forum with a regional dimension and other ad hoc initiatives in line with the programme, such as research studies, mentoring, missions, participation in external partnership events or participation in EUROPARTENARIAT events.

In 1997, the republic of South Africa and the European Community agreed on a Multiannual Indicative Programme up to end of 1999 which focuses on private sector development support.

7. STRENGTHENING SME COMPETITIVENESS AND IMPROVING ACCESS TO RESEARCH, INNOVATION AND TRAINING.

Strengthening the competitiveness of SMEs is absolutely necessary if they are to meet the challenge of greater competition in an increasingly global economy which is undergoing far-reaching changes due to the emergence of the information society and to environmental and quality requirements in particular. Better SME access to RTD activities and to innovation can help to achieve this goal. SMEs must therefore become more innovative and must be better able to assimilate the new communication

technologies, so that even those in the most peripheral regions can have fast, low-cost access to the most distant markets. They must also improve the management of their enterprises through increased investment in vocational training. Furthermore, in order to respond to market requirements, SMEs must be better able to integrate the environmental dimension into their manufacturing processes and products.

7.1 Enterprise competitiveness

Promoting the competitiveness of European industry

The Council Decision of 25 June 1996 on the implementation of a Community action programme to strengthen the competitiveness of European industry¹²² sets out a series of guidelines concerning, inter alia, implementation of the 1994 communication on competitiveness¹²³ in the areas of intangible investments, industrial cooperation, competition and modernisation of public authorities, the emergence of the learning society (promoting continuing training), the development of industrial cooperation with all third countries and the strengthening of the relationship with the United States through the Trans-Atlantic dialogue and standardisation. Two sectoral Communications were adopted in 1996, one on textiles and clothing and the other on the chemical industry.

7.1.1 Textiles and clothing

In May 1996, the Commission adopted a communication on the competitiveness of sub-contracting in the textile and clothing industry¹²⁴. In June 1996, a Round Table on the European textile and clothing industry, a sector dominated by SMEs, was organised by the Commission. It provided the opportunity for representatives of the European federation representing this sector (EURATEX), the leaders of the National federations, the social partners and representatives of the Member States to discuss the problems of the sector with the Commission. Following this Round Table, three joint working groups were created in June 1996 on the Commission's initiative, covering the promotion of the sector's competitiveness (innovation, RTD, information technologies, employment and training, structural adjustment, industrial cooperation), as well as the internal framework (partnerships between enterprises in the EU, State aid policy, internal market and trade) and external relations (industrial cooperation with third countries, market access, customs and anti-fraud, external trade). The objective is to improve the flow of information between the industry and the Commission, to identify existing programmes and measures relevant for enterprises in the textile and clothing sector, to consider further potential initiatives to assist the sector and to match any such action more closely to enterprises' needs. This working group met three times in 1996 and 1997, and a Communication is currently being prepared by the Commission.

7.1.2 The chemical industry

In April 1996, the Commission published a Communication on an industrial competitiveness policy for the European chemical industry¹²⁵, which was drawn up in consultation with representatives from the European chemical industry. It defines a set of actions to enhance its competitiveness. The actions to be developed by the Commission, industry and/or Member States are grouped around the four priority areas of the industrial

122 Council Decision 96/413/EC of 25 June 1996, OJ L 167 of 6.7.1996, p. 55

123 COM (94) 319 of 14.9.1994

124 COM (96) 210 of 15.5.1996

125 COM (96) 187 of 30.4.1996

competitiveness Communication : actions to improve the regulatory framework, focusing on the consolidation, updating and/or simplification of the current regulatory framework for chemical substances and preparations, as well as the application of a sound approach for all new possible regulatory initiatives. An example of such activities that is of particular importance for SMEs is the **simplification of procedures for the notification of new chemicals**.

7.2 Quality and standardisation

7.2.1 Quality policy

The Euromanagement project (1993-1994) showed that, particularly when faced with market pressures relative to the certification of quality systems, SMEs have serious difficulties in developing and applying a quality component adapted to their needs (existence on the market, improving their organisation and competitiveness).

The Commission has therefore endeavoured to integrate the SME dimension into its European quality policy. The main aim of this policy is to shift the emphasis of the debate on quality (over and above the certification of quality systems) towards making it an element of the global strategy of enterprises seeking to improve their competitiveness on an ongoing basis.

Two specific initiatives in the context of European quality policy are now receiving Commission support: the European Quality Award for SMEs and a Eurochambres project on quality.

The **European Quality Award for SMEs** (first awarded in 1997) was developed by the EFQM (European Foundation for Quality Management) and the EOQ (European Organisation for Quality), based on the European Quality Award which was launched in 1992. It suggests a model of excellence for quality management as well as a self-evaluation methodology based on this model, to make it easier for SMEs to understand and apply the concepts of total quality. The aim of the award is to encourage and give recognition to the achievement of excellence by SMEs in quality management as the best strategy to improve their competitiveness.

The **Eurochambres quality project** aims to promote quality awareness programmes among SMEs by using benchmarking techniques, with the support of the existing network of European Chambers of Commerce and Industry. In more general terms, this initiative is part of the effort to establish a European benchmarking network at enterprise level, and it aims to create favourable conditions for SME access to this network.

7.2.2 Standardisation and certification

7.2.2.1 Standardisation awareness campaign

A promotional campaign held by the network of Euro Info Centres in 1995 and 1996 focused exclusively on the topic of European standardisation policy. 1 400 events were held and 3 600 articles appeared in the press of all the Member States, allowing SMEs to familiarise themselves with basic safety requirements and with the harmonised European standards on technical matters. **Direct contact was made with more than 300 000 SMEs.** Explanations were given of the Directives covering such highly technical areas of expertise as machinery, personal protective equipment, electro-magnetic compatibility and low voltage. The action taken involved preliminary enterprise surveys carried out by the EICs, information meetings on the technical standards and regulations that enterprises must adhere to in order to acquire the "EC mark", the production and distribution of

brochures, practical factsheets and software to guide entrepreneurs in procedural matters, and the promotion of a consultant/interface service provided by the EICs between local entrepreneurs, the Community institutions and the national bodies involved in implementing Community directives.

7.2.2.2 NORMAPME

To enable SMEs to participate more fully in the European standardisation process, and especially in the work of the CEN (the European Committee for Standardisation) and CENELEC (the European Committee for Electrotechnical Standardisation), the Commission gave its support to the **setting up of NORMAPME, the Technical Standardisation Bureau for Craft, Small and Medium-Sized Enterprises**. SME integration in this area is of crucial importance, since some 700 European standards are adopted annually by the European standardisation bodies. As a rule, the standards are applied on a voluntary basis, and are relevant to all Community enterprises, whether export-oriented or not, since national standards which are no longer relevant need to be withdrawn. However, for the most part, SMEs are not consulted in the process of developing standards, hence the need for a body such as NORMAPME. 1995 and 1996 were start-up years for NORMAPME's activities; it was set up as a non-profit association under Belgian law. The action taken has concentrated on the following areas in particular: a campaign in cooperation with the CEN and the industrial policy departments to increase standardisation awareness, the production of documentation and a database, and the establishment of a network of experts. In addition, NORMAPME has become an associate member of the CEN.

In the light of the Eurobarometer survey, the European standardisation bodies and the Commission agreed a Memorandum of Understanding to increase awareness of European standardisation. Several measures have been implemented on this basis, in close cooperation with SMEs (NORMAPME) and the Euro Info Centres. One of the measures, which should be of particular benefit to SMEs, is the establishment of a site on the Internet to provide information on and encourage participation in the standardisation process (INES project).

7.3 Research and technological development

Technology is a major factor enabling enterprises of all types and sizes to gain competitive advantage. But enterprises can find it hard to carry out Research and Technological Development (RTD) on their own. Cooperation among different enterprises and research organisations is one solution, allowing the pooling of resources and of complementary skills.

EU programmes for RTD help partners from different countries to work together, creating links between different National business and research communities. The 4th Community RTD Framework Programme (FP IV)¹²⁶ covers all the EU-funded RTD activities (ECU 13 billion between 1994 and 1998) and has three main objectives: to enhance the competitiveness of European industry, improve the quality of life in Europe and support other EU policies.

126 OJ L 126 of 18.5.1994, p.1

7.3.1 *SME participation in the 4th EU RTD Framework Programme*¹²⁷

Besides being a major contributor to Europe's rapidly evolving economy, SMEs support the competitiveness of larger industry as sub-contractors. **High-tech SMEs power rapidly evolving sectors such as multimedia and software development, biotechnology and biomedical or environmental technologies.** In the US, they are known to produce twice as many innovations per employee and to generate three-and-a-half more new products per dollar invested in research than larger enterprises.

As a result of the Internal Market many EU SMEs face the increasing globalisation of their markets as well as the arrival of foreign competitors on their National markets. The technological content of products and processes is also increasing and, to remain competitive, many SMEs have to develop or have access to new technologies. **Through their participation in shared-cost Community RTD programmes, SMEs can internationalise their network of business and research partners, while at the same time improving their technological base, through a shared RTD effort or access to RTD results.**

A study performed in 1994 assessed the RTD needs and capabilities of a representative sample of some two million European industrial SMEs.

These were divided into three main groups :

1. *Technology developers (1-3%).* These SMEs are active in both research and development and have well-established RTD capabilities. They participate largely in EU-funded research projects. However, they may need support for competing on an equal footing with larger enterprises when preparing proposals.
2. *Leading technology users (10%).* SMEs which are more technologically advanced than the average company in their sector. They can identify RTD needs, but often have limited or no RTD capabilities and, therefore, usually subcontract research to third parties. They play a crucial role in disseminating and adapting technological innovation to medium and low-tech companies.
3. *Technology users - followers (90%).* The vast majority of EU SMEs are only interested in the final products of RTD. They have little or no need to carry out RTD activities and do not invest hard earned cash in risky and long term return RTD projects.

7.3.1.1 *The Technology Stimulation Measures for SMEs*

One of the priorities of FP IV, common to all specific RTD programmes, is to foster and facilitate the participation of SMEs. A special set of measures, **the Technology Stimulation Measures for SMEs (TSME)**, has been implemented in 10 specific

¹²⁷ For all programmes implementing specific measures for SMEs in FP4, SMEs are defined as companies which satisfy the following 3 criteria : < 500 employees, annual turnover < ECU 38 million and no more than 1/3 owned by an organisation larger than an SME (based on turnover and number of employees), unless it is a financial investor such as a bank or venture capitalist. Only the specific programme on Information Technologies, given the high-added value of companies active in this area, accepts companies with a turnover of up to ECU 50 million. However, the definition used is a provisional one which is applied for a transitional period in the field of research and which is, in principle, due to be replaced by 31.12.1997 with a reference to the Commission Recommendation of 3 April 1997 concerning the SME definition (JO L 107 of 30.04.1997, p. 4). This paragraph does not include SME participation in the EU Innovation Programme (see 7.4.), which corresponds to Activity III of FPIV

programmes. Other programmes have developed additional project types and tasks aimed at solving specific SME related problems.

CONTENT AND IMPLEMENTATION

The Technology Stimulation Measures for SMEs (TSME), implemented in the 4th RTD Framework Programme, build on the successful experience of the Brite-EuRam programme and extend the CRAFT scheme to 9 other research programmes covering RTD activities on Life Sciences, Energy, Transport and the Environment. The TSME were designed to overcome problems encountered by SMEs when preparing proposals: accessing information on EU programmes, finding adequate research partners, defining RTD needs, proving the feasibility of projects before committing funds. They aim at further encouraging and facilitating participation by SMEs in EU RTD Programmes by targeting mainly Technology Developer SMEs and Leading Technology User SMEs.

The TSME comprise two main measures:

1. **Exploratory Awards.** SMEs from different Member States identifying a common RTD project can, on the basis of a short outline proposal, receive funding (75% of total costs, up to ECU 45 000) to prepare a full proposal and/or perform a feasibility study. This first phase is optional and should last less than 12 months.
2. **Cooperative Research (CRAFT) projects** are targeted at Leading Technology User SMEs and enable them to engage third parties (called RTD Performers) to carry out research on their behalf. Results will be fully owned by SMEs. The Commission shares research costs with SMEs by funding up to ECU 500 000 or 50% of the total costs. CRAFT projects should last from 1 to 2 years. All EU-funded projects must be innovative and pre-competitive, thus requiring that further development is undertaken between the completion of the project and the commercialisation of the product/services resulting from the research. A novelty with respect to the original CRAFT pilot scheme is that larger companies or public bodies can participate in projects by funding up to a sixth of the costs, allowing for vertical cooperation between SMEs and private or public end-users.

This two-stage application procedure is not only beneficial for the CRAFT-type SMEs, but also particularly interesting for SMEs with research capacities, typically Technology Developers, which can benefit from an Exploratory Award to increase their chance of success when submitting *Collaborative research projects*, the traditional project format in EU RTD programmes, where they will often team up with large enterprises, universities and research centres to compete with other similar projects.

An additional feature of the TSME is the setting up of a **small SME Coordination Unit**, whose responsibility is to coordinate the implementation of the TSME across all 10 research programmes, to manage the **CRAFT network of National Focal Points** and to liaise with other EU SME related measures. This Unit is a **first-stop shop where all proposals are received and processed**. A **single information package on the 10 programmes** was produced and standard submission forms are provided for all programmes, thus **simplifying the submission procedure**. The TSME are implemented via open calls for proposals which were launched in December 1994 and will run until April 1998. Proposals can be submitted on a continuous basis and are evaluated three times a year. Streamlining of internal management procedures by the SME Coordination

Unit ensured that all proposers under the TSME were informed of the outcome in the 3 months following their submission.

INFORMATION AND ASSISTANCE ACTIONS

The Commission Communication on the Integrated Programme in favour of SMEs highlighted the need for information and awareness actions and for the coordination of support networks to facilitate and foster SME participation in the EU RTD Framework Programme.

To participate in EU RTD programmes, it is necessary that at least two foreign partners team up to submit a proposal. To help SMEs in this critical step and give them information, a **CRAFT Network of local Focal Points has been established**. All Member and Associated States were asked to propose organisations with adequate resources and skills to form a network ensuring an adequate thematic and geographical coverage of each State. These organisations inform and assist SMEs in partner searches or in preparing proposals. SMEs interested in submitting a project can also look for partners using the "Expressions of Interest" available on the ARCADE telematic server or consult the CORDIS "RTD Partners" database.

In addition, Euro Info Centres (EICs) in their capacity as "first stop shops" have provided information on TSME, in particular some were actively encouraged to work together with members of the CRAFT network. A joint training course for EICs, CRAFT and Innovation Relay Centres (IRCs) was organised under Enterprise Policy in December 1997. Among other issues, they examined the best ways of making information days for R&D programmes more attractive to SMEs.

Experience under FP III has shown that systematic Multinational Information and Assistance Actions targeted at SMEs in one or several research areas/industrial sectors facilitate the establishment of transnational partnerships and are an effective way to promote participation by SMEs in TSME. Such actions include four basic steps (inspired by the methodology developed under the Euromanagement scheme): dissemination of information on TSME, auditing of SMEs on EU funded projects, brokerage of the results of the "Expressions of Interest" to form transnational consortia and assistance for writing project proposals.

To launch the Technology Stimulation Measures for SMEs in 1995, **three Multinational Information and Assistance Actions** (totalling ECU 5 million in EU funding) were undertaken by the different Commission services and coordinated by the services in charge of research. They involved respectively some 50 private consultants specialised in auditing SME technology needs (Euromanagement II), the 20 members of the CRAFT network of Focal Points and 17 European Industrial Federations (CECIMO, ORGALIME, FEFAC, etc.). As a result, **50.000 SMEs were informed and 2 000 audited, which had never until then participated in EU RTD programmes**. Approximately 40% of all proposals submitted in the first year of FP IV under the TSME resulted from these actions. Additional Information and Assistance Actions (ECU 4.5 million in EU funding) were launched in 1996 by the programmes implementing the Technology Stimulation Measures for SMEs. These actions involve mainly the CRAFT network of National Focal Points, but also Innovation Relay Centres, Euro Info Centres and other intermediaries.

Information and awareness actions also include events. The "**First SME Technology Days**" held in Brussels in October 1996, gathered 850 participants from 21 European countries and Israel, mainly SMEs (35%) and intermediaries (30%). Participants in the

SME Technology Days were given the opportunity to meet with Commission officials from the specific RTD programmes and explore opportunities available in their field.

As a result of all these actions, **the number of proposals submitted under the TSME rose sharply by the end of 1996 with some 75% of participating SMEs involved for the first time.**

THE MID-TERM RESULTS

The analysis of SME participation in the previous EU RTD Framework Programmes (FP III) shows that SMEs join industrial programmes like Brite-EuRam (Industrial and Materials technologies) or ESPRIT (Information technologies), rather than more basic research-oriented ones. The table below shows the number of contracts signed with SMEs in FP III and FP IV (up to 31.12.1996).

SME participation by project type in FP IV from 1994 until 1996 and FP III

(Number of SMEs having signed a contract with the Commission between 1.1.1995 and 31.12.1996)

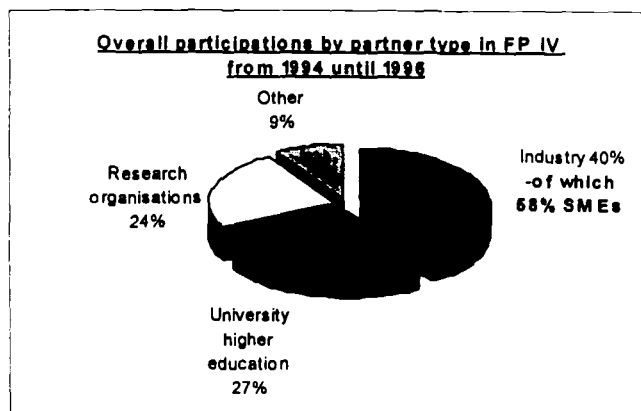
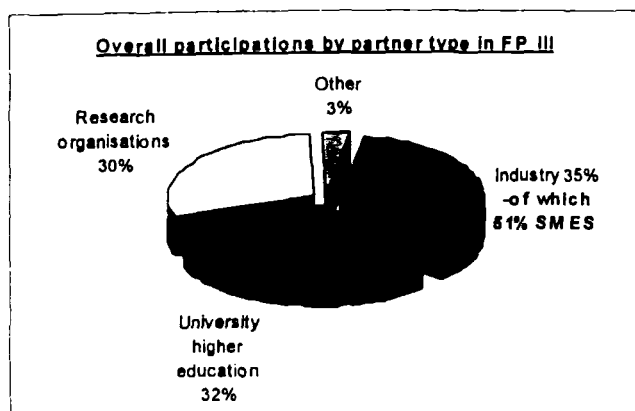
SME participation**				
Programme	Exploratory Awards	Cooperative Research Projects	Collaborative Research Projects	TOTAL
Industrial technologies	704	498	836	2038
Life sciences	169	26	261	456
Environment	33	/	114	147
Non-nuclear energy*	2	/	304	306
Transport	70	N/A	547	617
Telematics	N/A	N/A	459	459
ACTS	N/A	N/A	437	437
ESPRIT	105	6	868	979
TOTAL FP IV (1994 until 1996)	1083	530	3826	5439
TOTAL FP III (1991-1994)	1572	1203	3501	6276

* RTD component only (JOULE). ** Enterprises with less than 250 employees. N/A = Not applicable

6000 SMEs participated to the 3rd Framework Programme (FP III), covering the 1991 to 1994 period. Over 50% were Technology Developers involved in collaborative research projects, but the pilot CRAFT (Cooperative Research Action For Technology) action of the Brite-EuRam programme was specifically directed to Leading Technology Users. **CRAFT projects totalled some ECU 70 million of EU funding and allowed some 1200 SMEs to take part in this programme, thus bringing the share of SMEs participation from 25% to 55%.**

In FP IV, a first major result is the increase in SME participation in collaborative research projects with some **3 800 SMEs participating in research projects** launched in the first two years (1995-96). This equals the participation in all four years of the previous Framework Programme and is mainly the result of better and targeted supply of information and facilitated access under TSME. The figure below shows that SMEs are responsible for the increase between FP III and FP IV in the total share of enterprises (from 35% to 40%)

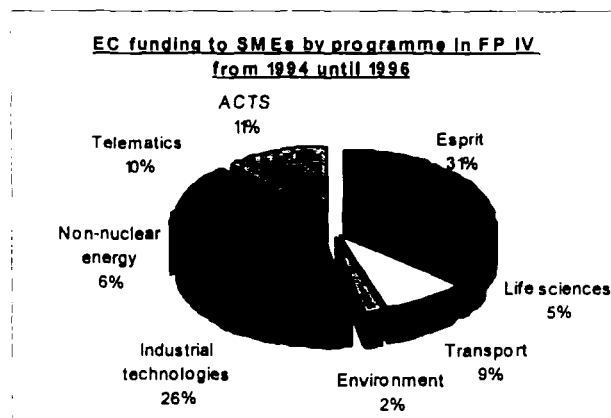
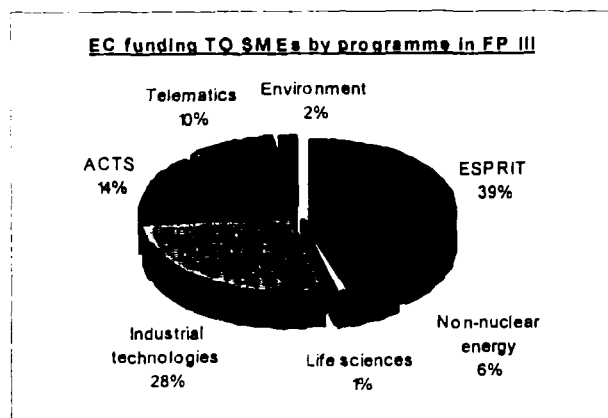
Participation in FP III and IV by type of organisation



SMEs are responsible for the increase between FP III and FP IV in the total share of enterprises (from 35 to 40 %).

Three programmes (Industrial and Material Technologies, ESPRIT - Information Technologies - and Transport) account for 66% of all SME funding and 67% of all SME participation. However, SME participation in FP IV is more evenly spread across all programmes than in FP III. It is also interesting to note that SMEs represent a majority (53%) of all industrial project coordinators.

Share of SME funding between programmes in FP III and IV



In FP IV, EC funding for SMEs is more evenly spread across the programmes than it was in FP III

The TSME are starting to deliver, even though it took some time to establish the CRAFT Network and spread information on the new SME support measures. The 668 Exploratory Awards supported to date by the TSME are allowing 1 500 SMEs to prepare a proposal together with a foreign partner, while some 1 000 SMEs, mostly Leading Technology Users, are now involved in 143 CRAFT type research projects. Once again, this matches the numbers observed for all 4 years of the previous Framework Programme. The programme on Industrial and Materials Technologies is the one that attracted most proposals, but other research programmes (Agriculture and Fisheries, Biomedicine and Health, Transport) are increasingly attracting SME proposers.

**The Technology Stimulation Measures for SMEs:
Project submission and selection in FP IV from 1994 to 1996**

Type of project	Exploratory Awards		Cooperative Research (CRAFT)	
	Submitted Projects	Contracts(1)	Submitted projects	Contracts(1)
BRITE-EURAM III	873	422	263	119
SMT	81	30	9	4
BIOMED II	77	33	-	-
BIOTECHNOLOGIES	42	17	Not applicable	
FAIR	247	87	25	14
ENVIRONMENT	55	17	9	5
MAST III	37	13	-	-
JOULE	38	17	1	1
TRANSPORT	59	32	Not applicable	
ESPRIT	95	45	6	1
TOTAL FP IV (1994 - 1996)	1604	713	313	144
TOTAL FP III (1991-1994)	885	391	331	172

(1) Including contracts under negotiation up to February 1997

The success rate for SMEs under the Technology Stimulation Measures is relatively high despite the fact that 75 % of these are newcomers.

The analysis of SME participation in TSME projects shows that:

- **approximately 5 200 SMEs have participated in the calls for proposals under the TSME and 2 500 of these were funded.** When submitting an interesting proposal (on the basis of the Evaluation Report) non-selected SMEs are encouraged to resubmit improved proposals;
- **on average, participation in an ECU 700 000 CRAFT project (involving 7 partners on average) only represents ECU 50 000 in own investment per SME;**
- **small enterprises (less than 50 employees) represent a majority of participants (70% for selected Exploratory Awards and 46% for CRAFT projects, totalling 60% for all TSME).** Enterprises from more traditional sectors such as food production, construction, mining, textiles or wood represent 40% of participants and make up most of the 6% belonging to the 250-500 employees category.
- **approximately 18% of SMEs come from the 4 "Cohesion countries" (Spain, Portugal, Greece and Ireland) which is more than their average participation in EU projects.** Their participation shows an industrial structure based on smaller units and less advanced sectors. However, three of the larger EU industrialised countries (Germany, France and Great Britain) represent some 50% of all SME participants.

- Newcomer SMEs represent some 75% of participants in Exploratory Awards or CRAFT projects. The TSME, therefore, allowed some 1 900 SMEs to take part for the first time in EU RTD programmes.

**The Technology Stimulation Measures for SMEs :
distribution of project participation by size in FP IV from 1994 until 1996**

Type of project	Exploratory Awards		Cooperative Research (excluding RTD performers) (CRAFT)	
	Submitted	Contracts (1)	Submitted	Contracts (1)
Size of SMEs (in number of employees)				
< 50	2353	1041	1057	464
50 to 100	377	206	327	171
100 to 250	343	191	356	206
250 to 500	114	52	144	87
> 500	2	2	138	75
TOTAL	3189	1492	2022	1003

(1) Including contracts under negotiation up to February 1997

The first projects selected and funded by the original pilot CRAFT scheme in 1993 are now coming to an end. Successful projects can be found in many industrial sectors, ranging from the very traditional to more advanced ones. A publication available from all CRAFT National Focal Points and on the SME Web-page (<http://www.cordis.lu/sme/home.html>) lists ten of these projects.

Most participants (70%) in the first CRAFT projects launched in 1993 mentioned the simultaneous improvement of their technological base, together with the internationalisation of their contacts as their main motivation. Other benefits arising from participating in CRAFT projects are:

- improved competitiveness linked to increased technology in their processes/products;
- better knowledge of their competitors and/or suppliers/end-users and development of RTD networks;
- access to processes and products that satisfy ISO and European (CEN/CENELEC) norms;
- obtaining the label of a company performing RTD at the level of excellence of EU projects.

The TSME and, in particular, the CRAFT scheme play a leading role in EU RTD. More than ever, European SMEs will find easier access to support for RTD and innovation-linked activities.

7.3.1.2 Other measures in FP4 relevant to SMEs

Besides the TSME, which are common to and coordinated between different programmes, **many programmes have a special interest for SMEs.**

Demonstration projects in the Life Sciences

The three specific programmes in the Life Science area (Agriculture and Fisheries - FAIR, Biotechnology - BIOTECH, and Biomedicine and Health - BIOMED) all support Demonstration Projects aimed at the exploitation and dissemination of new technologies. Up to 6% of the programmes' budgets is earmarked for projects which prove the viability of a new technology, overcome barriers to its commercialisation and promote awareness of its economic, social or medical benefits. Based on the principle that "seeing is believing", Demonstration Projects mark a significant break with the culture of traditional RTD projects since they aim at using available knowledge to show how a new technology or device can be applied concretely. EU funding is provided on the same basis as shared-cost research projects, for a period of two to four years. **While the demonstration projects are not directly targeted at SMEs, these represent on average 25% of all selected proposers.**

SMEs in the first call for proposals for Demonstration Projects in Life Sciences

PROGRAMME	Total number of proposals	Total number of proposers	% of SME proposers
BIOMED	46	332	16%
FAIR	25	130	39%
BIOTECH	13	79	25%
Selected projects	20	100	25%

RTD programme for transport

In December 1994 the Council adopted a specific research, technological development and demonstration programme in the field of transport for the period 1994 to 1998 ¹²⁸ under the fourth RTD framework programme. With a view to promoting the sustainable mobility of persons and goods, the programme aims to contribute towards the development, integration and management of a transport system which is more efficient, safer, and compatible with the environment and quality of life. Its budget frame is ECU 256 million. Between December 1994 and March 1997, three Calls for Proposals were launched. **In the First and Second Calls for Proposals SMEs represented 35% of all proposers.** The total number of contractors is 1 294 of which 392 (30%) are SMEs.

Demonstration component of the Non-Nuclear Energy Programme - THERMIE

One of the pillars of European energy policy is the THERMIE programme (ECU 566 million for 1995-1998) which is a part of the Fourth EU RTD Framework Programme. THERMIE provides financial support for projects implementing innovative energy technologies (Type A) and for complementary activities (Type B). THERMIE also includes Technology Stimulation Measures for SMEs.

With regard to type-A-actions, precise figures on the participation of SMEs are not available, but a qualitative assessment gives **an overall participation of about 65% of SMEs as coordinators of proposed projects, but only about 20% of selected projects.**

A major effort is still necessary to help SMEs to present high quality proposals which is the main goal of activities undertaken under Technology Stimulation Measures for SMEs.

The table shows the number of actions and budget concerning the field of Technology Stimulation of SMEs (Type B actions) for the years 1995 and 1996.

THERMIE Actions for Technology Stimulation of SMEs (Type B)

Year	Number of selected Actions	THERMIE Support (MECU)
1995	40	4.00
1996	22	2.05

In order to raise awareness of those instruments specifically targeted at SMEs, in the open call for proposals for 1997 a leaflet has been prepared to be circulated as widely as possible through the following networks : Organisations for the Promotion of Energy Technologies (OPETs), Craft Focal Points, Euro Info Centres. The objective is to draw the attention of SMEs to the possibility of receiving EU support to perform feasibility studies as a preparatory phase for the presentation of a Type A proposal. A pre-screening service is offered by the Commission services to help the SMEs to better target their proposal.

The FP IV programmes for innovation and information technology are discussed in the following sections.

Best Practices and First Users actions in ESPRIT

See point 7.5.1. on the Information Technology Programme.

7.3.1.3 Fifth Framework Programme (1998-2002)

On 30 April 1997, the Commission adopted a "proposal concerning the Fifth Framework Programme of the European Community for research, technological development and demonstration activities (1998-2002)¹²⁹" which advocates a **new approach to Community research based on the simplification** of its decision-making and delivery mechanisms as well as on the **greater focusing of measures and themes.** The proposal

¹²⁹ COM(97) 142 final of 30.04.1997

includes three thematic and three horizontal programmes. Given that SMEs are important vectors and actors in innovation, the key factor in industrial competitiveness, **a specific horizontal programme “Innovating and involving SMEs”**, based on the experience of the Fourth Framework Programme, has been introduced. It aims to facilitate SME access to advanced technologies and to the possibilities offered by the Union’s research programmes, and in particular to make it easier to exploit the results of research and to stimulate the establishment of innovative companies. SMEs will not only be able to take advantage of the specific programme “Innovating and involving SMEs” (in particular through a **one-stop-shop for SMEs for all research programmes** within the European Commission, for the submission of SME-specific projects), but will also be able to benefit from measures reserved for them within other programmes (exploratory awards and cooperative research (CRAFT) projects).

7.4 **Innovation**

THE INNOVATION PROGRAMME AND TECHNOLOGY TRANSFER

The Innovation Programme¹³⁰ (ECU 312 million between 1995 and 1998) relates to the third activity under the Fourth Framework Programme for RTD and focuses on the dissemination and exploitation of the results of research activity. It aims to help European industry to increase its competitiveness by making the best possible use of available technology and techniques.

The programme adopts a new global approach to the promotion of innovation, and has three interdependent objectives: to promote an environment conducive to innovation and the take-up of new technologies by enterprises; to stimulate the development of an open European area for the dissemination of technology and know-how; and to provide suitable technology for this area.

The activities promoted under the programme relevant to SMEs are set out in the following lines of action:

a) European Innovation Monitoring System (EIMS)¹³¹

The European Innovation Monitoring System aims to **strengthen the knowledge base available on enterprise performance (particularly SME performance)**, public policy and the infrastructure of innovation support services. The most important projects include:

- **the Community Innovation Survey**, a project which was implemented jointly with Eurostat, involved a survey of 44 000 enterprises in thirteen countries, for the most part SMEs, based on a harmonised questionnaire which enabled Eurostat to set up a unique database. The results were presented at an international conference in Luxembourg in May 1996;
- a survey on the significance of Europe’s **new high technology enterprises** and on the main characteristics of rapid-growth enterprises;

¹³⁰ Specific programme for the dissemination and optimisation of the results of activities in the field of research and technological development, including demonstration (1994 to 1998), Council Decision 94/917/EC of 15.12.1994, OJ L 361 of 31.12.1994, p. 101

¹³¹ Sometimes referred to as the European Innovation Observatory

- a study to identify methodologies for **categorising SMEs** according to criteria based on their capacity for innovation.

b) Promotion of innovation management techniques

The aim of this line of action is to support the efforts of national and regional organisations in both the public and private sectors to increase SME usage of modern management methods. The thirty projects currently under way provide for action to increase awareness, at national and regional level, of the effective use of innovation management techniques for SMEs. They involve an exchange of experience and the dissemination of good practice among SMEs, as well as innovation advice missions to more than 1 000 SMEs in Europe. At the end of these missions, the enterprises concerned will develop an action plan to integrate suitable management techniques into their global innovation strategy.

c) The European Design Prize

This prize aims to demonstrate the crucial role played by design in the innovation process for SMEs, as well as its profitability and the important contribution it makes to industrial success. Some 400 SMEs applied for the 1997 prize. The prizes were presented on 31 January 1997, at an international conference which brought together all of the players in this domain, in addition to the shortlisted SMEs.

d) European innovation networks and services

This experimental line of action, launched at the end of 1995, has the following objectives:

- to provide more effective (integrated) services for SMEs by encouraging active cooperation between professions which hitherto have rarely worked together (for example, between technologists and bankers or between instigators of social innovation and technologists);
- to make it easier to harmonise public support measures (for example, cooperation between national programmes aimed at stimulating the placement of young researchers in SMEs to facilitate technology transfer, with a particular view to testing the feasibility of transnational placements);
- to interconnect national networks of SME service providers (for example university-industry interface services), thereby reinforcing Europe's enterprise support infrastructure.

Twentythree networks involving approximately 150 organisations have thus far been selected, of which approximately ten represent SMEs.

e) Validation and technology transfer projects

“Validation and technology transfer projects” are primarily but not exclusively aimed at SMEs, although not exclusively so. Its objective is to provide Community support for projects that seek to validate research results or transfer technology to new application areas, depending on market needs and social requirements.

Two calls for proposals were published, with a budget of ECU 70 million, on 15 March 1995 and 15 September 1996. Two hundred proposals were accepted for the definition phase, and more than two-thirds of these will proceed to the demonstration phase, with Community support of between ECU 500 000 and ECU 1.5 million. **SME participation in both calls was very high** and the following three points, which apply both to participation and to the proposals selected, are worthy of emphasis:

- 920 organisations are participating in the projects, 47% of these are SMEs;
- **approximately 60 % of the projects are coordinated by SMEs; and**
- **there is at least one SME in 90 % of the project consortia.**

The breakdown of the projects into two phases (definition/feasibility followed by implementation after a successful definition phase) simplified the initial proposal and reduced the effort required of the proposer. In addition to the support services provided to the consortia, this proved to be particularly useful for projects involving a large number of SMEs.

f) Innovation Relay Centre Network

Innovation Relay Centres (52 centres) advise organisations - especially small businesses - on technology and innovation. They also help SMEs to identify suitable technologies to match their needs and give assistance on exploitation as well as advice on EU RTD programmes. Each Relay Centre is independent and backed by EU funding (ECU 23 million out of an ECU 43.5 million total budget) under the Innovation Programme. The primary goal of all Innovation Relay Centres is to be a regional “pole” that will provide access to the required expertise to support the exploitation, technology transfer and innovation activities of SMEs in that region. **This gives SMEs a direct link to partners and potential buyers of the technologies they have developed.**

The staff of Innovation Relay Centres are experienced in business and technology and are selected according to their in-depth knowledge of the technology needs of local industry - especially SMEs, their capacity to advise organisations on technology transfer, innovation and related business questions, their ability to develop services that meet the specific needs of the regional industrial fabric and to help local organisations to compete more effectively in export markets, and finally their in-depth knowledge of EU RTD programmes.

Relay Centres can distribute details of SMEs’ innovative products, processes and technologies through the network and have a “partner search” service. Other services include training and consulting services tailored to the specific region, networking and exchange of ideas (for example: seminars on Total Quality Management, Value Management, Patent and Intellectual Property Rights, and environmental responsibility).

In 1995 and 1996, the Innovation Relay Centre Network produced the following results: assistance for technology transfer agreements (381 negotiated, 108 signed); assistance for organisations in preparing proposals for EU RTD programmes (1 406 submitted, 309 approved). **The number of contacts with clients, mainly SMEs, was 39 337, and the number of assistance sessions for clients, mainly SMEs, was 7 052.**

g) OPET (Organisation for the Promotion of Energy Technologies) Network

OPET is a specialised network (40 OPET, ECU 4 million for 2 years) under the Innovation programme for promotion of new and innovative energy technologies, replacing the former OPET-THERMIE Network. Its objective is to foster market penetration by successful new and innovative energy technologies, in particular those related to technologies demonstrated through the non-nuclear energy programme (JOULE - THERMIE). SMEs are one of OPET's main client target groups. OPET concentrates on the rational use of energy in buildings, transport and industry, renewable energy sources and fossil fuels.

FIRST ACTION PLAN FOR INNOVATION IN EUROPE

The First Action Plan for Innovation in Europe was adopted by the Commission on 20 November 1996 and follows on from the wide-ranging public debate that took place after the publication of the Green Paper on Innovation at the end of 1995, during which the Commission's diagnosis of the innovation deficit in Europe was amply confirmed. It is also in response to a request from the Florence European Council (June 1996), which invited the Commission to draw up an action plan on measures to be taken in the area of innovation.

The Action Plan sets out measures, mainly at Community level, based on three main objectives:

- fostering a genuine innovation culture,
- establishing a favourable legal, regulatory and financial environment for innovation,
- improving the linkage between research and innovation.

The Action Plan was welcomed both by the European institutions and by the socio-economic players. In the first phase of its implementation, the Commission tackled problems relating, *inter alia*, to intellectual property protection (e.g. publication of the Green Paper on Patents), the financing of innovation, problems relating to education and training (the Erasmus apprenticeship scheme, the initiative on Learning in the information society), and problems with regard to enterprise innovation management (benchmarking systems). A first report on the implementation of the Action Plan will be drawn up at the end of 1997.

7.5 -- The information society

7.5.1 Information Technology (IT) Programme

The Information Technology Programme (replacing the former ESPRIT programme) (ECU 2 065 million for 1994-1998), covers a large variety of activities from basic to applied research in the following areas: software technologies, technologies for components and subsystems, electronic commerce, long term research, open microprocessor systems, high performance computing and networking, technologies for business processes, multimedia systems and integration in manufacturing. It plays an essential role vis-à-vis SMEs wishing to carry out RTD in information technologies or have access to results at the cutting edge of technology.

During the first two years (1995 and 1996), 836 projects were launched with ECU 900 million. Approximately **1000 separate SMEs have participated in a shared-cost research project and** carried out about 30% of the relevant work of the programme. Six hundred more SMEs were involved in the various Accompanying Measures launched by the IT Programme. This places the IT programme amongst the top rank of the Community R&D programmes and **confirms that the efforts made to increase the rate of SME participation have been successful.**

Further to the specific SME stimulation measures (TSME) introduced in FP4 (exploratory awards and CRAFT), **additional measures both on the content and procedures (introduction of specific subjects and two stage application procedure) have been put in place within the IT programme to meet the specific needs of SMEs. These provisions have proved to greatly facilitate SME participation in the activities of the IT programme.**

As regards content, they include, in particular, the **European Systems and Software Initiative (ESSI)**, i.e. promotion/dissemination of best practice in software development; microelectronic components and IT-based manufacturing methods; experience with **First Users actions in micro-electronics in products (FUSE)**; the creation of information and assistance centres for technology transfer (in particular, in the field of high performance computing, electronic commerce and process automation). Furthermore, cooperation between users and suppliers of specific technologies in the field of RTD has been strongly encouraged and has led to considerable cooperation between large enterprises and SMEs.

In particular, the First User action (FUSE) is targeted at all industrial enterprises which can benefit from new applications of existing microelectronic technologies. SMEs are the main beneficiary of this initiative. Since knowledge transfer is an essential aspect of FUSE, a network of 26 Technology Transfer Nodes (TTNs) was set up to promote the advantages of microelectronics for businesses and to provide them with information, support and assistance.

EUROPRACTICE, closely related to FUSE, was launched in October 1995, to offer low-cost basic services to assist users in the take-up of microelectronics. The services offered include consultancy, training, software tools, design support, prototyping and low-volume production.

At procedural level, **a two-stage application procedure was introduced for many sectors of the programme which is particularly beneficial for SMEs:** in the first stage, the evaluation of the proposal is based on its expected impact on businesses. This first evaluation takes little time and only successful enterprises are invited to submit, within two months, a complete proposal which provides a detailed outline of the RTD approach and a work programme. SMEs benefit from this two-stage approach, since the substantial effort to present a complete proposal has only to be undertaken after passing the first "filter". Furthermore, **there are frequent calls for tender (2 to 4 per year), which are published at fixed dates.** This provides enterprises with the possibility of planning their participation and to have several months for preparation.

The Euro Info Centre specialised groups on Information Society and R&D have been active in increasing awareness of these programmes amongst SMEs and in helping SMEs to gain access to them.

Two **Information Society Awareness Weeks** were organised in 1996, in collaboration with ISPO (Information Society Project Office), to inform SMEs of the opportunities of the Information Society and demonstrate applications and services likely to be of relevance for their day to day activities. During the second of these European Weeks, EICCs and other organisations organised events in 6 non-European countries (CEECs & Tunisia).

EIC members of the specialised group on R&D continued to organise events to promote R&D programmes. They were also actively involved in promoting the ITEA awards. There was considerable emphasis on promoting newer schemes such as FUSE and Best Practice in ESPRIT. With regard to the latter, Swedish members of the group gave greater coverage to this initiative in Sweden where the scheme was considered to be undersubscribed. In response to a joint request from the Commission, members of the network gave feedback on how to improve the impact of information days for SMEs.

7.5.2 The Advanced Communication Technologies and Services Programme

Three specific measures are taken in favour of SMEs in the EU RTD programme on Advanced Communications Technologies and Services (ACTS): measures to encourage and facilitate SME participation in the RTD programme; measures to disseminate information to SMEs and to support the take-up of new services by SMEs; and measures to facilitate consensus development on access to interoperable electronic commerce systems by SMEs.

Over 25% of participants in this RTD programme are SMEs. Specific measures were taken to encourage SME participation in the second Call for proposals in 1995, and further encouragement will be given for the third Call for proposals in 1997.

A specific project (SMARTS) is now responsible for broadening the participation of SMEs in information dissemination and technology transfer activities. This project will ensure that at least **5000 European SMEs have access to information** and results, by late 1998.

Development of electronic commerce technologies, systems and services is a major feature of the ACTS research. A "consensus development chain" brings together over 20 projects on "small business networking and commercial transactions". This RTD chain provides the technology input to the Memorandum of Understanding signed by over 70 major companies on "**Open Access to Electronic Commerce for Europe's SMEs**". This Memorandum of Understanding provides an open framework for industrial agreements on interoperability of transaction, directory and authentication systems, and on rights and responsibilities in electronic commerce.

7.5.3 Multimedia development projects

Two calls for proposals for multimedia development projects were published. One, under the **IMPACT 2 programme** did not expressly favour SMEs in development teams, although SMEs were encouraged to participate, and the results were as follows: 103 proposals from 565 organisations, of which **356 were SMEs** (under 250 employees) (63%), and 17 projects supported including 105 organisations, including **68 SMEs** (64%).

The second, under the **INFO 2000 programme**, incorporated a specific advantage to small enterprises (under 50 employees) and the Objective 1 region by increasing the level of support available from 40% to 50%. The results were as follows: 477 proposals from 2 428 organisations, of which 1 486 (61%) were small and 1 653 (68%) were SMEs, and 80 projects supported with 405 organisations, of which 253 (62%) were small and 318 (78%) were SMEs.

7.5.4 Telematics Applications Programme (TAP)

The Council Decision on the TAP Programme¹³² set an objective that **5% of the TAP budget for 1994-1998 should go to small and medium-sized businesses or organisations** (SMEs/SMOs with less than 500 employees). Therefore, the TAP Programme is by its very nature open to SMEs/SMOs. Projects responding to the need for greater awareness and introduction of telematics in SMEs received ECU 44.1 million in funding. In other projects, more than 50% of the participating organisations are SMEs/SMOs which received funding of ECU 32.4 million. SMEs/SMOs are involved in more than 95% of all the Telematics projects. **The total of ECU 76.5 million corresponds to 13 % of EU funding for existing projects and 8.5% of the overall foreseen TAP budget. The Telematics Programme currently satisfies the objectives defined for SME/SMO involvement.**

7.6 Electronic commerce

Driven by the dramatic progress in the field of information technology, in particular the fast expansion of the Internet, electronic commerce presents enormous potential opportunities for consumers and businesses in Europe, and in particular for SMEs. Its propagation will also have a considerable impact on Europe's competitiveness in global markets. It will, however, also lead to profound structural changes in business and labour markets.

Electronic commerce covers many diverse activities in both goods and services, including electronic trading of goods and services, on-line delivery of digital content, electronic fund transfers, electronic share trading, electronic bills of lading, commercial auctions, collaborative design and engineering, on-line sourcing, electronic public procurement, direct consumer marketing and after-sales service.

In April 1997, the Commission adopted a communication on a European Initiative in Electronic Commerce¹³³ to encourage the growth of electronic commerce both within the EU and in the global marketplace.

The key issues are as follows:

- The need to reinforce trust and confidence in transnational electronic commerce. This is crucial in the context of further removal of trade barriers and the increasing multilateral commitments in the WTO framework, as well as the emergence of cyber-crime (e.g. electronic money laundering, malicious hacking and copyright infringement). **SMEs, in particular, need to be encouraged to adopt new business methods, techniques and innovations.**

¹³² OJ L 334 of 22.12.1994, p. 1

¹³³ COM (97) 157 of 15.04.1997

- Provision of the necessary infrastructure, tackling the problems of capacity, cost, interoperability and user-friendliness. The Commission will work with EU Member States as well as with its trading partners towards the full and timely implementation of the WTO Agreement on Basic Telecommunications, which will enter into force by 1 January 1998 and will greatly contribute to liberalisation of telecommunications. The same applies to the recent Information Technology Agreement (ITA), which provides for the gradual elimination of tariffs and non-tariff barriers on IT products and the Mutual Recognition Agreements (MRA) of conformity assessment. As outlined in its Communication on "Cohesion and the Information Society"¹³⁴, the Commission aims at diminishing the remaining regional disparities in cost, quality and accessibility of electronic commerce infrastructure and services, so as to contribute to the revitalisation of regions and to renewing and sustaining local services. **The widespread availability of electronic commerce infrastructure at an attractive price is required if SMEs are to fully exploit the opportunities.**

The Commission will pursue a coordinated European approach to tackle capacity bottlenecks through RTD programmes in information and communication technologies, including actions in the Fifth Framework Programme and in the Trans-European Networks. It will also facilitate the active involvement of Europe's industry and public bodies in global decision-making on Internet evolution.

The Commission has been encouraging consensus on standardisation in electronic commerce through the **Memorandum of Understanding on Open Access to Electronic Commerce for European SMEs**, which aims at involving European industry and users in standardisation and specification work. **Steps will be taken to better address user needs, in particular SMEs, in standardisation.**

- Improvement of user-friendliness. **The aim is to offer simple, user-friendly solutions to handling each stage in the transaction chain electronically. This will facilitate the widespread take-up of electronic commerce, especially by SMEs, and allow them to get started, using and staying up-to date with electronic commerce technologies.** To this end, special importance is given to electronic commerce in EU RTD programmes (a first electronic commerce call for proposals in the ESPRIT programme has already been launched). Electronic commerce is also a key action in the programme "Creating a User-Friendly Information Society".
- Promotion of international industrial and technological cooperation. Projects will be launched during 1997 as part of the Prague Action Plan involving Central and Eastern European countries, and in cooperation with non-Union Mediterranean countries. **The Commission will also strengthen its ongoing international cooperation in the field of electronic commerce by promoting global pilot projects in the G7 Global Marketplace for SME collaboration.**

Creation of a favourable regulatory framework in relation to issues ranging from security, privacy and the protection of property rights (in particular copyrights and trademarks) to consumer protection, accounting and audit rules and tax neutrality. Measures already taken include the EC Directive on the protection of personal data¹³⁵, the proposal of a Transparency Mechanism Directive, aimed at reducing the risk that different National measures restrict the free movement of IT services; a Directive on contracts negotiated at a distance which covers electronic transactions and a certain number of horizontal and sectoral directives. As a follow-up to the Green Paper on Commercial Communications, the Commission will forward detailed proposals. It will also present a proposal for a directive on financial services contracts negotiated at a distance and a proposal for a Directive on the issuance of electronic money. The Commission will work towards early ratification and implementation of the recently adopted World Intellectual Property Organisation (WIPO) Copyright treaty and WIPO Performers and Phonograms Treaty.

- **Education and training initiatives will be developed for SMEs**, schools and local authorities within the framework of the SOCRATES and LEONARDO programmes, the Action Plan "Learning in the Information Society"¹³⁶ and the ADAPT-BIS programme. (new strand on Building the Information Society).

In order to **create awareness and encourage best practice amongst businesses, and SMEs in particular**, the Commission will launch a **work programme** by the end of 1997, based on the experience of the Commerce 2000 pilot programme as well as on the consultation on the Green Paper on Commerce and Distribution. Awareness promotion will be pursued through the G7 project Global Marketplace for SMEs and through specific activities to be carried out by the Euro Info Centre network under the Third Multiannual Programme for SMEs. The Commission will also present a strategy paper, together with an action plan to stimulate the development of electronic public procurement, which should work as a catalyst on the global market.

7.7 Vocational training

Vocational training, and especially training in better management, is an essential component of SME competitiveness. However, SMEs are often reluctant to see training as a necessary investment to improve performance and adapt to the rapid changes in their environment (such as changes in production processes or the introduction of new technologies). Objective 4 of the European Social Fund, the Community ADAPT initiative and the LEONARDO DA VINCI programme are aimed in particular at supporting and providing backing for enterprises adapting to industrial change and at improving the vocational training systems in the Union. The Media-Training programme is aimed at meeting the specific requirements of the audiovisual sector in the area of training.

135 Directive 95/46/EC of the European Parliament and of the Council of 24 October, 1995 on the protection of Individuals with regard to the processing of personal data and on the free movement of such data, OJ L 281 of 23.11.95, p. 31

136 COM(96) 471 final of 2.10.1996

7.7.1 Objective 4 of the European Social Fund

A priority of Objective 4 is to focus on the specific needs of SMEs in terms of human resources development (to facilitate the adaptation of workers to industrial change and to changes in the systems of production). This involves:

- assistance for SMEs in anticipating their workers' skill requirements and in putting in place forward management of human resources;
- support for their efforts in terms of employee training;
- promotion of services for SMEs and inter-SME cooperation to achieve the above goals.

This priority is clearly set out both in the ESF Regulation¹³⁷ and in the Member States' programming documents, and is given special attention in terms of follow-up and evaluation.

In Finland and Sweden, all Objective 4 measures focus on SMEs. Sweden's SPD stipulates that only enterprises with fewer than 250 workers are eligible and that priority will be given to enterprises with less than 50 workers.

In some Member States, particularly France, intermediary bodies are very active in mobilising SMEs and in helping to set up Objective 4 projects (these bodies include Chambers of Commerce and Industry, local Chambers of Commerce and the bodies involved in fund-raising for vocational training).

At this stage of implementation, the Commission only has incomplete and provisional data for the rest of the Member States. **Assistance for SMEs varies considerably from country to country and would appear to account for between 50% and 80% of the sums allocated.** The interim assessment, which is expected at the end of 1997, should give the actual distribution of funding by enterprise size.

The approach taken under Objective 4 is illustrated by the two projects described below:

One project offers the possibility of basic training for the 50 000 least skilled workers in France's agri-food industry. The position of these workers has become very precarious as a result of changes in the systems of production. On the one hand, a large number of jobs are disappearing, particularly the least skilled ones. On the other hand, the demand for more skilled jobs is rising. A training scheme has been put in place to make these workers more employable and to fight against their exclusion from the jobs market. It is aimed at the acquisition of basic general knowledge (reading, writing and arithmetic) and the development of analytical skills, logical reasoning and problem solving abilities. These skills are a prerequisite to commencing skills-oriented training and to vocational development.

A project in Finland involves networking all the pre-emptive measures supported under the ESF. It covers labour market trends as well as defining qualification needs at regional, sectoral and enterprise level. The project has a dual aim: to collect and analyse all available data in the area of pre-emptive measures and to stimulate cooperation between the participants. Data collection is handled via a database which is accessible

¹³⁷ Council Regulation 2084/93 of 20.07.1993, OJ L 193 of 31.7.1993, p. 39

through the Internet. Provision has been made for exchanges of information between the promoters of pre-emptive measures and for a wide distribution of the results to interested parties, particularly SMEs.

7.7.2 The ADAPT initiative

The total budget for ADAPT is almost ECU 3.3 billion, with an EU contribution of ECU 1.6 billion. This Initiative focuses on **Human Resources**. With its **bottom-up approach**, emphasis on innovation, experimentation, and transnationality, it is an ideal cradle for ideas in the field of work organisation, and specifically areas such as enhancing the knowledge-creating capacity of the workforce, and linking the introduction of Information Communication Technologies (ICTs) with the education and training of the workforce and with organisation renewal within this framework. **SMEs are a clear priority target group within the ADAPT initiative**. Furthermore, ADAPT proposes measures aimed directly at SMEs and most of these have been carried over into national Operational Programmes:

- a) the development of guidance and counselling systems for workers affected by industrial change in different economic sectors, which is of particular importance to those threatened by unemployment in SMEs;
- b) training actions aimed at improving the capacity of entrepreneurs and managers to adapt to change and to design relevant business plans. Again, particular attention will be paid to improving management quality in SMEs;
- c) assistance for SMEs to set up and implement internal and external on-going training programmes;
- d) the development of networks and cooperation between producers, suppliers and customers, one aspect of which is to stimulate the transfer of know-how and good practice and to improve the ability of enterprises to train their workforce especially to meet the specific needs of SMEs;
- e) the development of competitive cluster activities and participation of SMEs in enterprise networks. An important activity here will be the creation of structures for shared services for groups of SMEs.

Beyond the field of training, **ADAPT is also about stimulating the creation of new jobs**. It is essential, particularly for SMEs, to take full advantage of the possibilities offered by the emergence of new markets, the development of new activities and increased job growth potential. ADAPT can also contribute to improving local and national infrastructure to support entrepreneurship and the expansion of SMEs, and to ensure that good practice and ideas are transmitted and shared across national boundaries.

The first call for projects allowed the selection of 1 400 projects in 300 transnational partnerships. During 1997, the second and final phase of projects will be selected. By 1999 over 3 000 projects will have participated in this Initiative.

In order to facilitate access to this Initiative, National Support Structures have been put in place in each Member State. Their main tasks are to support project promoters' activities and to disseminate good practices. Moreover, most of them have their own websites through which easy access to information concerning the Initiative is provided.

A first analysis of ADAPT projects shows that **the vast majority are promoted by SMEs themselves, involve SMEs as part of a broader consortium, or include SMEs as major beneficiaries of their activities.**

In order to take stock of the impact of ADAPT, each Operational Programme funds an independent evaluation. Most of the Member States have selected independent evaluators which have already submitted a first mid-term report. Moreover, it is the Commission's intention to launch in the next few months an EU-wide evaluation on the transnational feature of the Initiative to assess its impact.

7.7.3 *The LEONARDO DA VINCI programme*

The LEONARDO DA VINCI programme¹³⁸ (ECU 620 million between 1995 and 1999) was set up as a result of the changes introduced in the Maastricht Treaty which states that the Community shall implement a policy aimed at facilitating adaptation to industrial changes, improving initial and continuing vocational training, facilitating access to vocational training and encouraging mobility and cooperation on training through incentive measures, while maintaining the principle of subsidiarity.¹³⁹

A prominent feature of its first two years of operation has been the ongoing attention given to SME access to vocational training. This has resulted in **better SME representation**. UEAPME (the European Association of Craft, Small and Medium-sized Enterprises), for example, is a full member of the programme Monitoring Committee within the employers' organisation. Similarly, local Chambers of Commerce are on the National Coordinating Bodies responsible for implementation in the participating countries.

The programme endorses the need to establish links between vocational training and the world of work, and promotes cooperation between all those involved. **The implementation of measures to benefit SMEs and the craft sector is strongly encouraged at several levels:**

- *within the common framework of objectives* which supports the measures to be taken by establishing a link between the qualification and skill needs of enterprises and the measures proposed to satisfy those needs;

- *through very specific measures*

In **Strand I**, there is a great need for enterprises (including SMEs and craft enterprises) to participate as promoters or partners in those areas where their action is likely to be of most help in improving vocational training systems and schemes in the participating countries, i.e. in pilot projects to improve the quality of continuing vocational training schemes, and in transnational placement programmes and transnational programmes for the exchange of young people and trainers.

Enterprises are obviously best represented in **Strand II**, which aims to improve vocational training measures for enterprises and workers, including through

¹³⁸ Council Decision 94/819/EC of 06.12.1994, OJ L 340 of 29.12.1994, p. 8

¹³⁹ Article 127 of the Treaty sets out the measures to be taken by the European Union in the area of vocational training

university/industry cooperation. They are particularly involved in transnational pilot projects for innovation in vocational training (through the integration of technological change), in investment in continuing vocational training for workers, and in the transfer of technological innovation through cooperation between enterprises and universities in the field of continuing vocational training. They are also involved in transnational programmes of undergraduate and graduate placements in enterprises, transnational programmes of exchanges between enterprises and universities or training bodies, and transnational programmes of exchanges of those in charge of training.

In **Strand III**, which focuses on the development of language skills in particular, Community support is provided for the design of transnational pilot projects aimed at drawing up **linguistic audits for enterprises, especially small and medium-sized enterprises and socio-economic operators**. Support is also provided for **transnational exchange programmes between enterprises and specialist language training institutions** or training bodies. Similarly, there is a measure to provide support for surveys and analyses to examine new types of apprenticeships and new training methods for small and medium-sized enterprises.

- through the priorities established for the measures in the first two Strands of the programme

Among the priorities of Strand I is the theme of **the acquisition of skills to enable service providers, small and medium-sized enterprises, and industry to respond to the requirements of the internal market**. The Strand II priorities include the **theme of acquisition of the qualifications and skills required for adaptation to industrial changes, changes in systems of production and the dissemination of new technologies, particularly in small and medium-sized enterprises** and the traditional industrial sectors. Another Strand II priority is the development of **enterprise management training for the transfer of technological innovation and the training of managers and directors of small and medium-sized enterprises**.

It is important to emphasise that when transnational partnerships are being set up, promoters are requested to establish "multi-player" partnerships, that is, **partnerships which include both trainers and elements from the business community, social partners or chambers of commerce and industry**. Such partnerships are better able to demonstrate a common or shared interest in the implementation of a proposed project and to validate the end results of the project.

a) The design of vocational training projects for SMEs and the craft sector

Submissions made in response to calls for proposals must not only meet a number of established criteria such as transnationality and criteria relating to the nature of the partnerships, but must also respond to *annual priorities*. A distinction is made between Community priorities (common priorities) and national priorities (additional specific priorities).

The Community priority in the 1995¹⁴⁰ call for proposals was to support the improvement of vocational training measures for enterprises and workers, including

140 OJ C 128 of 24.05.1995, p. 14

through university/industry cooperation. Among its aims was the acquisition of the qualifications and skills needed to adapt to industrial change, and to make these qualifications and skills more transparent. These aims were pursued by improving cooperation between training organisations, universities and enterprises in the context of **new forms of apprenticeship and on-and-off-the-job training**. They were also pursued through the development of training actions and plans for the introduction of **new systems of production and work organisation in the context of industrial change and the transfer of technological innovations, particularly to SMEs** and industries facing tough global competition.

The 1996¹⁴¹ call for proposals contained five Community priorities based on the Commission's White Paper "Teaching and Learning: Towards the Learning Society". One of these priorities was targeted at investment in human resources. Another objective was "**the development of new methodologies to remove disincentives to training for SMEs**". A third priority was to widen access to skills using the tools of the information society in the context of lifelong learning. The proposals were intended in particular to cover the training of trainers, management training for the transfer of new technologies and the **training of SME managers and directors**.

The 1997¹⁴² call for proposals maintained the 1996 priorities while also requiring that each proposal demonstrate how the transnational partnership would contribute, for example, to the skill needs of enterprises, particularly those of SMEs. The existence of a strong and structured partnership with active involvement by enterprises, especially SMEs (or groups of SMEs) involved in production, and small and craft enterprises, was considered an advantage in the selection of projects.

b) Vocational training projects under way for SMEs and craft enterprises

The final report on the results of the FORCE programme¹⁴³ identifies SMEs as a priority for LEONARDO DA VINCI and specifies that access to the programme is particularly important for them. SMEs are now being targeted directly and are accorded the highest priority. Their participation is essential to support innovation in vocational training.

The LEONARDO DA VINCI programme has tackled the following questions:

1. How can the programme support the development of training within SMEs faced with very rapid industrial changes, and the development of a highly qualified workforce in the tertiary sector and in the emerging occupations?
2. How do SMEs make their training needs known and how do they benefit from innovative training methods developed within large enterprises?
3. Since access by industry to the results of research and to technological innovation is a crucial factor in SME competitiveness, how can university/enterprise cooperation in the area of vocational training contribute to producing a workforce with technical qualifications relevant to the new requirements?

141 OJ C 60 of 29.02.96, p. 16

142 JO C 381 of 17.12.96, p. 44

143 The 1995 report covers the FORCE programme, p. 78

These are crucial questions since it would appear that the success of LEONARDO DA VINCI cannot be disassociated from its ability to make SMEs participate as key players. **The call for proposals for 1997 and future years should lead to a further increase in SMEs.**

In quantitative terms, it is immediately obvious that the other partners involved in training account for a far higher proportion than SMEs as is illustrated by the responses to calls to proposals under the programme. This statement must, however, be tempered by the fact that enterprises in general, and SMEs in particular, have a strong preference for participating in Strand II of the programme. Actions under this Strand (pilot projects and mobility projects) are aimed at supporting improved vocational training measures for enterprises and workers.

Of the projects selected following the 1995 call for proposals, **SMEs accounted for 16% of partners** (all types included) for the first three Strand II pilot project measures as a whole (i.e. innovation in vocational training to allow for technological changes and their impact on work, qualifications and skills; investment in continuing vocational training for workers; and the transfer of technological innovation through cooperation between enterprises and universities in the field of continuing vocational training). The proportion was 20% under the 1996 call for proposals, whereby **SMEs represented the greatest proportion of partner organisation for these three measures**, which had not been the case under the previous call.

SMEs accounted for 26% of partners (all types included) in the projects selected following the 1995 call for proposals under the three Strand II mobility measures as a whole (i.e. undergraduate and young graduate placements in enterprises; exchanges between enterprises and universities or training bodies; and exchanges of those in charge of training). **This figure dropped to 24% under the 1996 call for proposals.** Nevertheless, for these two calls for proposals and in the context of the mobility measures in Strand II, SMEs were the best represented type of organisation among partners overall.

The noticeable increase in the rate of participation by SMEs in the three pilot project measures referred to above and the consolidation of their lead over other partners in terms of representation by organisation type in the Strand II mobility measures, show that **SMEs are maintaining and even increasing their participation in the programme for certain measures.**

In qualitative terms, although SMEs are participating in transnational projects, they still seem to be taking a passive role compared to the other partners, often limiting themselves to the role of observer, and at best, to validating results.

Of the considerable number of submitted proposals targeted at SMEs, few show that an analysis of SME needs was undertaken in advance. Few projects take account of pre-existing measures or analyses already carried out.

Finally, too many of the proposals are content with taking a general approach to SMEs, viewing them as a homogeneous entity and arguing at a "macro level", which is hardly a suitable level of intervention for targeted measures.

However, an analysis of the proposals selected in 1995 and 1996 reveals some broad trends in terms of the objectives of projects focused on enterprise development, and SME development in particular. These trends can be grouped under the following themes:

i) Promotion of an innovation culture within the enterprise

These projects aim to increase the innovation capacity of SMEs, either by promoting an innovation culture within them, or by facilitating the transfer of innovation - often in advanced technology areas - to SMEs through university/enterprise cooperation and the networking of research centres and SMEs/groups of SMEs. Other projects are aimed at **improving the capacity of SMEs to exploit and manage strategic information**. They evaluate the concrete needs of enterprises and develop and transfer strategic SME surveillance systems, by putting suppliers and consumers of strategic information in contact with each other.

ii) Consideration of the impact of new technologies and of the resultant skill requirements

Numerous projects use the new communication and information technologies to improve the quality and relevance of training in order to better adapt it to SME needs and to develop **flexible forms of work organisation** (supported by flexible training methods and/or integration of training into the workplace). Some projects take into account the new internal and external relations at work (outworking and outsourcing, for example), often by means of telematic networks. These projects seek to **make telematic technology more accessible to SMEs** (e.g. transnational electronic learning networks). Other projects promote **the transfer of teleworking/telelearning** (where the qualification process is integrated into the work, as in "just in time" training).

Projects on **the integration of technologies into the sphere of continuing training**, involve, for example, open and distance learning by means of telematic networks or telelearning (using multimedia tools or tools for distance training and evaluation), training in electronic commerce, and training in language skills by means of telematic networks. Some projects support new learning strategies by basing themselves on **the concept of the enterprise as tutorial-based trainer**, while others use the new technologies to put in place a network to analyse tutorial practices at European level.

iii) Support for sectors undergoing considerable technological change in a technology transfer perspective

By way of example, one project envisages increasing investment by SMEs within the **biotechnology sector in the countries of southern Europe**, by developing training and evaluation systems in pilot enterprises; while another project is facilitating the implementation of **new technologies in SMEs in the software industry**.

iv) Promotion of investment by enterprises in continuing training and improved access to training

A very large number of projects are aimed at **greater SME openness to training**, often through more flexible forms of training and through anticipating new needs arising from changes in the world of work, sometimes of a technological nature. These projects

include the development of training plans for craft enterprises using tutorials; a measure for training "coaches" in SME commercial development using telematic networks; and the anticipation of new needs for key skills and for training in SMEs or in managing training time, by optimising the replacement of employees during their absence or by developing flexible training in the enterprise.

v) Setting up enterprises and responding to the development needs of new SMEs, often in a context of fighting against exclusion

Numerous projects are targeted at **developing the kind of entrepreneurial spirit** needed to set up a small business of one's own. Such projects are designed either to help specific disadvantaged groups or to assist regional and/or rural development in a more general sense.

Programmes for the **integration of excluded young people** include theoretical training programmes alternating with practical periods in existing regional SMEs, training of trainers in setting up businesses, open and distance training for groups at risk of exclusion in rural coastal regions, and a French project in a sector undergoing huge industrial change which is aimed at setting up micro-enterprises offering innovative products (glass sector).

Some projects support **economic development in disadvantaged rural regions** by providing rural SMEs with expertise - through alternating training - using placements and new work-relocation technologies (teleworking) to develop the distance selling sector in rural areas. Another project targets the development of new skills for business handovers (this involves facilitating business transfers and ensuring the durability of SMEs).

c) Future perspectives

It is too early yet to establish a clear course of action to improve SME participation in the LEONARDO DA VINCI programme. The analyses given above provide qualitative and quantitative information on the nature of their participation, and it is the responsibility of the project promoters to inform the Commission of their experiences and to propose concrete solutions, in line with the programme's bottom-up approach and organisation policy.

In this regard, the role of networks operating at various levels (especially regional networks with support from Chambers of Commerce and Industry, sectoral networks, and networks set up in the context of cooperation between universities and enterprises) would appear to be vital for relaying information and serving as a point of contact between enterprises and the European Commission.

The European Commission itself has taken or given its support to various initiatives directly relevant to SMEs: an explanatory information brochure for SMEs on the LEONARDO DA VINCI programme has been produced, and a special workshop for SMEs was held on the occasion of the information and contact days organised from 3 to 6 February 1997 in Brussels for potential promoters. On 13 and 14 March 1997, the National Coordination Bodies of the Benelux countries held a seminar for the National Coordination Bodies of all the Member States of the European Union on the subject of SME participation in the programme. Finally, mention should be made of the work done

to prepare the Recommendation on access to vocational training, part of which is of direct relevance to SMEs.

These initiatives are likely to provide input for the current discussion on the revision of the LEONARDO DA VINCI programme, which is in its third year of operation. A mid-term progress report will be presented to the programme's Monitoring Committee in June 1997.

7.7.4 The MEDIA II programme - Training

The **rapid growth** of the European market for audiovisual programmes (13% in 1994-95), as well as the potential for job creation in the audiovisual sector, require a highly qualified body of professionals and entrepreneurs.

The **Media II programme - Training** (ECU 45 million between 1996 and 2000) aims to meet the evolving needs of the audiovisual programme industry and to bolster its competitiveness by improving initial and particularly **continuing vocational training** for professionals in the sector. Since the industrial fabric of the European audiovisual sector consists to a large extent of SMEs, legal provision was made in the Council decision¹⁴⁴ setting up the programme for **special attention to be given to SMEs**.

The **three key areas of training** developed under the programme (management of the audiovisual industry at European level, use of new production technologies and screenplay techniques) are dealt with in a European perspective to make professionals and enterprises aware of the European and international dimension of the audiovisual market.

The action to be taken aims at **strengthening cooperation between training institutions, the professional sector and enterprises**. The programme takes into account **structural objectives** such as the development of the independent production sector, and SMEs in particular, and seeks to ensure consistency with other Community measures in the field of training (particularly the LEONARDO programme and the objectives of the European Social Fund). Approximately **250 training initiatives** are provided for during the lifetime of the programme, with **1 700 professionals and 650 institutions and enterprises** involved.

7.8 Environment

Environmental legislation might impose additional burdens on SMEs, which often lack the financial and staff resources to meet the requirements. Even voluntary initiatives such as the Eco-Management Audit Scheme (EMAS) can in practice become compulsory due to market pressure. The Commission is aware of that risk and therefore has developed, where necessary, tailored measures to support SMEs in implementing Community legislation.

¹⁴⁴ Council Decision 95/564/EC of 22 December 1995 on the implementation of a training programme for professionals in the European audiovisual programme industry (Media II - Training). OJ L 321 of 30.12.1995, p. 33

7.8.1 *Eco-Management Audit Scheme (EMAS)*

To take into account the SME dimension, the EMAS Regulation¹⁴⁵ states a specific concern of Member States and the Commission for the participation of SMEs (Article 13).

In March 1996 a call for tenders¹⁴⁶ was launched by the Commission for identification and development of effective means for the provision of technical support to SMEs to participate in EMAS. Five projects started in January 1997.

For the 38 EU-financed projects, involving 358 industrial sites, which were implemented after an earlier tender, published in 1993, the participation of SMEs in EMAS has been analysed. The results showed that despite the variable size of the sites involved (from 7-8 employees to more than 350), **the average size is definitely small and medium enterprise**: more than 65% of the sites have fewer than 150 employees (35% with fewer than 50 and 32% with 50 to 150). Most of the 57 sites, with more than 250 employees exceed this limit by some units, while there are few sites with around 300 employees. **Size has been identified as a key variable in determining difficulties and drawbacks in implementing EMAS, as the smaller the size, the greater the lack of human, technical and financial resources.**

Size breakdown of sites participating in the EMAS scheme, by number of employees

SIZE	NUMBER OF SITES
< 50 employees	123
50-150	115
150-250	63
> 250	57

7.8.2 *Euromanagement-Environment pilot action*

In 1995, the Commission launched the EUROMANAGEMENT-Environment pilot action with the aim of assisting those SMEs wishing to participate in EMAS, the Community Eco-Management and Audit Scheme. It involves:

- developing a methodology applicable Europe-wide to assist those SMEs of a preferably small size in the industrial sector, seeking to establish environmental management systems and to be registered under the EMAS Regulation;
- applying this methodology to a pilot sample of more than 500 SMEs (with a smaller number to be assisted in registering under the EMAS scheme) and identifying and analysing the problems, opportunities and adjustment needs of SMEs resulting from implementation of the EMAS Regulation;
- presenting a report to the Commission on structural and other measures needed at regional, national and European level to facilitate SME participation in the EMAS scheme, including an assessment of the need for revision of the Regulation.

¹⁴⁵ EEC-Regulation 1836/93, OJ L 168 of 10.7.1993, p. 1

¹⁴⁶ OJ C 75 of 15.3.1996, p. 27

The European coordinator¹⁴⁷, who developed the methodology, is responsible for organising the action, supervising the consultants' work and producing an overall report on the action. A network of 51 consultants was selected from the 1 323 expressions of interest and the 323 valid proposals that were submitted¹⁴⁸. In the first phase, each consultant selected at least 10 SMEs, where possible from the same industrial sector, held a seminar for the SME managers, carried out an environmental analysis, designed an individual environmental management system with the SMEs, and analysed the adjustment needs and difficulties of SMEs in fulfilling the requirements of the EMAS Regulation. In the second phase, each consultant is helping at least one of these SMEs to implement the environmental management system and to register under the EMAS scheme.

The national coordinators, chosen by the Member States, act as national relays and their primary task is to help the consultants to provide the participating SMEs with registers of relevant national environmental regulations, to submit reports and to organise follow-up meetings with the consultants and the SMEs in their country.

At the seminar to launch the pilot action which took place in Brussels on 3 and 4 October 1996 under the auspices of the Commission, the European coordinator instructed the consultants and national coordinators in the methodology to be used during the action. The pilot action, which is being carried out by the **enterprise policy departments in cooperation with the industrial policy and environment departments**, as well as the Member States, received a favourable reception, and a request for the method to be taken over has already been made at national level. The results of the pilot action are expected at the end of 1997.

7.8.3 Eco-Management Guide

During 1995/96, several EIC members of the Environment Specialised Group developed with Commission support an **Eco-Management Guide (EMG) for SMEs**. This is an interactive tool, consisting of software and a guidebook, designed to help companies, SMEs in particular, to take the first necessary steps towards registering on the EMAS scheme. EMG can also be useful when implementing environmental management systems for companies. The EMG, available in all EU languages, covers industrial sectors such as engineering, coating, plastic packaging, textile finishing and printing, and will be extended in 1997 to the timber and food sectors.

7.8.4 LIFE

Since 1992, SMEs can be supported by the financial instrument for the environment LIFE¹⁴⁹. From 1993 to 1995 (the first phase of LIFE), 394 demonstration projects in the Member States were co-financed via EU funding of ECU 145.9 million. In 1996 and 1997, 215 projects were supported.

147 Selected following call for tender No 95/C 231/10, OJ C 231 of 5. 9. 95, p. 13

148 Call for proposals No 96/C 49/10, OJ C 49 of 20.2.96, p. 21

149 Created by EC Regulation 1973/92 of 21.5.92, OJ L 206 of 22.7.1992, p. 1; modified by EC Regulation 1404/96 of 15.7.1996, OJ L 181 of 20.07.1996, p. 1

Amongst these projects it is estimated that **more than 250 projects concern SMEs**, which benefited from **some 40% funding under LIFE**. The sectors involved are mainly: clean technologies (surface treatments, ceramics, tannery, paper, agri-food, textiles); the waste treatment sector, notably by recycling; rehabilitation of contaminated sites; the air and water sectors and urban projects, notably for traffic management and land use planning.

The impact on employment is difficult to estimate because pilot demonstration projects generally involve temporary or existing jobs. However, each project involves some 4 to 6 jobs, which results to **approximately 1 000 to 1 500 jobs in SMEs supported under LIFE**.

7.9 Energy and transport

ENERGY

The Commission opened a broad discussion on energy policy which led to the publication of the **White Paper on "An energy policy for the European Union"**¹⁵⁰. The White Paper states that the key role of the energy sector is to improve industrial competitiveness, security of supply, economic and social development on a sustainable basis and the quality of life of its citizens. The Commission then introduced a five-year **indicative action programme** based on jointly-defined **strategic objectives** towards which Community and national energy policies should converge. **The most direct impact energy policy will have on SMEs, stems from the improvement of conditions for competition. In fact, the availability of energy at competitive prices and on the best conditions will be crucial for the strengthening of SMEs' competitive strength.**

In addition, the renewable energy industry consists predominantly of SMEs. The activities which will arise out of the Green Paper for a Community Strategy entitled "Energy for the future : renewable sources of energy"¹⁵¹ will therefore affect positively SMEs active in or with renewable sources of energy. Conversely, accelerating and strengthening the use of renewable sources of energy and renewable energy technologies should be an important element in overall Community strategy for supporting SMEs.

Two programmes have been developed: SAVE II to promote the rational use of energy and ALTENER to promote renewable energy sources.

SAVE II: rational use of energy

SAVE II¹⁵² (ECU 45 million for 1997-2000) is a non-technological EU programme to promote the rational use of energy. SAVE aims at creating an environment in which investments in energy efficiency will be accelerated and energy efficiency will be recognised as a market opportunity. The programme is not specifically targeted towards SMEs, but several SMEs benefit from it. SAVE II supports the following measures : studies, sectoral targeted pilot actions, information dissemination, evaluation and monitoring of energy efficiency progress in the Community and energy management at regional and urban level.

150 COM(95) 682 of 13.12.1995

151 COM(96) 576 of 20.11.1996

152 Council Decision 96/737/EC of 16.12.1996, OJ L 335 of 24.12.1996, p. 50

SMEs are specifically mentioned in the priorities for 1997 in relation to education and training activities : “**promotion through the use of education/training schemes of energy efficiency in SMEs**”.

ALTENER: promotion of renewable energy sources

The ALTENER programme (ECU 40 million between 1993 and 1997) focuses on the promotion of renewable energy sources. The Commission is now preparing an ALTENER II-programme for 1998 to 2002.

ALTENER provides support for pilot actions proposed by Member States. It also aims at increasing the uptake of renewables in the Community and increasing trade in renewable products, equipment and services within and beyond it, which should reduce CO₂ emissions.

The programme is not specifically targeted towards SMEs, although several SMEs benefit from the programme. The proposed ALTENER II will calculate the support given to SMEs separately, which is not the case for the current ALTENER programme.

TRANSPORT

The Trans-European Transport Networks aim to provide interconnectivity and interoperability between the infrastructure of the different national transportation networks. Council Regulation 2236/95 on all Trans-European Networks¹⁵³ (both transport and energy networks) allocates for 1995-1999, a budget of ECU 2.345 billion, of which ECU 1.8 billion is earmarked for transport. Although the Trans-European Transport Networks do not include specific support measures for SMEs, they will benefit the economy as a whole and will have an indirect impact on SMEs, in particular those in more remote areas, which will gain from improved links to central European markets.

The Commission is about to launch a study to identify the financial problems SMEs are facing when participating as subcontractors in the implementation of Trans-European Networks, and will examine ways in which such problems could be solved, notably through European financial guarantees.

7.10 Audiovisual industry

7.10.1 MEDIA II programme - Development and distribution of European audiovisual works (1996-2000)

The Council Decision on the implementation of the Media II - Development and distribution programme¹⁵⁴ has the **structural objective** of developing an independent **production and distribution sector, especially of SMEs**, as one of the basic aims of the programme. SMEs account for more than **85% of the enterprises participating in the programme**, which has a total budget of ECU 265 million for the period 1996-2000.

¹⁵³ Adopted by the Council on 18.9.1995, OJ L 228 of 23.9.1995, p. 1

¹⁵⁴ Council Decision 95/563/EC of 10 July 1995 on the implementation of a training programme encouraging the development and distribution of European audiovisual works (Media II - Development and distribution) (1996-2000), OJ L 321 of 30.12.95, p. 25

With a specific budgetary allocation of ECU 65 million for the **development sector (pre-production)**, the programme aims to improve development opportunities for projects in the areas of drama, documentaries, animation and new technologies. It also targets the development of the enterprises themselves through loans to strengthen and structure them. During 1996, the first year of implementation of the **Media II-Development programme**, **loans for SME development** amounted to **ECU 3 million, more than a third of the year's budgetary allocation**. **220 SMEs** benefited from the programme during 1996.

Funding for the **distribution and circulation of audiovisual programmes** is intended to strengthen the sector by promoting transnational dissemination and the networking of operators, as well as the linguistic diversity of works and independent production.

7.10.2 Action Plan for the introduction of advanced television services in Europe (16:9 Action Plan)

The changeover from the traditional 4:3 screen format (cinematographic format of the 1930s) to the modern **wide-screen 16:9 format**, along with the introduction of digital television which goes hand-in-hand with it, is a transition that will have far-reaching consequences for the future of the broadcasting sector. The **16:9 Action Plan**¹⁵⁵ provides for **ECU 228 million** in Community financing between 1993 and 1997 to launch the first phase of this fundamental change.

The role of the Action Plan is to provide broadcasters and programme makers with financial incentives to cover the additional cost of broadcasting and producing programmes in the 16:9 format, so that wide-screen televisions can be marketed with confidence, and to ensure the durability of European audiovisual catalogues. The two major **categories benefiting from the Action Plan** are **independent producers and broadcasters**. On average, **45% of funding has been given to independent producers who are mainly SMEs**, reflecting the diversity of Europe's audiovisual industry. **220 independent producers** on average have received support under the Action Plan each year.

8. PROMOTING A SPIRIT OF ENTERPRISE AND SUPPORT FOR TARGET GROUPS

A call for proposals¹⁵⁶ was published on 15 April 1997 to promote assistance for craft and small enterprises and an entrepreneurial spirit. It includes measures in favour of businesswomen, women setting up enterprises and wives working in the enterprise, young entrepreneurs and enterprises made up of disadvantaged groups. The call for proposals has seven objectives: transnational cooperation, joint participation of small and craft enterprises in fairs and shows in the countries of the EEA, promotion of the European culture and spirit of enterprise, financing and access to credit, vocational training for craftsmen and those setting up small enterprises, access to information and services through computer applications, and the training of Euro-advisers. The Commission received 402 proposals, which are currently being examined.

¹⁵⁵ Council Decision 93/424/EEC of 22 July 1993 on an action plan for the introduction of advanced television services in Europe, OJ L 196 of 05.8.93, p. 48

¹⁵⁶ Assistance for craft enterprises and small enterprises: Call for proposals 97/ C 117/17, OJ C 117 of 15.4.1997, p. 43

8.1 Craft, small and micro-enterprises

On 10 April 1996, in the context of a reorganisation of its departments, the Commission decided to **set up a unit for “Crafts and small business”** within the Directorate General responsible for enterprise policy. The new unit was given responsibility for craft and small enterprises, women, young entrepreneurs, target groups and local development.

Based on the Communication: “The craft industry and small enterprises, keys to growth and employment in Europe”¹⁵⁷ and on the Report to the Madrid European Council, a number of specific actions directly inspired by the ten priority actions set out in the Communication have been implemented. These Commission priorities have the following specific aims: to strengthen the integration of craft and small enterprises into the single market; to develop transnational cooperation; to provide specific aid in the areas of standardisation, certification, and environmental and quality management; to provide better access to vocational training and training in management techniques, particularly for spouses as co-entrepreneurs; to guarantee better access to sources of funding; and to provide support for an initiative by the European associations of craft enterprises to increase the visibility of the sector.

In accordance with these commitments, the following measures have been implemented:

a) Preparation for the Third European Conference on the Craft Industry and Small Enterprises

The Third European Conference on the Craft Industry and Small Enterprises, to be held on 20 and 21 November 1997 in Milan, aims to take stock of progress made and to establish guidelines and priorities for the work of the Commission and the Member States in this sector. Eleven preparatory conferences were held in 1996 and 1997, each on themes specific to the sector (funding, training, employment, artisan trades, entrepreneurial spirit, local development, new technologies, etc.), whereby all Commission departments concerned were closely involved in them.

b) Transnational cooperation

A call for proposals was published on 18 August 1996, in cooperation with all of the departments concerned, with a view to strengthening transnational cooperation between craftsmen supported by the craft organisations involved in facilitating business contacts. The evaluation of the 58 applications received and the process of selecting projects was completed on 22 November 1996. Twelve projects involving ten countries were given priority, and have been given a global subsidy of approximately ECU 1 million.

c) Integration of small and craft enterprises into the internal market

In accordance with the Commission’s priority, the removal of the obstacles that craft and small enterprises have to face in their cross-border activities has continued, in addition to advice for enterprises in this area.

¹⁵⁷ COM (95) 502 of 26.10.1995: “The craft industry and small enterprises, keys to growth and employment in Europe. Results of the Second European Conference on the Craft Industry and Small Enterprises in Berlin, 26 and 27 September 1994, follow-up measures and recommendations to the Member States”.

Pilot actions aimed at supporting craft and small enterprises operating in border regions and wishing to enter cross-border markets have been carried out following a call for tender¹⁵⁸.

The actions are being implemented through:

- support for the setting up of trans-border enterprise advice offices;
- the conclusion of studies to identify the obstacles faced by these enterprises in neighbouring countries.

Financial support is being given to the managers of six offices and for the production of eleven studies. At the end of their implementation in April 1997, the actions will be evaluated by an independent company selected on the basis of a call for tenders. A possible extension of the initiative is envisaged on the basis of the evaluation report.

d) Dialogue with the representative organisations in the sector

The enterprise policy departments have involved the other departments of the Commission in meetings with the main European and national representative bodies for the craft sector and small enterprises. These meetings are an informal forum for discussion and exchanges of views on national and European policies to assist craft and small enterprises.

e) Actions in the area of training

As part of the European Year of Lifelong Learning, financial support was given to a project to set up a European network for young craftsmen wishing to move between various European countries.

f) Improving awareness about craft and small enterprises at European level and increasing their visibility and representativeness

- Support for the launch of the "Avignon Academy", the result of the plan for a European academy for craft and small enterprises, a centre for information, exchange and dialogue for the sector. Its aim is to affirm the identity, role, characteristics and importance of the craft sector in the European regions.
- Co-financing of European competitions for young craftsmen from various trades in order to enhance European identity (e.g. the European Bakers' Trophy).
- Setting up of a European prize for arts and crafts, these being the most representative elements of craft and small enterprise activity within the Community.
- Raising awareness of the economic role of the sector through economic analyses geared specifically towards small and craft enterprises. An analysis of the textile and construction sectors in four countries, based on common criteria, yielded very encouraging results.

158 OJ C 89 of 26.3.1994, p. 16

8.2 Women entrepreneurs and co-entrepreneurs, businesses run by entrepreneurs from disadvantaged groups

Women play an important role in the administration and management of SMEs, firstly as entrepreneurs: of the 18 million SMEs in the Union, 20-30% are managed by women and 25-35% of new businesses are set up by women. Secondly, they play a role as assisting spouses to the manager: in 60-80% of SMEs, the manager's spouse carries out administrative and management duties and he/she is, with or without official status, the manager's closest associate and may even be described as a genuine co-entrepreneur. It is generally acknowledged that the greater the assisting wife's role in the running of the company, the greater the chances of the company's survival. In some sectors such as fisheries, the activities of each of the spouses are complementary; likewise in rural areas, where 10% of farm managers are women, farmers' wives often act as managers (of the accounts in particular), and are directly involved in the development of farm tourism and local services.

The Fourth Framework Programme on equal opportunities for women and men (1996-2000)¹⁵⁹ includes female entrepreneurship as one of its priorities. In its Communication of 21 June 1996 entitled "Incorporating equal opportunities for women and men into all Community policies and activities"¹⁶⁰, the Commission devotes a chapter to women entrepreneurs and assisting spouses in SMEs. Their difficulties and constraints are identified and Community measures are set out to counteract these. The Communication is aimed at integrating the equal opportunities dimension into all Community programmes.

In addition, the fourth report of the European Observatory for SMEs contains a thematic study on women and SMEs which brings to light the fact that more and more businesses are being set up by women.

Since the first European Conference on the Craft Industry, organised in October 1990 in Avignon, the Commission has focused some of its actions on the problems of women managers and assisting spouses, particularly in the areas of training, studies and support for the establishment of networks. Following on from these initial actions, the issue of women entrepreneurs and assisting spouses was chosen as one of the main themes for the Second European Conference on the Craft Industry and Small Enterprises in Berlin in 1994. Based on the conclusions of these conferences, the Commission specified priority actions in favour of women managers and assisting spouses in small businesses in the craft sector, which were included in the third multiannual programme in favour of SMEs and craft enterprises. These priority actions are: support for women setting up businesses, support for the establishment and strengthening of European networks, and support for training measures.

¹⁵⁹ Council Decision 95/593/EC, OJ L 335 of 30.12.1995

¹⁶⁰ COM(96) 67 of 21.02.1996

Promoting participation by women in regional development

Based on the discussion on women entrepreneurs and the need to assist women who are setting up, taking over or developing an enterprise, RECITE II¹⁶¹, in the context of inter-regional cooperation under regional policy, will encourage the networking of resource centres to enhance the value of work and improve the integration of women into economic life. The services provided by these centres must be varied, because women are not a homogeneous group. They must also enable the identification of new forms of activity and employment, particularly at local level, which reconcile the needs of women and men and the development of local potential.

Promoting transnational measures to encourage the transfer of know-how and experience through the Employment-NOW initiative

The NOW strand (promotion of equal opportunities for women as regards employment) of the Employment and development of human resources initiative (ECU 500 million for the period 1995-1999) prioritises the setting-up of small enterprises and cooperatives by women, particularly by providing:

- assistance for the development of networking and cooperation on local employment initiatives aimed at mobilising the capacities of women to build on local resources such as tourism, culture, the environment and care services, and aid for job creation in rural areas;
- aid for women setting up small enterprises and cooperatives, and recruitment aid; and
- aid for putting in place financial support instruments for women setting up enterprises.

Almost 50% of the 750 projects in the first phase (1995-1997) involved women setting up and developing small enterprises, and the provision of support services and vocational training.

Pilot projects for women in rural areas

In the context of the pilot projects supported under the EAGGF Guidance section, the Commission has, for example, published a call for proposals to support innovative projects for women in agriculture and in rural areas¹⁶². This is aimed in particular at exploiting local agricultural produce, conversion into complementary activities such as craft enterprises, tourism, services and the environment. Approximately 400 projects have been submitted and they will be examined during the second half of 1997.

8.3 Enterprises in the commerce and distribution sector

As regards **commerce and the distributive trades**, the significant employment potential of local distributive trade in less favoured rural areas was highlighted during a seminar. A joint study was carried out (under enterprise policy and regional policy) on the best use of the structural funds (in particular the ERDF) to maintain and extend local distributive trading in rural areas. A survey was also done on the financing, problems and expected development of local distributive trading and the solutions implemented to improve trading in isolated rural areas. Based on the results of the study, a European seminar is

161 OJ C 326 of 31.10.1996, p. 9

162 OJ C 284 of 27.9.1996, p. 21

expected to be held in 1997 in cooperation with the Committee of the Regions. Pilot projects are also expected to be set up on this theme. A similar approach is being examined for local distributive trade in urban areas. These two approaches are the subject of very broad consultation following the adoption of the Green Paper on commerce¹⁶³.

8.4 “Social economy”: cooperatives, mutual societies, foundations and associations

Work has been carried out on an ongoing basis, in particular on the methods for evaluating the measures implemented to date by the Commission in support of CMAFs, and on the evaluations themselves, as well as on drafting the Commission Communication on associations and foundations. This has been done through direct meetings and interdepartmental consultations with the various Commission departments. A continuation of this cooperation is planned after the publication of the Commission's Communication, to enable joint actions to be implemented.

The department responsible for this sector was active in several areas of Community policy. Specifically, it participated in the consultative groups of the *Lien* and *Democracy* programmes under PHARE and TACIS which are responsible for making recommendations on the financing of projects, the aim being to ensure that the specific contributions of projects submitted by CMAFs are properly taken into account. A contribution was also made to a variety of work on local development and employment initiatives from their outset.

It should also be noted that on the initiative of the European Parliament, a new budget line entitled “the third sector and employment” with funding of ECU 10 million was set up under the Community budget for 1997. This budget line is for the exploration and promotion of the employment potential of cooperatives, mutual societies, associations and foundations and more generally of all local development and employment initiatives. The implementation of this initiative requires close ongoing cooperation between the Commission departments responsible for CMAFs and employment respectively.

The fourth report from the European Observatory for SMEs includes a thematic study on the “social economy” sector, which underlines the social role and economic importance of cooperatives, mutual societies, associations and foundations. Enterprises account for about 5% of private-sector employment in this sector and are equally active in the market services and non-market services sector.

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CONCLUSIONS

This report deals with the impact of Community policies and actions on SMEs, which is the outcome of coordination between enterprise policy and the other Community policies.

Since the adoption of the first report on coordination in 1992, the Commission has developed its approach and has introduced changes to both the structure and the content of the report. The result is an *integrated* presentation of all the Union's actions to assist SMEs, thus improving the coherence and profile of its actions. Furthermore, the report reflects the specific objectives set out in the 1994 and 1996 versions of the Integrated Programme which was conceived as a framework for coordination of activities for the benefit of SMEs, thus reinforcing the approach advocated in the 1995 report.

Considerable progress has been made with the emergence of a political priority in favour of SMEs in the Union, greater allowance for the special situation of SMEs in policies which have an impact on their environment, and the introduction of support measures for SMEs in most Community programmes. The participation of SMEs in Community programmes has increased considerably, although there is still room for improvement.

1. Emergence of a political priority in the Union and the Member States

The recognition of the job-creating potential of SMEs has led to the emergence of a political priority in favour of SMEs in the European Council. In 1992, the Edinburgh Council adopted a decision to set up the EIF. One of its priorities includes granting guarantees to SMEs. In Copenhagen, in June 1994, the European Council asked the EIB, in cooperation with the Commission, to increase the temporary SME loan facility adopted at Edinburgh by creating the "SME facility". In Cannes, in June 1995, the European Council asked the Commission to explore ways to improve the effectiveness of policies to assist SMEs. In response, the Commission presented the report on the role of SMEs as a dynamic source of employment, growth and competitiveness in the Union, to the Madrid European Council, at the end of 1995. The report was well received. With a view to the extraordinary Luxembourg Council on employment in November 1997, the Amsterdam Council in June 1997, asked the Commission to examine initiatives to create jobs in SMEs and to set up a task force on simplification in order to improve the quality of legislation and reduce the burden on enterprises, particularly SMEs. It also asked the EIB to examine, in cooperation with the EIF, the creation of a facility for financing SMEs' advanced technology projects. Furthermore, the Commission proposed guidelines for Member States employment policies as a framework for discussion at the special Job Summit in Luxembourg (20/21 November). These guidelines cover several topics, including the promotion of a new culture of entrepreneurship in Europe.

At the Denver Summit in 1997, the G7 also recognised the economic and social importance of SMEs and the benefits of exchanging best practice, and expressed the will to continue its work on SMEs.

A tendency towards convergence of national policies is gradually emerging through the concerted actions with the Member States on SME policy, benchmarking exercises and the identification of best practices.

2. Greater allowance in Community policies for the special features of SMEs

The SME dimension touches on all Community policies and as a result, it is now generally taken into account although to varying degrees; this can be brought about as a result of SMEs being considered as a category of enterprise deserving special attention or by allowing specific provisions to be made for them, such as in the Community guidelines on State aid for SMEs in competition policy.

The definition of SMEs adopted in 1996 is a basic requirement for gearing policies towards SMEs. It permits better targeting of measures to assist SMEs and enables aid to be quantified according to the size of the enterprises for which it is intended. The Commission is making every effort to ensure that this definition is applied in the implementation and evaluation of Community programmes so that their impact can be better measured, but in view of the time required for the practical application of this definition, the effects will only be felt in the longer term.

In order to improve the environment of SMEs and make greater allowance for their needs in Community policies and legislative proposals, the Commission makes use of the impact-assessment form and pursues its interdepartmental work, as a major task within enterprise policy. The introduction of regular dialogue between the Commission and professional organisations enables greater account to be taken of the needs and circumstances of SMEs. Initiatives have been taken to simplify Internal Market legislation. In 1997, the Commission adopted the Recommendation for the improvement and simplification of the environment of enterprises in the start-up phase. Following the request by the Amsterdam European Council, the Commission set up a task force entitled "BEST (Business Environment Simplification Task Force)", which will present a report to the Cardiff European Council in 1998. The Commission is examining the results in the Member States of the actions carried out in the wake of its recommendations regarding payment periods and the transfer of enterprises. Pending the introduction of the single currency, the practical questions involved in the transition to the euro are currently being examined by a number of working parties, one of which deals specifically with SMEs. The improvement of the financial environment for SMEs - a priority area in SME policy - has been at the centre of the work of the Round Table of leading representatives of the banking sector which will be continued. It was also the subject for a Communication on European capital markets for SMEs.

3. SMEs : a priority in Community programmes and increased participation

First of all, because of their contribution to economic and social development, SMEs have been targeted for aid in the allocation of the Structural Funds - one of the primary financial instruments of the Union. The measures to assist SMEs in the programmes for 1989-1993 accounted overall for 10% of the Community allocation. The same percentage is estimated for the 1994-1999 programmes, double that of the previous period (since the total amount allocated to the Funds has been doubled). This percentage varies according to the objectives of the Funds. It is higher for Objective 2 regions (16% of the appropriations for 1997-1999) than for Objective 1 regions (10% on average). The guidelines for the 1997-1999 programmes for Objective 2 regions include an SME priority, and the clauses common to these programmes contain a reference to the Recommendation on the definition of SMEs. The Commission has proposed that the margin for manoeuvre available in the other programmes (Objectives 1, 3, 4 and 5b) up

to 1999 be channelled towards SMEs. The recently adopted programmes of the new Member States earmark large amounts, about 30% to 40% of their allocation, for SMEs. This demonstrates an increase in the allocations to assist SMEs. The programmes relating to the Community SME Initiative have been adopted and are under way. Despite the increase in the allocation for SMEs, it would seem that SMEs do not benefit fully from the measures intended for them. Funds are sometimes under-used, particularly those for business services compared with measures promoting investment. In 1997 the Commission, aware of the difficulty involved in measuring quantitatively and qualitatively the impact of the Structural Funds on SMEs, launched a thematic study, the results of which will be presented in the next report.

In view of the shared responsibility between the Commission, the Member States and regional and local authorities, the Member States responsible for implementing the Structural Funds must also be persuaded of the need to give priority to supporting SMEs and to make it even easier for them to have access to the programmes. As regards evaluation, the Commission continually encourages the Member States to improve the evaluation of their actions to assist SMEs, since it is often incomplete in the *ex-ante* projections and *ex-post* evaluations.

With regard to the European Investment Bank, the volume of its global loans to assist the competitiveness of enterprises virtually doubled between 1993 and 1996, and the number of beneficiary SMEs doubled from 5 257 in 1993 to 11 034 in 1996. Since 1990, a total of 42 000 SMEs, 80% of which have fewer than 50 employees, have received loans from the EIB for a total amount of ECU 11 billion. The SME facility has benefited 4 435 SMEs, which have created over 45 000 jobs. Since its creation, the European Investment Fund has expanded its activities to assist SMEs, which now account for 34% of the total. They involve guarantees worth ECU 613 million, ECU 397 million of which is allocated to the pilot scheme "growth and environment".

The efforts to coordinate the Research and Technological Development programmes (RTD) have clearly borne fruit. The introduction of specific measures for SMEs (technology stimulation for SMEs - "TSME") combined with increased information and awareness-raising activities has led to a marked increase in the participation of SMEs in RTD programmes in the Fourth Framework Programme compared with the previous ones. During the first two years of the Fourth Framework Programme, 5 439 SMEs have participated, almost as many as participated over the entire four years of the Third Framework Programme (6 276), which justifies the prediction that SME participation will double in the Fourth Programme. Almost 2 500 SMEs, the majority of which had never participated in research programmes, benefited from the TSME between 1994 and 1996. 40% of the proposals submitted for the TSME result from information and assistance actions. The statistics on SME participation in TSME according to size class show that SMEs with fewer than 50 employees represent 60% (i.e. the majority) of participating SMEs. The Commission proposal for the Fifth RTD Framework Programme provides for better coordination between all those involved, including SMEs. It includes a specific horizontal programme "Innovating and involving SMEs" and a one-stop shop for SMEs in the Commission common to all research programmes for the specific measures for SMEs such as CRAFT and exploratory awards. As a part of the Innovation programme, the Commission launched the I-TEC pilot project, in July 1997, to encourage start-up capital investment in technologically innovative SMEs.

Another example of effective coordination is the encouragement of partnerships and the internationalisation of enterprises. The methodologies devised for enterprise policy have been extended to programmes to assist third countries, in the mutual interest of both parties. The information networks (Euro Info Centres), partner search networks (BRE and BC NET) and the programmes of meetings between enterprises (EUROPARTENARIAT and INTERPRISE) are now part of the programmes to assist third countries in the Mediterranean region (MEDA), in Latin America (AL-INVEST) and, very recently, Asia (ASIA-INVEST), in the Countries of Central and Eastern Europe (PHARE and COOPME), and in the Commonwealth of Independent States (TACIS). Thus, the added value of these Community programmes has been recognised with benefits not only for enterprises in third countries but also for European enterprises by facilitating their internationalisation. For example, as a result of the partnership actions, 4 000 enterprises in Mediterranean third countries have been able to establish targeted contacts with European enterprises over the past four years. The budgets of the JOP and ECIP instruments have been increased to meet the growing demands of SMEs. Sixty-nine percent of the cases approved under JOP concern SMEs with fewer than 100 employees. On the basis of the experience gained in these programmes, the Commission has adopted a new programme entitled "Joint European Venture (JEV)" to enable European SMEs to set up joint ventures in the Union.

As regards vocational training in SMEs, the programmes under ESF Objective 4 and the ADAPT Initiative provide for measures to assist SMEs. The amounts involved cover between 50% and 80% of the cost of the programmes, depending on the Member State. Since the interim assessments will not be available until the end of 1997, it is too soon to assess whether SMEs have really benefited from the substantial amounts provided for. In the LEONARDO DA VINCI programme, in 1996, within the strand dedicated to businesses, SMEs accounted for 16% of the partners in the pilot projects and 26% in the mobility projects. In spite of its efforts to inform and a reinforced priority given to SMEs, micro-businesses and craft enterprises in the calls for proposals, the Commission considers that greater mobilisation of the networks of SME intermediaries is needed to increase the level of SME participation, to gear training programmes more accurately to the specific needs of SMEs and to relay its action to enterprises.

Strengthening coordination between all the partners

Although the Commission can be pleased with the results obtained, it is aware of the difficulties of assessing the impact of programmes on SMEs.

In general, there is insufficient data available to accurately measure the effective participation of SMEs (for example, in the number of beneficiary SMEs classified by size) and the impact of the programmes in terms of the improvement of SME performance or the number of jobs created or maintained. To cite the Structural Funds, by way of example, the Commission relies essentially on the data supplied by the Member States responsible for implementing and evaluating the programmes. The statistics are gradually being compiled on the basis of the new definition for SMEs. Trends in the participation of SMEs in the programmes are difficult to measure when the programmes are of different duration. The type of support for SMEs differs according to whether the aid is direct (in the form of subsidies or loans) or indirect (in the form of infrastructures and services made available for advising, training or financing).

The Commission is also aware of the limits of its powers, since SME policy is essentially the preserve of the Member States. The Commission's direct action is targeted towards the programmes it manages, the stimulation of greater cooperation between the Member States with regard to policies on SMEs, and the implementation of innovative measures for SMEs.

The Commission aims to reinforce the coordination between its departments in order to improve SMEs' access to programmes, avoid the dissipation of efforts and rationalise its activities to assist SMEs. By restructuring its departments responsible for enterprise policy, it has placed emphasis on the coordination of such activities and has, for example, revived an interdepartmental SME group. In order to increase the participation of SMEs in Community programmes, the Commission wishes to identify the barriers preventing SMEs from taking full advantage of Community programmes and to examine ways of overcoming them.

Dialogue with professional organisations is essential in order to understand the practical running of an enterprise and so consolidate the operational relays that are indispensable for political action. The organisations representing SMEs have a role to play in gearing the programmes more closely to the needs of enterprises and facilitating SMEs' access to - and participation in - the programmes. In this way, development of the European social dialogue is an important factor in achieving an accurate representation of SMEs.

The Commission is also working to achieve closer cooperation and coordination with the Member States and organisations representing SMEs by means of concerted actions to promote the exchange and transfer of best practices in relation to SME policy. The methodology of concerted actions can help to improve the effectiveness and performance of public policies to support SMEs.

The only way to fulfil the potential of SMEs for job-creation, growth and competitiveness in the Union will be to combine efforts and mobilise the various partners involved in the development of SMEs: the European institutions, the Member States, regional and local authorities, professional organisations and SMEs themselves.

Coordination between all the partners must be stepped up with a view to disseminating best practice throughout the Union and achieving effective implementation by concentrating resources on the established priorities.

ISSN 0254-1475

COM(97) 610 final

DOCUMENTS

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10 04 08 13

Catalogue number : CB-CO-97-629-EN-C

ISBN 92-78-27705-3

Office for Official Publications of the European Communities
L-2985 Luxembourg