



EURO-info

THE TWELVE REQUEST THE EUROPEAN COMMISSION TO STEP UP ITS ACTIONS IN FAVOUR OF SMEs

On 11 November 1993, the Belgian Presidency of the Council of the European Union organised a special meeting of the Council devoted to Small and Medium-sized Enterprises (SMEs). During a televised public debate, the Twelve unanimously approved a lengthy resolution¹ about increasing the competitiveness of SMEs and craft businesses. In this resolution, the ministers placed the main emphasis on the need to adopt an overall, horizontal approach for policy in favour of SMEs, and they considered that a 'stronger partnership should be established between all the parties involved in developing SMEs and craft businesses, at Community, national and regional level.

As part of the multi-annual SME programme adopted by the Council on 14 June last², the European Commission was invited to promote exchange of experiences which would support the creation and development of new businesses, particularly in the following fields:

- vocational training and, in particular, basic and continuing training for company directors and middle management, particularly with regard to management techniques;
- the requirements of founders of innovative companies in general, and technology-based SMEs in particular, including their requirements for technical assistance;
- the relationship between SMEs and financial institutions, including how to bring company founders and parties interested in putting up capital closer together.

The Twelve also asked the Commission, under the multi-annual programme, to accelerate targeted dissemination of information about business opportunities and potential co-operative ventures on subcontracting markets. This involves promoting initiatives like:

- interconnection and inter-changeability of subcontracting databases and exchanges, with the context of the existing European networks, to expand their activities, and make them Europe-wide;
- encouraging trials of arrangements for meetings which are organised by main contractors to contact subcontractors.

In the context of the Community growth initiative, the Council invited the Commission to encourage support for investment in SMEs by the European Investment Fund (EIF) and by the European Investment Bank (EIB), and ensure that these investments did indeed benefit the smallest companies.

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¹ OJ of the EC — C 326 — 3.12.1993

² OJ of the EC — L 161 dated 2.7.1993

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The Twelve also invited the Commission to increase the involvement of SMEs in public procurement (elimination of existing barriers, better dissemination of information, pilot actions etc.) and in the **Fourth Framework Programme of Research and Technological Development (R&TD)**. With regard to the 4th Framework Programme, the Council asked for SMEs to be involved to a greater extent particularly through measures in the following areas:

- increased dissemination and better exploitation of the results of research, through use of existing specialised Community networks, and national and regional bodies;
- improvement, expansion and extension of other specific action programmes aimed at stimulating research and technological development by or for SMEs, in particular in the light of the experience of the CRAFT programme and feasibility grants³;
- simplification of procedures and conditions for taking part in calls for tenders, and improvement in the speed of processing of bids.

The Commission was also invited to improve access for SMEs to **quality and certification techniques** and to analyse the approach adopted in third countries to involve SMEs. The Twelve also invited the Commission to organise **more systematic consultation of organisations representing SMEs and craft trades at a European level** about all Community projects likely to have an impact on firms, and pointed out that this should be done right from the drafting stage. They also considered that it was necessary to set up a new methodology for evaluating the costs and benefits of Community proposals, via a system of regularly-updated impact information sheets, particularly from the viewpoint of simplifying administrative procedures.

Finally, the Council of the European Union asked the European Commission to examine, without delay, concrete proposals for implementing a **Community initiative for project financing**, in the SME and craft business sector.

³ see EURO-INFO 63/93 — October 1993

THE EUROPEAN COMMISSION IS ANALYSING THE FINANCING PROBLEMS OF SME

Too many SMEs are experiencing financing problems, which are generally becoming worse. According to a communication⁴ approved by the European Commission on 11 November 1993, capitalisation of SMEs in the European Union is generally lower than their American or Japanese counterparts. They are also more dependent than large companies on direct financing by financial institutions (bank overdrafts, short and long-term loans), which are their main source of finance after retained profits and the capital invested by the owners, their relatives and friends. While financial traditions and practices vary from one Member State to another, the problems faced by firms at the same stage of their development are clearly similar, wherever they may be. Only the degree of seriousness varies.

In addition to the problems faced by typical small businesses, frequently a result of poor financial planning and/or a lack of security to pledge against loans, more established companies wishing to expand or re-structure their business also face problems in obtaining additional permanent funding. A particular gap was noted where firms were looking for long-term loans (borrowed capital) for amounts between 70 000 and 350 000 ECUs. The problem is exacerbated by the lack of secondary stock markets in the European Community along the lines of the American NASDAQ model.

The objective when drawing up this Communication was to provide a factual report on the situation, not to set out firm proposals for Community action. Despite this, certain possible solutions to existing problems were identified. For the majority of SMEs, much could be done to improve their situation if they adopted measures to use their financial resources more effectively via better financial planning, and improved the quality of information given to their banks. Easier access to management training and consultancy, as well as greater availability of financial guarantees for firms which are unable to put up adequate security, would be most helpful.

However, for those five to ten per cent of businesses with the greatest capacity for expansion and growth, it is necessary to stimulate the expansion and creation of funds for seed capital, venture capital and expansion capital, to enable them to make long-term investments, particularly those in high-tech sectors.

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EUROPEAN SME OBSERVATORY:

Observations by the European Commission on the 1st Annual Report

In December 1992, the European Commission set up a EUROPEAN OBSERVATORY FOR SMALL AND MEDIUM-SIZED ENTERPRISES. It brings together, in a single network, (ENSR — European Network for SME Research) twelve national bodies (one per Member State) specialising in the analysis of Small and Medium-sized Enterprises. The co-ordinator of this network is the 'Economisch Instituut voor het Middenen Kleinbedrijf' (EIM) in the Netherlands. The objectives are: to expand statistical information about SMEs, monitor the situation of SMEs and to assess their prospects for growth in the large, frontier-free market. The Observatory's first annual report was published in May 1993⁵ and the European Commission has presented its comments⁶ on the European SME Observatory's analysis.

The Commission recognised that this report forms a valuable contribution to improved knowledge about the actual problems facing SMEs today, and that it provided useful information, although it was necessary to carry out further more detailed studies, linked to the size and characteristics which are typical of SMEs.

⁴ COM(93) 528

⁵ see EURO-INFO 60/93 — June 1993

⁶ COM(93)527 final — European Observatory for SMEs — Comments by the European Commission on the first annual report (1993). This communication contains a summary of the first annual report.

The Observatory considered that there was a serious risk that the potential reduction in costs connected with the single market might not become a reality for SMEs, and that the market share of some of them was at risk, especially in manufacturing and the distributive trades.

The Commission recognised that the enlargement of the market required companies to adapt their activities and resources, whatever their business, and wherever they were located. If this sensitive, crucial phase corresponding to the application of the provisions of the internal market were not carried out with particular care, the Commission noted, firms, and particularly SMEs, could prove to be the weak point in the process of consolidation of the new rules of the European market. This might jeopardise the smooth operation of the entire process. Therefore, the Commission intends to encourage and support the adoption of policies aimed at providing assistance with the process of adaptation which would increase the number of beneficiaries of Community activities to accompany the launch of the internal market, for example those aimed at preparing SME managers for strategic management in a larger market. In particular, the Commission intends to strengthen the co-ordination between these activities and those undertaken by other Member States' institutions, as well as in business circles, by firms themselves or by intermediaries.

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EICs: opening of a Correspondence Centre in Israel

The acceleration of the peace process in the Middle East, via the agreements between Israel and the Palestinians, has opened up new prospects for intensification of economic activity and the expansion of trade both in Israel and the Occupied Territories, and throughout the Mediterranean.

With this prospect in mind, the European Commission opened a 'Correspondence Centre' for the EURO INFO CENTRES in Tel Aviv at the beginning of November, at the Israel Export Institute. The purpose of the centre will be to provide information, assistance and advice to Israeli firms, under the best possible conditions (rapid access to Community information, to data bases, staff training), to enable them to participate actively in the integration process which is continuing within the European internal market. Community instruments, such as BC-NET (Business Cooperation Network), the network of EURO INFO CENTRES, EUROPARTENARIAT or MED-INVEST, will contribute to encouraging economic co-operation and development of trade.

As part of the MED-INVEST programme, it is planned to organise a MED-PARTENARIAT event in Israel in 1994. The Correspondence Centre within the Israel Export Institute also plays a role as a catalyst not only in fostering economic ties between the EEC and Israel, but also, at a more general level, relations between Europe and the Mediterranean region. The Commission will create favourable conditions for economic integration in the Middle East, particularly by encouraging the setting-up of joint ventures, organisation of subcontracting relationships, training of managers, and of course, intra-regional trade.

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INTERPRISE: encouraging partnerships in Europe

The objective of the INTERPRISE programme is to stimulate contacts between Small and Medium-sized Enterprises in the Community. Regions from three Community countries need to join forces to set up business, technical or financial co-operation. A programme between three regions of the Community may also be extended to include one or more regions from outside the Community.

The projects supported as part of INTERPRISE must include at least the following phases: identification and selection of firms in the regions concerned, and interested in setting-up a co-operation agreement with one

of the firms in the other participating regions; publication and distribution of a catalogue containing co-operation profiles; organisation of an event where direct contacts will be established between participating companies (appointments arranged in advance, presence of interpreters).

The following event will be held as part of INTERPRISE in February 1994:

EURO FORUM 1994

Meetings: 24-26 February 1994 in GENOA (Italy)

Countries involved: Italy, France, Spain, Germany

Business sectors: food and drink, textiles, clothing, leather goods, wood, furniture and decoration, metalworking, mechanical engineering, electrical and electronic engineering, shipbuilding, construction, products and materials for the construction industry, stone.

Organisers:

— CONFEDERAZIONE NAZIONALE DELL'ARTIGIANATO E DELLA PICCOLA IMPRESA EUROSPORTELLA (CNA) — Antonio CICCARELLO — Via Avellino 6 — I-10144 TORINO — Tel.: +39-11/481604 — Fax: +39-11/482950

— CNA — Regional Committee of Liguria — Nicola CAPRIONI — Piazza Senarega, 1/8 — I-16123 GENOA — Tel.: +39-10/281003 — Fax: +39-10/280254

— For Eastern European countries: ARCOMES s.r.l. — Mario COSTARIOL — Via Rampa Cavalcavia, 28 — I-30172 VENEZIA MESTRE — Tel.: +39-41/531 5488 — Fax: +39-41/531 5193

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REGIE: a European network for European Economic Interest Groups (EEIGs)

Starting from the twin observations that EEIGs represent the only Community legal instrument which offers a framework suited for transnational co-operation between companies, and that this instrument is too infrequently used, DG XXIII has decided to give a new boost to the EEIG, particularly aimed at making SMEs more European. This is an initiative to facilitate exchanges of experience and better use of European groupings. This project is intended to provide companies wishing to expand their activities by co-operating with other partners from the European Community with precise and directly usable information, so that they may benefit from practical experience with EEIGs, or to give SMEs the opportunity to strengthen existing European groupings, or to guarantee effective positioning of their co-operation project (for example, by increasing competition through better information about existing co-operation carried out via EEIGs).

To do this, the first step will be the creation of an updated database giving an accurate picture of the situation regarding EEIGs. Ultimately, this database should be handled by the BRE and BC-NET networks which are the usual channels for promotion of transnational networks. In a second stage, once the information has been gathered, a colloquium will be held, bringing together the EEIGs, which would allow direct contacts between interested parties, who have never had the opportunity to meet at Community level.

For further information: DG XXIII A/1 — General enterprise policy

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CO-OPERATIVES: a European financing mechanism using equity or quasi-equity

A group of financial partners from seven Member States of the European Community have decided to co-operate closely and actively in a pilot-project supported by the European Community (DG XXIII), relating to the creation of a European financing mechanism using equity or quasi-equity for businesses operated by co-operatives, mutual societies and associations. The mechanism is based on the provision of financial or long-term equity which these businesses may need to expand in Europe.

In July 1993, these firms jointly founded a European investment company, S.A. SOFICATRA, with offices in Brussels. This first stage set the company's capital at 361 million BEF (approximately 9 million ECU). This company is destined to play a leading role in setting up the mechanism.

The next step will be to launch the two Common Venture Capital Funds with European coverage. Co-operation between the two funds and the European investment company, SOFICATRA, will be very close, particularly with regard to the selection of investments in unquoted shares. These will be shares issued by businesses operated by co-operatives, mutual societies and associations, which are expanding in Europe.

The investment company and its partners will operate as a network, both for analysing projects and co-financing them.

Promoters of a project and its partners should contact the national partner of SOFICATRA, or the company directly in Member States which do not have a national partner:

GERMANY: GEMEINNÜTZIGE KREDITGARANTIEGENOSSENSCHAFT E.G. — Mr. A. FINCK — Oskar Hoffmannstrasse 25 — D-44789 BOCHUM — Tel.: +49-234/3079335 — Fax: +49-234/3079333

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THE NETHERLANDS: TRIODOS DEELNEMINGEN — Messrs. P. BLOM, F. DE CLERCK (Belgium) — Prins Hendrikstraat 9-11 — P.O. BOX 55 NL-3500 AB ZEIST — Tel.: +31-3404/16544 — Fax: +31-3404/12524

PORTUGAL: MONTEPIO GERAL — Mr. C.A. PEREIRA MARTINS — Rua de Ouro 219/241 — P-1100 LISBOA — Tel: +351-1/347 6361 — Fax: +351-1/342 5803

Shortly to become associated: **SPAIN:** ECOS CAPITAL RIESGO — Mr. J. PEIRO PROUDHOM — Vallehermeso, 15-1 — E-28015 MADRID — Tel.: +34-1/593 1234 — Fax: +34-1/593 9695

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TOURISM: a Community action plan (1993-1996) — Actions in 1993

Since July 1992, for the first time, the Community has had a Community action plan in favour of tourism⁷, covering a three-year period and with a budget of 18 million ECUs.

The plan considers tourism as a whole, and is primarily aimed at facilitating a common approach to the possibilities which tourism offers Europe in the medium and long-term. It also aims to improve the quality and competitiveness of tourism products and services in the Community, and to improve awareness of the demand, so that it can be met.

In order to ensure that the Tourism Plan is an excellent complement to actions already undertaken at Community level, as part of other specific programmes and policies, this plan is focused on **three main lines of action**:

- ensuring that tourism is taken more into account in Community and Member States' policies;
- co-operation between representatives of the sector and its various professional associations;
- support and development of specific actions.

⁷ OJ of the EC dated 13.08.1992, p. 26

The first line of action is aimed at better cohesion of initiatives:

- within the Commission with other bodies implementing policies, or taking measures which might have an influence on tourism;
- with Member States, to complement their actions in certain fields of tourism, develop actions allowing the broadest possible rapprochement of their policies, or provide them with the overall information necessary about the activity, in order to direct their actions better, and encourage all forms of international exchanges on tourism.

The second line of action will be implemented basically by means of consultation and co-ordination activities:

- with tourism professionals in order to convey the importance of this business in economic and social terms, ensure better representation of its interests, and develop information within the industry itself about the policies and measures by the Community with direct repercussions on its business.

The third line of action concerns mainly actions to guide future policy:

- to provide better information regarding tourists and those working within the industry;
- for supporting projects which could serve as examples, and which could be transposed to various regions of the Community;
- for a general improvement in the quality of tourism services.

Promotion is the subject of various pilot projects, which will enable distant markets to be explored and tested, and the numbers of tourists from those markets to be increased, on the basis of an overall image of Community and European tourism.

The scope of specific measures will be rather broad, in very varied fields (cultural, rural, or social tourism, environmental tourism, vocational training). These actions are directly aimed at the public authorities, industry decision-makers and tourists themselves.

These are part of the framework of a Community action in accordance with the support which it can provide for the general expansion of the sector with confirmed value-added for the Community.

The Community action plan in favour of tourism came into effect on 1 January 1993. The budget for the first year's activities is 7 million ECUs, with 1 million of this figure being allocated for pilot projects for promotion of Europe.

The 1993 actions were started in agreement with the Member States and according to the schedule laid down by the Council. The main goal was to show, right from year one, the complementary nature of the plan with the many actions being carried out in the Community, and where appropriate, those of Member States, and the will to seek co-ordination and consultation which it demonstrates.

The emphasis was therefore placed on transnational actions, through support for initiatives for cross-border cooperation, which enable tourists to be better informed, by facilitating the setting-up of and co-operation between regional and national organisations in Member States, and in general, any arrangements which provide for long-term co-operation between the partners in the tourist industry. These actions may include neighbouring countries which belong to the EEA or countries in Central or Eastern Europe.

Major efforts were made during 1993 to develop transnational forms of cultural tourism, with support provided by the Community for devising and expanding European cultural tours, and promoting them. Once again, these initiatives are also open to neighbouring countries.

The other actions started in according with the priorities laid down concern mainly:

- production of a series of publications, to improve information for tourists and businesses in the tourist industry: Who's Who of tourist organisations in Europe, Practical Guide to Community Measures in favour of Tourism, Practical Guide for Disabled Tourists and a Manual for Tourist Industry Professionals to make Europe more accessible to disabled tourists;
- award of a European prize for 'Tourism and Environment' to contribute to making the whole tourist industry aware of environmental issues, and to identify and promote successful experiments;
- improvement of knowledge about tourism, its ingredients and how it is changing, via the development of harmonised statistics, and by the launch of two studies dealing with the intended leisure travel destinations of Europeans, and the fiscal and budgetary measures prevailing in Member States;
- launching of pilot actions to promote Europe as a tourist destination in distant markets.

New projects were also launched in the field of vocational training with support for initiatives proposed by ETEN (European Tourism Educational Network), which links universities in Spain, Portugal, France, Italy, the United Kingdom, Germany and the Netherlands.

Transnational co-operation, which underlies all the actions in the plan, has also been seen in the support given by the Community to training courses for middle and top managers in the tourist industry in Central and Eastern Europe, and a successful small-scale pilot experiment in Belarus, in the field of transfer of know-how.

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FOR YOUR INFORMATION

REMINDER

In order to consolidate and continue its actions in favour of craft trades and small firms, the European Commission (DG XXIII) has decided to organise a **Second European Conference on Craft Trades and Small Firms** in Berlin on 26 and 27 September 1994. This conference is being preceded by a number of preparatory colloquia covering topics of priority interest.

- **CRAFT TRADES, A PARTNER FOR ENVIRONMENTAL PROTECTION IN EUROPE:** This conference is to be held in Düsseldorf (Germany) on **1 and 2 February 1994**. The purpose of the conference is to present national and Community legislation on the environment and its implications for craft firms. Four workshops (current and future legislation; Community actions in the field of environmental protection; requirements for training and information; discussions about case studies) will enable responses to be developed to the new challenges facing craft firms with regard environmental protection.

Organisers: Handwerkskammer Düsseldorf — Gerd WIENEKE — Georg-Schulhoff-Platz, 1 — D-40221 DÜSSELDORF — Tel.: +49-211/8795-0 or +49-208/8597-202 — Fax: +49-211/8795110

- **QUALITY, CRAFT TRADES, SMALL BUSINESSES:** This seminar will be held in PARIS (France) on **10 and 11 February 1994**. It will provide answers to 2 basic questions: 'Quality: what objectives need to be achieved?' and 'Quality: what are the requirements for craft trades and small businesses?' One of the main concerns will be to avoid abandoning the assets and strengths of craft trades, with their ability to satisfy the far-reaching aspirations of consumers in terms of quality of life, in some hasty quest to modernise.

Organisers: Ministère de l'Entreprise — PME, Commerce et Artisanat — Direction de l'Artisanat — Daniel PERRIN and Suzanne FIEVET — 24, rue de l'Université — F-75700 PARIS Cedex — Tel.: +33-1/4319 4800 — Fax: +33-1/4319 3473.

- **INNOVATION AND TECHNOLOGY TRANSFER IN SMEs AND CRAFT TRADES:** This seminar will be held on COPENHAGEN (Denmark) on **23 and 24 February 1994**. It is intended to identify both the rich potential and the various barriers which come with any progress in innovation and technology transfer. Four workshops will enable experience to be exchanged, and an analysis to be made of the appropriateness and usefulness of networks and tools set up or to be set up at a regional, national or Community level.

Organisers: TEKNOLOGISK (DTI) — Mrs. Annette MADSEN — Gregersensvej — P.O. BOX 141 — DK-2630 TAASTRUP — Tel.: +45/4350 7040 — Fax: +45/4350 7250

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