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COMMUNICATION FROM THE COMMISSION

TO THE COUNCIL, THE EUROPEAN PARLIAMENT,  
THE ECONOMIC AND SOCIAL COMMITTEE  
AND THE COMMITTEE OF THE REGIONS

**Report on the evaluation of the  
3<sup>rd</sup> Multiannual Programme for SMEs in the  
European Union (1997-2000)**

Council Decision 97/15/EC of 9 December 1996

## 1. INTRODUCTION

In December 1996, the Council adopted the 3<sup>rd</sup> Multiannual Programme (MAP) for Small and Medium-sized Enterprises (SMEs) in the European Union<sup>1</sup>. The programme covers a 4 year period from 1997 to 2000. The Decision sets out 6 Objectives and defines 25 measures under these objectives.

The purpose of this Communication is to present the external evaluation report on the implementation of the 3<sup>rd</sup> MAP. Article 6 of the Council Decision requires the Commission to submit such a report to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions before the end of 1999. However, as requested by the Council, the report is presented now, 6 months ahead of the Commission proposal for the next MAP for SMEs planned for the end of 1999. This is to give time for effective feedback from the evaluation results into the proposal for a new programme.

The contract for the evaluation report was awarded to Deloitte & Touche after an open call for tender<sup>2</sup>. Actual evaluation work started in September 1998. The final report was received on 30<sup>th</sup> April 1999 and its Executive Summary is presented with this Communication in the annex.

## 2. GENERAL COMMENTS

1. The Commission welcomes the evaluation undertaken by the consultants, in particular their assessment that, in so far as can be established at this point in time, the 3<sup>rd</sup> MAP is being implemented in an acceptable, cost-effective manner. As more than half of the MAP expenditure is incurred under Objective C<sup>3</sup>, the Commission notes with satisfaction that, apart from the partner-search networks, the measures taken under this objective receive a generally good evaluation.

Overall the evaluators highlight the clear role for the activities of DG XXIII (Enterprise Policy, Distributive Trades, Tourism and Social Economy) which is responsible for implementing the Programme. They particularly rate positively the 'policy actions' undertaken by DG XXIII.

Points of criticism concern mainly the areas where 'pilot-actions' are undertaken which, according to the evaluators, inadequately feed into genuine policy development. Fragmentation of scarce human and financial resources into too many small-scale actions is also identified as a weakness in parts of the Programme. The Commission agrees on the principle that pilot-actions should clearly link into a wider policy programme, and that the results should be actively used and disseminated. The size of actions should be sufficient to achieve useful results.

2. The approach and methodology of the evaluation are set out in Chapters 1 and 2 of the Executive Summary. The Commission wishes to underline here two inherent features of the

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<sup>1</sup> Council Decision of 9 December 1996, 97/15/EC, OJ L6, 10/01/1997, pp. 25-31.

<sup>2</sup> Call for tender published in the OJ series S n°48 of 10.3.1998, pp. 38-39.

<sup>3</sup> Objective C: "Help SMEs to europeanize and internationalize their strategies, in particular through better information and co-operation services".

evaluation and the Programme that the reader should bear in mind when going through the evaluation:

Firstly, the **timing** of the evaluation is very early in the implementation of the Programme. As outlined above, this is to allow effective feed-back into the preparation of the next Programme. However the fact that the evaluation took place half way through the Programme does present methodological drawbacks. For many new actions launched under the 3<sup>rd</sup> MAP, results cannot yet be measured. As a result, firm assessments about their impact, effectiveness or usefulness cannot yet be made. The same holds true for measurement of the effects of changes implemented in the design and delivery mechanisms of more mature measures.

Secondly, the end-target group of the 18 million SMEs in the European Union is in itself very wide and diverse<sup>4</sup>. Hence, evaluating effects on the end-target group through statistically representative samples for all objectives and actions would have been an impossible task within the timeframe and a reasonable budget for this evaluation. The result is that the evaluation, necessarily, draws substantially from opinions of stakeholders and intermediaries to arrive at the conclusions, rather than on more 'objective' data. The report does however stress the need to establish proper performance indicators to enable actions taken under the MAP to be evaluated on a more scientific basis in future. The Commission agrees on the need to establish a set of **performance indicators** to accompany the proposal for a new Programme, so that a more objective evaluation of future actions should be made possible.

### 3. OBSERVATIONS ON THE ASSESSMENT OF SPECIFIC MEASURES BY OBJECTIVE

This section aims to give an initial response to some of the major conclusions and recommendations made by the evaluators. A more detailed response will be given in the proposal for the next MAP.

#### 3.1. Objectives A&F

The Commission agrees that further work should be done to build on the results achieved so far under the **Concerted Actions** programme with the Member States. Developments in the past year have brought structure and focus to the initially wide range of issues under discussion, and are leading to the identification of specific cases of good practice. For instance, Member States have now agreed a list of good practices arising from the analysis conducted in the seminars examining support measures for business start-ups. These good practices will be widely distributed in a publicity brochure. This brochure will also draw attention to the Internet site - due to be operational mid 1999 - where more extensive information will be provided on Concerted Actions and where interested organisations will be guided to an active discussion of good/best practice in the areas concerned. There has also been considerable progress in establishing appropriate procedures with the Member States in recent years, notably in the form of a rolling work programme.

Regarding the follow-up to the recommendations of the **Business Environment Simplification Task Force (BEST)**, the Action Plan was endorsed by the Council on 29 April 1999. The Action Plan is wide ranging and brings together for the first time all policy fields that impact on entrepreneurship and enterprises. The implementation of the Action Plan will be vigorously followed up by the Commission in close co-operation with the Member States. This

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<sup>4</sup> See Enterprises In Europe, DG XXIII/Eurostat, 5<sup>th</sup> report June 1999.

will include regular reports to the Council, starting in 2000, on the ongoing implementation, detailing specific new actions which have been taken. The Commission will also agree with the Member States ways of measuring progress in entrepreneurship policies. This could include an independent evaluation of progress involving the business community. The evaluation would consider the impact that the Action Plan is making on enterprise performance, and help to identify areas where it is thought that further work is needed and, where appropriate, propose specific recommendations to achieve this.

On the **Business Impact Assessment** system, the Commission takes the view that there have been important improvements to the regulatory impact analysis carried out on legislative proposals, and more comprehensive consultation procedures. However, the Commission recognises the need for further improvements in the quality of business impact assessments. Revised guidelines on how to complete a business impact assessment together with a revised business impact assessment form are currently being discussed, and it is hoped that these should be adopted shortly. While these are internal working procedures, the Commission will also consider making the revised guidance notes and form public.

The product on the **euro** referred to is in fact not just a CD-Rom, but a CD-Rom accompanied by a brochure. The brochure contains a summary of the content of the CD-Rom, and is therefore useful to entrepreneurs (in particular small businesses) who do not have access to material enabling them to read CD-Roms. This dual approach of publishing a CD-Rom plus a brochure should be helpful to all SMEs, regardless of size. The impression given in the executive summary that the product is solely a CD-Rom and therefore inappropriate for the smallest SMEs should be considered in this light.

The conclusions reached on the value and cost-effectiveness of the work on **European Economic Interest Groupings (EEIGs)** appear subjective and not very well informed. As the EEIG remains the only transnational legal instrument available to EU businesses, it is important to draw attention to its existence. Around 1,000 EEIGs have been created. The work carried out has involved only a modest promotion of this facility through an explanatory brochure and through the information provided on EEIGs in the REGIE database. It has never been the Commission's intention to promote EEIGs directly to businesses, but rather to use channels such as the Euro-Info Centres and professional organisations, while allowing market forces to operate. The Commission does, however, monitor interest and provides full details on the EEIG via its internet site. As recognised in the report, the costs of pursuing this action are minimal. In addition, the European Parliament has favoured a more dynamic and focused approach towards the EEIG<sup>5</sup>.

### **3.2. Objective B & Joint European Ventures (JEV)**

Regarding the **Round Table of Bankers and SMEs**, and the dissemination of the results, the final report of the 2<sup>nd</sup> Round Table consisted of a summary and recommendations, which were translated into all official languages and published together with the full report in English. Around 8,500 copies were printed and every request for a copy was satisfied. With regard to the subjects covered by the 3<sup>rd</sup> Round Table, it was necessary to combine access to loan finance with access to external equity, which is largely underdeveloped in Europe. It is important to highlight new sources of finance for SMEs in order to reduce their dependency on loan

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<sup>5</sup> European Parliament's resolution of 14.7.98 following the Commission's Communication of 9.9.97 (COM(97) 434).

finance, where some 1/3 of SMEs still face problems in gaining access. On the basis of the final report of the 3<sup>rd</sup> Round Table, which will be published and put on the Internet, the Commission plans to organise at least 3 conferences in the Member States, which could as recommended be linked to the Concerted Actions.

Regarding CREA, the Commission, pursuant to Art 3, point 2 of Council Decision 97/15/CE, did publish annual reports on the Seed Capital I pilot action and did provide for a full external evaluation. The management committee of the Member States for the 3<sup>rd</sup> MAP (the 'article 4' Committee) was kept regularly informed of the progress achieved and had the opportunity to comment on the external evaluation. It also agreed to the launch of CREA. This makes the criticism of CREA all the more surprising.

The new CREA programme adopted by the Commission in November 1998 is based on the continuing market failure as regards the supply of seed capital in Europe. Several thousand innovative SMEs are not created each year because of a lack of risk capital. The Commission proposed several substantial modifications to the first Seed Capital action so as to increase both the number of new SMEs created under CREA and the number of jobs created by these SMEs, such as the introduction of a minimum size of €4 million for the fund capital, a requirement that 50% of the capital must come from the private sector (so as to allow the fund to support only viable projects) and opening the action to cover the transfer of existing enterprises to new owners, which in most cases represents in legal terms a newly created business.

CREA is also a response to the request of the European Parliament to focus the budget for this programme, at low cost, on the creation of new businesses and new jobs. It is still on a small scale but will demonstrate at European level the possibilities to support the creation of innovative SMEs through investments of seed capital and early stage finance. The Commission will, as for the first Seed Capital action, provide for an evaluation of CREA and wide dissemination of the results.

The draft directive on **late payments**, which is rated as cost effective, is a major policy initiative in favour of SMEs which will be vigorously pursued. The Commission welcomes the political agreement reached at the Industry Council on 29 April on the compromise text under the German Presidency, and urges the European Parliament and the Council to make rapid progress in adopting the directive. The practical actions on training in cash management for SMEs will be reviewed in the light of the results of actions already launched.

The major part of JEV is implemented outside the 3<sup>rd</sup> MAP. The Commission was already aware of the absence of a marketing instrument for JEV, which is still unknown to a large number of SMEs. The Commission therefore decided to launch a promotion facility early in 1999 to help SME organisations organise JEV events which bring together SMEs from at least two Member States.

With regard to procedures, the Commission is conscious that both financial intermediaries and SMEs are asking for administrative simplification in this area. However, a balance has to be achieved between simplifying procedures on the one hand, and the need for effective fraud prevention on the other hand, with the reporting system that results from this.

With regard to support for the feasibility study, this is a precondition for access to the 10% investment premium to be paid once the transnational Joint Venture has been created. Without the second instrument, the Commission would only support costly feasibility studies but would

have no real impact on the creation of new joint ventures. Since maximum support is limited to €100,000 per project, SMEs tend to keep the cost of the feasibility studies down and favour the investment premium, which will lead to the creation of new jobs.

### 3.3. Objective C

The Commission is pleased to note the overall positive evaluation of the **Euro Info Centre** (EIC) network, which accounts for over one third of the total expenditure under the MAP. The continued drive for quality in this network has been successful, and has led to an assessment of good value for money. The quality policy pursued to date will be continued in order to provide the best possible service to enterprises. Regarding this and the notion of first-stop shops, the Commission will reinforce the role of the EIC network in relation to closer co-operation with other local and regional business support services in order to make available a collective, coherent service to SMEs. The "Business Dialogue" initiative, which is part of the "Dialogue with Citizens and Business" launched at the Cardiff European Council in June 1998, goes a long way to contributing to this orientation. Greater synergy with national SME support agencies is part of this policy.

The report recognises that there have been major changes to **BC-Net** and **BRE**, so as to make them more effective, and that it is too early to assess the results. The early signs however are that the changes, such as the new computerised tool introduced in 1998, are starting to yield results. The Commission agrees that a comprehensive, independent evaluation of BC-Net and BRE should be carried out in the year 2000. When the results of the evaluation are available, the Commission will consider the most effective way of proceeding, including studying the possibility of merging these networks.

**Europartenariat** and **Interprise** events are rated as broadly cost effective. First results from the last **Europartenariat** event in Vienna on 10-11 May, which was combined with a PHARE-Partenariat and where around 2,700 businesses participated, indicate the continued success of these major events. Specific evaluations on **Europartenariat**, **Interprise** and **IBEX** events will be carried out in 1999-2000, but already work is under way to improve the quality of these events and to develop new tools.

The Commission agrees that further policy work on the important issue of **subcontracting** is necessary. Following the 2<sup>nd</sup> European Subcontracting Forum held in Graz in October 1998, a communication on subcontracting will be produced before the end of 1999. A main aspect of this communication will be a new work programme for subcontracting in the coming years.

Regarding the **extension of existing DG XXIII programmes**, the report omits to mention the aspect of enlargement of the EU and the fact that the 3<sup>rd</sup> MAP has now been opened up to seven candidate countries<sup>6</sup> and that four more will probably join by the end of 1999. These countries have shown their commitment to the programme by contributing their own funds to its budget. The opening up of the programme is part of the Commission's pre-accession strategy and will help to facilitate the integration of the candidate countries into EU enterprise policy and actions. It will also help them to develop their own policies and initiatives to

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<sup>6</sup> Bulgaria, the Czech Republic, Estonia, Hungary, Poland and Slovakia from 1 December 1998, and Romania from 1 January 1999. Together with EU Member States and EEA countries, the 3<sup>rd</sup> MAP now has 25 participating countries.

stimulate entrepreneurship in preparation for future EU membership. The recommendations in the report on for example opening up Europartenariat events to businesses from non-EU countries are therefore inappropriate in this context.

### 3.4. Objective D

The pilot actions on **innovation** have only recently (since 1997) been launched, and it is too early at this stage to draw firm conclusions. The results of these pilot actions, which are necessarily one-off, will be evaluated and the results analysed. The intention of these pilot actions always has been to test policy options.

The work planned on **training** involves mainly policy work and does not necessarily involve any new spending initiatives. The intention is to finalise shortly a communication on training and SMEs, with a view to analysing the needs of SMEs in the field of entrepreneurial training, taking account of the initiatives which are already underway both in Member States and at Community level. On **quality**, the only initiative taken so far under the 3<sup>rd</sup> MAP has in fact been the continuation of Commission support for part of the European Quality Award for SMEs, which has been operating for a number of years and is widely recognised in the industry as a valuable tool for improving quality management systems.

### 3.5. Objective E

The work on promoting **entrepreneurship** has taken on increasing importance since the Commission's Communication of 1998 on promoting entrepreneurship. The Commission agrees with the recommendation to focus on the development of research and to promote best practice.

Most of the horizontal actions in the programme benefit small and craft enterprises. The Council decision on the 3<sup>rd</sup> MAP confirmed the need also for specific actions to support **crafts, small businesses and micro-businesses**, as well as **target groups** such as women and young entrepreneurs and enterprises owned by minorities. The comments on whether or not target groups should be the subject of particular actions are therefore not appropriate.

Moreover, the Commission's proposal for the 3<sup>rd</sup> MAP explicitly stated that the means to be used in achieving these objectives should include pilot projects (transnational co-operation, training measures, joint participation in trade fairs etc), conferences (specific reference is made to the Third and Fourth European Conferences of crafts and small businesses) and studies. These are precisely the methods which have been used throughout the 3<sup>rd</sup> MAP.

The report gives the impression that actions in this area have been slow in getting under way. Regarding the evaluation of projects funded under the 2<sup>nd</sup> MAP, it should be noted that some of these have only been completed this year. Calls for proposals under the 3<sup>rd</sup> MAP were issued in 1997 and 1998, which is not late in the context of a four-year programme. The Commission agrees that the focus should now be on evaluating the results of the actions undertaken and disseminating the results as widely as possible.

The question of whether actions in the area of **commerce** are appropriate is again an issue which was clearly settled in the Council decision on the 3<sup>rd</sup> MAP, which included commerce and distribution as one of the target groups for a number of actions.

The White Paper on Commerce has in fact been very warmly welcomed, especially by the European Parliament, the Council of Ministers and the Economic and Social Committee. The focus now will be on implementing the Action Plan annexed to the White Paper in the most efficient way. One element of the plan is an information campaign. Part of this will be the publication of the results of Commerce 2000 (3<sup>rd</sup> phase) and the use of the internet to gather further best practices. The Commission agrees that the results of Commerce 2000 should now be analysed and widely disseminated, and work on achieving this is already underway. It will be this activity which principally produces value-added from the researches undertaken. The results obtained in electronic commerce will be included in the information campaign.

#### **4. CONCLUSIONS**

The Commission welcomes this evaluation report as a useful assessment of actions launched under the 3<sup>rd</sup> MAP. The conclusions and recommendations, some of which have already been accepted in this Communication, will be considered carefully in the preparation of the next MAP. The Commission agrees with the overall recommendation that future work should focus on a smaller number of major priorities, and that smaller scale actions which have not been shown to be cost-effective should not be pursued. DG XXIII will also strive to ensure that the best value for money is achieved for the remainder of the current programme.

## **ANNEX: executive summary of the evaluation report by Deloitte & Touche**

### **1. Our Approach**

Deloitte & Touche was chosen to carry out the evaluation of the 3<sup>rd</sup> Multi-Annual Programme for Small and Medium Enterprises. A team of consultants from six Member States, based in four offices, carried out the work over a six month period in line with a detailed proposal submitted in a competitive tender.

The assignment divided into three clear sections:

- Tabulation of the activities undertaken under the third multi-annual programme;
- Extensive desk and field research to establish the results of the activities, the impact on interested parties and perceptions of the value of the activities on the part of the Commission, the representatives of the Member States and other interested parties;
- Analytical evaluation of the results obtained.

The evaluation team paid significant attention to direct consultation with key actors in the field. These included:

- Target audiences of the programme (contacted through SME representative organisations and individual companies in some cases);
- Intermediary organisations and agencies which operate measures with and/or for the Commission under the Programme;
- Officials throughout the Commission, working in connected areas;
- The programme's institutional monitors, i.e. Member State officials on the Article 4 Committee; and
- Officials throughout DG XXIII itself.

Our approach focused on four main elements, both of the individual measures within the programme and in relation to the programme as a whole. These elements were:

- **Quality of design and approach**, In this area we look closely at the role and the choice of intermediary organisations selected by the Commission, subsidiarity questions and of course the justification for the measure in the first place, based on expressed needs or identified problems;
- **Quantitative impact**, an area of some difficulty given the relative remoteness of the Commission from the actual field of operations of Europe's SMEs. In addition, many measures are designed to test an issue or idea and are therefore not expected to deliver a direct quantitative impact at this stage. Here we have sought to establish the existence of quantitative measures, wherever possible.
- **Qualitative impact**, expressed as a combination of several factors such as regulatory change to the benefit of SMEs, added value of the Commission's activities compared to what would have happened had the Multi-Annual Programme not taken place, the degree of penetration of useful information and "lessons learned", and indirect impact through persuasion of other actors to take measures for the benefit of SMEs;

- **Cost effectiveness**, where we seek to establish the effectiveness, efficiency, utility and viability of the programme's measures. In this area we look at the ratio between quantitative and qualitative results, on the one hand, and the cost of the measure on the other. We try to assess, where relevant, the likely cost of other actors having to replace the Commission's actions. Our conclusions are based on our subjective weighing-up of all the factors. The fact that some measures are not yet at a stage where results are clear makes it difficult to offer an opinion on the cost-effectiveness of these actions.

It should be noted that all of the above evaluation tests were assessed as a part of the context in which the measures appear. We have looked at the multi-annual programme in relation to the activities of other Commission departments and those of the Member State authorities. We have also considered it in relation to the current policy priorities of the European Union in relation to helping SMEs and stimulating entrepreneurship and employment. We have taken the resources available to DG XXIII (financial and human) into account in our conclusions.

Our evaluation covered the activities funded under the third Multi-Annual Programme in the period 1997-1998 and including activities undertaken in the first months of 1999. We also tried to take into account the likely impact of actions to be launched later in 1999 and even in 2000 to the extent that this could be determined. Clearly, however, a "mid-term" evaluation, such as ours, could not pronounce definitively on the final value and cost-effectiveness of some of the actions, which were still evolving at the time of our analysis.

## **2. Methodology**

Our team first conducted extensive and often lengthy interviews with a full range of officials within DG XXIII. We then visited all Member States (both for discussions with officials in the national capitals and for visits to project organisers and intermediary service providers in the regions). We organised a round table discussion day in Brussels to allow all the European SME representative organisations the chance to submit comments to us. We also conducted a number of interviews with officials from other Commission departments. In addition, a total of 34 separate questionnaires were prepared and issued to almost two thousand recipients in 15 different target groups;

Overall, the desk and direct field research was painstaking and exhaustive. Our aim was not necessarily to obtain statistically valid samples of opinion in all cases (in the case of the users of the services this would have implied a much more extensive operation). Our evaluation is necessarily an overview of the functioning of the entire MAP. Detailed evaluations of individual measures within the MAP are being carried out separately. Our task was not to duplicate these, but rather to sample a range of opinion and highlight successful experiences and problem areas. We tried, therefore, to offer all categories of respondent the chance to comment on the programme and to obtain enough replies that a general indication of the range of opinions could be discerned.

We had a high level of response from most of the surveys directed at government officials, intermediary organisations and project organisers. Only in the case of the Interprise organisers, the BC Net/BRE intermediaries and the members of the Committee on Commerce and Distribution, were the results disappointing, despite dedicated follow-up. In both cases, a number of interviews were conducted to supplement the questionnaire research.

Given the nature of the study, it would be impossible to ascribe scientific weightings to the views of the specific categories of stakeholder involved in our research. Moreover the detailed discussions revealed a range of opinions, different intensities of view and degrees of emphasis even within the same categories of respondent. The inevitable tendency for self-interest to colour responses was also

a factor, which we had to take into account. We have tried to take more seriously those opinions, which were based on objectivity and on consensus amongst large sample groups than those offered by directly interested parties or isolated individuals. However, in some cases where we felt that an individual comment reflected unusual insight, we have reported it and indicated whether we agreed with the sentiments expressed.

In some cases we encountered widespread ignorance of the detailed content of the Commission's activities, even amongst members of the Article 4 Committee. Sometimes we also felt that views were based on information, which was out-of-date. We have tried to take account of the inaccuracies which this may have caused and in many places we have indicated that we disagree with comments expressed by one or other interested party. Where we do so, we explain why we disagree.

In relation to the views of the Article 4 Committee, our research uncovered many critical comments, even in areas where the Committee had unanimously approved the measure in question. Our approach has been to faithfully reflect the views that were presented to us, in confidence, during the interviews. Voting patterns in Committees may have all kinds of motivations and we cannot comment on why there might be discrepancies between the views reported to us and those presented in public during the Committee meetings.

We are satisfied that our conclusions, which are partly based on the views of all the various stakeholders in the MAP, and partly based on our own assessment of these views and of the actions taken under the MAP so far, are valid in the context of our assignment. In the report's annexes the reader will find a summary of the research results from each target category of respondent. Where we express our own opinions on the individual elements of the MAP, we try to make this clear in the text.

### **3. Tabulation of Measures**

#### **Objectives A and F: Simplify and Improve the Administrative and Regulatory Business Environment. Improve SME Policy Instruments.**

We identified the following actions:

- Co-ordination with other parts of DG XXIII and with other parts of the Commission to influence the terms of the policy debate and to ensure that SME interests are taken into account in the development of EU policies;
- Consultation with SME representative organisations and, where possible, with samples of SMEs themselves, to ensure that the SME representatives have the chance to comment on new EU legislative proposals and on SME access to EU programmes;
- Monitoring of the system of "Business Impact Assessments" to ensure that all Commission services evaluate the potential impact on SMEs of any legislative proposals;
- Concerted Actions, promoting the co-ordination of action between Member States to assist SMEs and promoting the identification and dissemination of "best practice" and "good practice" at all levels of government;
- Establishment and encouragement of the Business Environment Simplification Task Force (BEST) and publication of the two parts of the BEST report. Also the publication of a

communication on the Commission's response to the recommendations of BEST, with a proposed Action Plan for Member States and the Commission;

- Publication of a Recommendation on Improving and Simplifying the Business Environment for Business Start-ups and preparation of the creation of a database of Member State measures to encourage start-ups;
- Organisation of a forum on the Transfer of Businesses plus a Communication on the same subject summarising the results of the 1994 Recommendation on this issue and a call for proposals for pilot projects on the training of SMEs in the field of transferring businesses;
- Specific measures to help SMEs adapt to the introduction of the Euro (in addition to work described above in relation to influencing the activities of other Commission DGs on this issue). The specific measures have included: round tables and conferences/seminars on specific issues with other interested parties, information campaigns conducted through the Euro Info Centres, the securing of a Code of Conduct between consumer organisations and SME, tourism and commerce representatives on the introduction of the Euro, the preparation of a CD Rom/Brochure for use by SMEs and the launch of a call for proposals for pilot projects on the training of SMEs on the introduction of the Euro;
- Maintenance of a database called Régie on the creation of European Economic Interest Groupings (EEIGs), plus a Communication on the participation of EEIGs in public contracts and programmes and the production of a practical handbook for SMEs on when EEIGs could be a useful instrument for cross-border co-operation;
- Work on statistical issues in relation to SMEs in Europe, including a regular report "Enterprises in Europe", brochures on specific issues, including "statistics in focus", and a publication "Business Services in Europe" plus the preparation of a draft Regulation on business statistics for the future;
- Regular reports entitled "The European Observatory for SMEs" prepared by outside consultants and research institutes on policy issues surrounding SME development and experiences across the Member States;
- Conduct of a number of specific evaluations of individual elements of the MAP, plus the organisation of the current evaluation, co-ordination with DG XIX of the Commission in this area and the development of performance indicators for ongoing internal monitoring of DG XXIII programmes.

#### **Objective B (and JEV): Improve the Financial Environment for Enterprises**

We identified the following actions:

- Organisation of Round Tables of bankers and SMEs to identify "best practices" and improve SME banking relationships and publication of the results of the Round Tables;
- Research studies and seminars on various aspects of SME financing including venture capital, mutual guarantees, lease financing, access to long-term credit, factoring, business angels, bonds for SMEs and the idea of an SME investment agency;
- Launch of a new Seed Capital pilot action programme, CREA, to subsidise the creation of up to 30 seed capital funds to invest in new businesses or the transfer of existing businesses;

- Communication and proposed Directive on combating late payments in commercial transactions, plus a call for proposals for pilot projects for training SME managers in cash-flow management;
- Establishment of the Joint European Ventures (JEV) project, whereby SMEs setting up joint ventures or other new co-operative entities across borders are entitled to subsidies of up to 50% of the cost of feasibility studies and of up to 10% of the cost of establishing the investment. (with a maximum subsidy per joint venture of Euro 100,000).

**Objective C: Help SMEs to Europeanise and Internationalise their Strategies, in Particular through Better Information and Cooperation Services**

We identified the following actions:

- Maintenance and improvement of the network of Euro Info Centres through the development of a "first stop shop" concept in relation to advice to SMEs on EU issues and through enhanced activity monitoring, quality control, training and network support in Brussels. New categories of "network co-ordinator EICs" (EICs which operate a network of branches or relays, through which they offer services to SMEs) and "associated members" (organisations unable to offer a full range of EIC services, but still contributing something to the network) were created to extend the reach of the network. A start was made in using EICs to supply feedback to the Commission on SME reaction to policy initiatives;
- Efforts to promote SME policy actions, including: the Euro Info newsletter, the use of promotional stands at events, the supply of a "visits service" to look after groups of interested parties visiting the Commission, the supply of an information service to the public and the creation and maintenance of the DG XXIII web-site. DG XXIII has also produced the publication "Activities in favour of SMEs and the Craft Sector" which contributes to the understanding of EU actions in this area;
- Maintenance of the BC Net and BRE networks of business counsellors, which use a computerised search system to locate potential business partners for SMEs in other EU Member States. The computerised system has been significantly upgraded, but emphasis is now put on the network of counsellors, rather than the computer tool itself as the means of locating partners. The networks are now being re-launched with a promotion campaign consisting mainly of national meetings of the intermediaries in the Member States;
- Organisation of Europartenariat and Interprise events, where SMEs can meet other SMEs, which are interested in forming cross-border partnerships. Europartenariats have continued at two multi-sectoral events per year, located in less-developed regions of the EU. Interprise events have continued to be sector-specific and much smaller in size. 51 Interprise events took place in the 1997/1998 period. DG XXIII has produced a Vade Mecum for organisers of both types of event and given more priority to follow-up and evaluation of the success of the events;
- A number of initiatives have been launched to try to develop subcontracting partnerships for SMEs. These include a number of publications, studies and reference tools, the organisation of a forum of subcontracting intermediaries, the organisation of some sectoral projects and promotional actions for EU subcontractors in third countries, the subsidisation of SME participation in training programmes in Japan, the further development of a system to link existing subcontracting databases and the organisation of IBEX (international buyers' exhibitions) events;

- Several measures have also been introduced to improve SME access to international markets outside the EU. These have consisted of the extension of the EIC and BC Net/BRE networks to central and Eastern Europe, to the Mediterranean countries and beyond. The Europartenariat model has also been extended to other parts of the world, to offer EU SMEs the chance to develop partnerships with companies all over the world. Other actions have included studies on internationalisation and the likely impact of enlargement on EU SMEs and the launch of pilot projects to test new approaches to helping SMEs form new business contacts in new markets;

**Objective D: Enhance SME Competitiveness and Improve Access to Research, Innovation and Training.**

We identified the following actions:

- Studies, research and pilot projects on innovation and technology issues for SMEs;
- Exerting influence on other parts of the Commission (notably DGs XII and XIII) to ensure that SMEs have improved access to EU programmes on research, technology and innovation;
- Creation of a network of Business Schools (BENE network) and study on best practices in relation to SME management training;
- Launch of a new European Quality award for SMEs;
- Financial support for NORMAPME, an organisation helping SMEs to become involved in standard setting at European level;
- Call for proposals for pilot projects on the training of SME managers in a range of areas and preparation for a Communication;
- Pilot scheme for the development of a European methodology to assist SMEs, wishing to participate in the EU's eco-management and eco-audit scheme (EMAS). 547 SMEs were involved in the audit and inventory phase, 50 were selected to be assisted with EMAS certification. In 1997 a report was drawn up on the whole project;
- Production of an eco-management guide, by the EIC environment specialist group.

**Objective E: Promote Entrepreneurship and Support Target Groups.**

We identified the following actions:

- Preparing and organising a major conference on "Employment through Innovation" focussing on the craft sector. The preparation involved 11 pre-conferences and consultations with national experts and SME representatives. The conference attracted 2,000 delegates;
- Influencing the policies of other parts of the Commission on the needs of the craft and micro-enterprise sectors and of women and young entrepreneurs;
- The launch of 39 studies, conferences and pilot projects on identifying the needs of small and craft enterprises, involving them in cross-border activity, improved standardisation for craft products, financing and training of enterprises run by women, encouraging entrepreneurial spirit through training, and overcoming the specific difficulties faced by young entrepreneurs;

- Publication of a Communication on “fostering entrepreneurship in Europe: priorities for the future;
- Funding of surveys, study groups, seminars and conferences to identify future challenges for the retail and wholesale sector under the Commerce 2,000 programme. Also dissemination of best practices found through conferences and (soon) publications;
- Publication of a Green Paper and then a White Paper on Commerce;
- Meetings with the Committee on Commerce and Distribution (CCD) and distribution of the minutes to all interested parties, plus reports on the opinions of the CCD and of its panel missions to third countries;
- Inter-service consultations on commerce issues;
- A conference and the launch of studies, a pilot system for certifying web-sites to improve consumer confidence and an on-line business information service for SMEs on electronic commerce.

## The Programme and its Measures

The programme consists of a large number of actions carried out in response to the six high-level objectives laid down in the Council Decision of 9 December 1996 establishing the Programme. These objectives, measures and expenditure levels (remembering that the Council Decision established a total reference amount for the four-year life of the Programme of Euro 127million) are as follows.

Objective	Measure	Spending 1997 €	Spending 1998 €	Total spending to date €
A	A1 Ensure consideration of SME interests	956.293	1.834.652	2.790.945
A	A2 Simplify and improve SME legislation	0	0	0
A	A3 Increase transparency and spread of best practice (including administrative simplification and concerted actions)	632.349	828.700	1.461.049
A	A4 Improve framework for SMEs' transnational operations	246.000	0	246.000
<b>Total Objective A</b>		<b>1.836.639</b>	<b>2.665.350</b>	<b>4.497.994</b>
F	F1 Statistics	*951.750	1.386.969	
F	F2 Observatory	*951.750	2.123.000	
F	F3 Evaluation	*951.750	398.200	
<b>Total Objective F</b>		<b>951.750</b>	<b>3.908.169</b>	<b>4.859.919</b>
B	B1 Improve access to loan and risk capital finance	196.051	331.200	527.251
B	B2 Late payment	43.100	0	43.100
B	B3 Facilitate development of specific financial instruments	66.200	348.623	414.823
B	B4 Develop capital markets and SMEs' access to them	0	0	0
B	G JEV	5.000.000	0	5.000.000
<b>Total Objective B (and JEV)</b>		<b>5.305.351</b>	<b>679.823</b>	<b>5985.174</b>

C	C1 EC Information Services	11.295.891	15.170.827	26.466.718
C	C2 Improve promotion of SME policy actions	0	643.449	643.449
C	C3 Business partner-search networks	915.400	1.050.350	1.965.750
C	C4 Direct contacts partnership programmes (Europartenariat)	**3.798.251	2.000.000	
C	C4 Direct contacts partnership programmes (Interprise)	**3.798.251	2.250.400	
C	C5 Subcontracting	528.852	545.911	1.074.763
C	C6 SMEs' participation in Internal Market & Information Society	0	0	0
C	C7 Access to new markets and internationalisation for SMEs	0	596.014	596.014
<b>Total Objective C</b>		<b>16.538.394</b>	<b>22.256.951</b>	<b>38.795.345</b>
D	D1 Increase SMEs' access to innovation and technology	233.871	671.703	905.574
D	D2 Improve managerial ability (including training, quality and standardisation)	50.000	301.231	351.231
D	D3 Adapt SMEs to environmental requirements	0	0	0
<b>Total Objective D</b>		<b>283.871</b>	<b>972.934</b>	<b>1.256.805</b>
E	E1 Business culture and entrepreneurship	0	81.500	81.500
E	E2 Craft, small and micro-enterprises	4.241.360	223.540	4.464.900
E	E3 Commerce & Distribution	837.998	1.011.371	1.849.369
E	E4 Target Groups (women, young entrepreneurs & disadvantaged)	2.480.000	3.952.475	6.432.475
<b>Total Objective E</b>		<b>7.559.358</b>	<b>5.268.886</b>	<b>12.828.244</b>
<b>Overall Total</b>		<b>32.473.366</b>	<b>35.750.115</b>	<b>68.223.481</b>

\* 1997 figures for all 3 measures in objective F

\*\* 1997 figure is for Europartenariat and Interprise

#### **4. Types of Action Identified**

During the course of the evaluation four different types of DG XXIII action emerged:

- Policy development actions
- Pilot projects or demonstration actions
- Operational measures
- Publications, Databases and other Information actions

Of course, it is not always possible to completely distinguish between the four types of action in practice. In many cases pilot actions are an integral part of the policy process, for example, where they can be used to test policy responses to problems, which have been identified through policy analysis and research. Some pilot actions may be small-scale precursors to full-scale operational measures and some publications are linked to operational actions as well. Nevertheless, the distinctions are useful, in our opinion, for distinguishing between the different types of activity undertaken under the third MAP, especially since a number of themes emerged from our research concerning the responses of the various parties and our own opinions in relation to each type of action.

##### **Policy Development**

Under “policy development” we include all measures to research problems and difficulties faced by SMEs. This includes discussions with interested parties, conferences and seminars and the production of research reports and analyses of specific areas. It also includes the production of communications, recommendations and draft action plans for addressing policy reforms towards the problems identified and any other work identifying possible policy solutions to specific problems.

All parties agree that DG XXIII has a clear role to play in the elaboration of policy for enterprise development. It is felt that a European dimension to policy research is of enormous value, because it allows for exchanges of experience between Member States and analysis on a European scale. The Commission can compare and contrast the very different experiences encountered in a range of locations and then help to analyse which solutions have proved effective. Such analysis (and the results of the research itself) must, however, in our view, be disseminated widely and discussed with the Member States in order to maximise its value. This is because the appropriate policy response may have to be delivered at national or regional level, rather than by the EU itself, depending on the nature of the problem.

All parties also agree that the DG XXIII activity of influencing the rest of the Commission to adopt SME-friendly policies and legislation is of great importance.

##### **Pilot Projects**

As “pilot projects” we include all test or demonstration actions funded by DG XXIII, which are not of sufficient scale to have any kind of generalised impact within the EU. The direct quantitative impact of pilot actions is typically localised and limited in relation to the potential number of beneficiaries in the EU as a whole. The main value of the actions lies in the potential to influence a policy debate and to be replicated by other

actors, or by the Commission itself, if they are successful. They are usually used to test different policy responses to identified problems and are often called “demonstration projects” because of their ability to demonstrate suitable courses of policy action for the future.

Our interviewees were often sceptical about the value of some of the DG XXIII actions of this kind. They were mostly not against pilot actions in principle, but the point was made many times that pilot actions should only be used to test potential policy responses, and only those which are not already being tested elsewhere. This means that they should only be launched after an exhaustive analysis of the relevant policy options. They should be seen like clinical trials to test the performance of a new drug. You cannot start them until the research is complete, and you do not need them to test a drug, which has already been tested in another laboratory, unless that test was carried out under different conditions.

Our own view is that pilot actions must indeed be linked to policy development and not just launched in isolation. Furthermore, the results of the pilot action must be examined in great depth and communicated to all relevant policy making bodies and interested parties. Finally, the objectives of the pilot actions must be clear and if possible, performance indicators should be designed to measure the success or otherwise of the pilot, before it is even launched.

### **Operational measures**

Operational measures are those which are conducted on a large scale by the Commission, because it makes sense that the measures be managed at European level. The “large scale” need only be relative to the size of the potential beneficiary group, however. For example, a strictly sectoral measure for scooter industry component suppliers will only be of interest to a few hundred companies across Europe so an action, which involves a hundred of them, would be “operational”. On the other hand, a project, which is designed to benefit a hundred SMEs in the bakery sector or the restaurant sector, can only be a “pilot” because it can only have generalised impact through influencing policy change.

We encountered no fundamental objection to DG XXIII being involved in operational actions, as long as there is a clear identification of a need for action at European level. When the Commission does act, however, it was often pointed out that it should do so in conjunction with national and regional programmes in the Member States, wherever possible. EU actions should be integrated as far as possible into other mechanisms in order to gain greater visibility and greater efficiency and to avoid duplication and wastage of resources.

As with pilot actions, our view is that the objectives of the action should be clear and there should be performance indicators built into the programme so that an independent evaluator can judge whether they have been successful.

Finally, operational programmes must, in our view, be mounted on a scale, which is sufficient to make a real impact. This is necessary to achieve economies of scale and administrative efficiencies. Administering several small programmes is much more time consuming than dealing with one large one. In order to achieve the necessary volume of activity and market penetration, these actions should also, in our opinion, be well-marketed and resourced and planned on a multi-annual basis for sustained impact.

## **Publications, Databases and other Information Actions**

Most of the publications and other information actions produced by DG XXIII are directly related to its policy work and none of these have been seriously criticised. Publications are alternatively often related to the dissemination of the results of EU actions. These have not generally been criticised either. The third type of information action is related to the promotion of EU policies for SMEs. These have not been questioned in terms of their purpose and validity, though some detailed comments have been made. A few of the publications and databases, however, have broader business advisory aims and many of these have been questioned.

The consensus on this type of action was that such activities should be very focussed on specific policy purposes, if they are to have real value. The Commission should not, in our view, replace the role of academic publishers nor undertake activities which other bodies, such as intermediaries or trade associations, could and should perform themselves. EU actions should be devised either to feed into a specific policy framework, or with a specific objective in mind in terms of having a direct impact on European SMEs.

### **5. Application of the Themes to DG XXIII's Activities**

#### **Policy Development**

Most of the Commission's policy work was praised and welcomed by the respondents to our surveys and is rated highly in our evaluation. New initiatives such as BEST and the Concerted Actions were found particularly useful and most respondents acknowledged the progress made in putting SME policy on the agenda of other DGs and on that of the Member States. Most of the comments made by the various interested parties related to improving further, areas which already functioned reasonably well, and to integrating the various actions together.

A recurring comment, which we find useful, was that the themes of policy research and exchanges of information should be carried forward consistently through the full panoply of Commission instruments. This would mean, for example, that a research task handed to the Observatory should then form the basis for specific, in-depth research on practical applications and then give rise to a Concerted Action with exchanges of views between the Member States. After that, there could be further analysis and perhaps follow-up research or discussions and then finally an analytical report, including perhaps a Recommendation, or a pilot action to test an innovative solution. There are several examples of this type of consistent policy activity within a given theme in the third MAP, which have achieved practical results in terms of changing policy in the Member States as well as in the Commission itself.

There is a feeling that sometimes, however, policy research has been started in the middle of this process or stopped after only one or two of the elements have been completed. Research actions, conducted within the context of the European Observatory for SMEs, are not always linked to any other actions and some Concerted Actions have taken place with very little preparation or Europe-wide analysis to form a specific basis for discussion. In some sectors, we believe that the Commission is perhaps dealing with too many themes at the same time, without the resources allocated to policy issues to cover such a wide range of subjects. Some of the themes were also deemed by some interested

parties to be too general to allow specific conclusions to be drawn, though we are not sure that this criticism was always justified.

Finally, the level of communication of the results of some of the various research and policy development actions was also criticised. We agree that in some cases dissemination of results of research could be improved

### **Pilot and Demonstration Projects**

Most of the actions of the Commission in this area were criticised by at least some of the experts whom we contacted. Some of the criticisms, especially from some members of the Article 4 Committee, were quite fundamental. In some cases we have sympathy with the criticisms, but in other cases, we feel that they are unjustified.

The biggest issue raised by the Article 4 Committee members was that many of the pilot actions did not seem to be related to any comprehensive policy development agenda on the part of the Commission. Since the results of many of these same actions were allegedly not communicated to the Member State authorities, they could not feed into the policy-making process there either. In these cases it is felt that the money is being largely wasted, according to many Article 4 Committee members. In some cases it is believed that no evaluation is being carried out on the projects either and the long-term purpose of some of the projects is, according to some members of the Committee, not entirely clear.

A further complaint was that some actions seem to be run like operational measures, but are run on such a small scale that they will never have an overall impact, except in a policy development context. Yet some of the measures are allegedly not innovative or based on a clear, identified need and sometimes they duplicate actions already taking place in the Member States. The Commission should, according to the complainants, instead first analyse the Member State actions, then develop a policy and only later launch any kind of pilot to test any alternative approaches.

In any case, all believe that the results of the actions must be clearly analysed and communicated to all interested parties. Some respondents stated that there were simply too many different programmes and types of action for them all to be evaluated and analysed properly, given staffing and budgetary constraints. DG XXIII should therefore, according to these individuals, have fewer initiatives, but make sure that they are all relevant and targeted and that their results are evaluated and communicated to interested parties.

As stated above, we do not feel that all the above criticisms are fair. Most obviously, it is not entirely reasonable to criticise the Commission for the range of its activities, when it is implementing an MAP agreed by the Member States (though the Commission could still perhaps have limited its actions in response to the finally agreed reference amount for the MAP and in reaction to its own staffing limitations).

Secondly, we believe that some of the pilot projects launched under the third MAP have been related to policy analysis and undertaken within an overall policy framework to test innovative approaches. This is certainly the case with CREA and the pilots in the Craft sector at least. It is at least partially the case in relation to the pilots supporting entrepreneurs amongst women and the young. It is less obviously the case in relation to the pilot actions for SME training (except in relation to tightly identified issues such as

the transfer of enterprises) and in relation to the actions on innovation, internationalisation, environmental management, Commerce 2000 and electronic commerce.

The complaint about absence of evaluation and failure to communicate results is also not entirely fair, because many of the pilot actions are only now being launched and evaluation and dissemination actions will only be conducted in some months or years' time. The delays in evaluating the pilot actions for innovation, environmental management and Commerce 2000 must, however, be regretted, as encouraging such criticism.

### **Operational Measures**

Most of the genuine operational actions undertaken under the MAP have been broadly welcomed and seem to function effectively. In the cases of the EIC network, for example, and of the Europartenariat, Interprise and Ibex events, opinion was generally favourable. The value of EU-level action was clear, the measures were targeted on areas of need and attempts had been made to differentiate the products from other programmes operated at Member State level, though integration with national programme structures could be improved.

The actions were operated on a scale, which made a significant impact possible (though they could be better marketed) and they were planned and operated on a multi-annual basis. Their objectives were reasonably clear and attempts had been made to ensure that their impact was monitored and evaluated and that quality control was maintained throughout the duration of the programme.

Some other operational actions came in for more criticism. Some of the smaller actions were deemed to be insufficiently planned on a long-term basis and therefore seemed to be rather "ad hoc". We feel that this criticism is perhaps justified in relation to the sectoral actions for supporting EU subcontractors (which are, however, otherwise highly rated), but is generally not fair in relation to the other operational measures.

Another criticism was that some of the actions were inadequately promoted. We feel that this a fair criticism in relation to JEV and BC Net/BRE, but in both cases, the Commission is aware of this weakness and is taking steps to remedy the situation. The criticism also seems to be fair to us in relation to the European Quality Award project.

A further criticism of some operational measures was that they had not been sufficiently evaluated. Again, we feel that this is probably a fair criticism in relation to JEV and BC Net/BRE, but there are circumstances in both cases, which may have justified, to some extent, the delay in launching full evaluation measures.

### **Publications, Databases and other Information actions**

Some of the small activities of this type undertaken under the multi-annual programme were also criticised, though, as stated above, the vast majority of information actions were clearly related to policy development and communication and these were not criticised.

One of the publications (the Euro CD Rom/brochure) was felt by some respondents to our survey to duplicate Member State initiatives and we feel that others were

inappropriate actions for a public authority (some of the publications in relation to subcontracting and EEIGs). Others (mainly related to subcontracting) were found by us to be interesting, but not a priority for the department in question, therefore absorbing valuable staff time and resources to limited effect. Others were not, in our opinion, disseminated in sufficient volume to have an impact. The information materials, on the other hand, which were designed to summarise EU policy for SMEs in general, were generally welcomed as useful summaries of activity.

## **6. Conclusions and Recommendations by Objective of the Multi-Annual Programme**

### **Objectives A and F: Simplify and Improve the Administrative and Regulatory Business Environment. Improve SME Policy Instruments.**

#### *Conclusion*

The Commission should build on the good work done under the **Concerted Actions** approach. These actions secure the commitment of the Member States, enhance the prospects of wide dissemination of the lessons learned, and increase the likelihood of real impact being achieved. We have no doubt that the actions have been cost-effective from the EU's perspective.

#### *Recommendation*

The resourcing inside the Commission for this work should perhaps be increased in order to secure adequate planning and research to precede, accompany and follow-up all the events and initiatives. This is clearly understood within DG XXIII and the situation does seem to be improving. Where the Commission has invested the resources for detailed comparative policy analysis and specific recommendations for change (in the Recommendations on the transfer of enterprises and on business start-ups), the results have been impressive. Further follow-up measures on these issues should consolidate their success.

#### *Conclusion*

The **BEST** initiative appears to have been a success. Its costs were limited and its potential benefits are considerable. We have no doubts about the cost-effectiveness of this action.

#### *Recommendation*

Many observers fear that the Action Plan has been watered-down so that immediate changes will be limited. The Commission may have to invest resources in detailed follow-up to the BEST initiative, to ensure that pressure is maintained. It may be advisable to launch some smaller task forces, following the BEST model, to address more specific areas and produce more specific recommendations, which can be more directly promoted and monitored.

#### *Conclusion*

On **consultation of SMEs**, much progress has been achieved. Costs are minimal and benefits potentially major, though impossible to quantify. The activity has certainly been cost-effective in our opinion.

#### *Recommendation*

The Commission should now invest more resources into persuading the Member States and/or the SME representative organisations to set up statistically valid and comprehensive databases of SMEs to be used in test panels. The Danish model could form a useful example to use for this purpose. Until this is done, the use of these panels is unlikely to be effective. We do not favour using the EICs systematically for this kind of feedback role either, unless they are specifically paid for this purpose and trained in the establishment of representative samples and sampling techniques. In the meantime, the Commission must continue to consult with the SME representative organisations and, if necessary, ask them to survey their members on issues of major importance. Other DGs should be brought in for the consultations with the existing SME organisations in relevant areas.

#### *Conclusion*

On **influencing the Commission**, it is recognised that progress has been made in recent years in getting SME policy firmly onto the agendas of most other DGs. The formation of the "group of Commissioners on SMEs and Entrepreneurship" to address enterprise policy in a concerted way is considered a major success. Progress has also been widely noted in relation to SME access to R & D funds and further progress seems to us to have been made in relation to the structural funds. There is no problem with cost-effectiveness here.

#### *Recommendation*

Continue efforts in the same direction

#### *Conclusion*

The **Business Impact Assessment (BIA)** system does not work optimally, but the fact that BIAs must be done gives DG XXIII some leverage over the other DGs and scope to influence their activity. The cost is negligible, except in relation to staff time, and the benefits are identifiable. We conclude that the procedure is still cost-effective.

#### *Recommendation*

The BIA system should be upgraded in status, with the addition of ex ante cost-benefit analyses in cases where draft legislation will have a major business impact. DG XXIII should also examine ways of showing to the outside world that the procedure is taken seriously.

#### *Conclusion*

There is allegedly some danger of duplicating Member State actions in relation to the proposed **CD-Rom on the Euro**. This product has also been justifiably criticised for being issued late. We doubt whether the CD Rom format is fully appropriate for the

smallest SMEs, who need such a product the most. The cost-effectiveness of this action cannot be determined yet, but these weaknesses are likely, in our opinion, to have a negative impact.

We also have doubts about the likely cost-effectiveness of the pilot training actions to be launched in relation to the Euro, given the number of training initiatives being launched in most Member States and the time that it will take for the lessons of this pilot to filter through to national policy-makers. DG XXIII should, in our opinion, in the light of the time pressure for helping SMEs address Euro changeover issues, have concentrated on ensuring that other, better-resourced actors integrate the interests of SMEs sufficiently into their information and training campaigns on the single currency.

On the other hand, DG XXIII's work in relation to the Code of Conduct for retailers has been universally praised and the Euro campaigns mounted by the EICs have been, in our opinion, both valuable and cost-effective.

*Recommendation*

The results of the pilots on training should be analysed and disseminated as fast as possible. Other actions, if any, should be integrated with those of the Member States in this key area.

*Conclusion*

We are not convinced that the work undertaken in relation to EEIGs is valuable or cost-effective, despite the relatively low spending on these items. Our opinion is that the Régie database mainly serves the interests of intermediary organisations, rather than SMEs, and that brochures on the instrument should not have to be produced at public expense fourteen years after the legislation setting up the EEIG was adopted. Since there is, in our opinion, no genuine need or utility for the actions, they do not seem to us to be cost-effective.

*Recommendation*

These actions should in our view be discontinued after the 1999 brochure has been distributed.

*Conclusion*

The process of working to produce **statistics and research** studies with Eurostat and the SME Observatory generally, in our view, produces useful results at an acceptable cost.

*Recommendations*

The exercise could be more creative (faster reports on single topics, for example) and more responsive to user needs (through Internet dissemination). There have also been useful suggestions that the work of the Observatory, in particular, be more closely integrated with the other research work being undertaken in DG XXIII so that the Observatory's research capacity can be mobilised to directly influence the policy debate.

### *Conclusion*

DG XXIII's efforts in the field of **evaluation** have shown a marked improvement during the third MAP and are certainly cost-effective.

### *Recommendations*

Evaluation activities should be stepped up and accelerated over time, but a noticeable improvement in evaluation culture can already be discerned.

## **Objective B (and JEV): Improve the Financial Environment for Enterprises**

### *Conclusion*

The **Round Tables of Bankers** are considered to be useful by almost everyone and in view of the low cost, we have no difficulty with the cost-effectiveness of this action.

### *Recommendation*

The dissemination of the results of the meetings has been criticised and could probably be further improved. It might also improve the practical effectiveness of the round tables if their work were more focussed on specific issues, rather than dispersed over a range of subjects. The work of the round tables could also be more clearly linked to the Concerted Actions by providing input for discussions between Member States. This would also help with dissemination of the results of the meetings and might generate ideas for further research. Such research could then be addressed at the next meeting of the Round Table.

### *Conclusion*

In the area of **access to finance**, all parties welcome the research, which has been undertaken by the Commission so far and look forward to the follow-up measures, which are being planned in a number of areas. The actions in this area have been, in our opinion, cost-effective so far.

### *Recommendation*

There is a risk that the **research** workload is growing too fast and might outpace DG XXIII's ability to continue to follow up its initiatives or adequately publicise their results. Without such follow up, the value of the research would be much diminished.

### *Conclusion*

The **CREA** initiative was much criticised during our research. Many respondents claimed that the new "pilot" duplicates to some extent the pattern of the first pilot and therefore is not sufficiently innovative to be a true "pilot" at all. Others complain that the new scheme fails to take into account the lessons of the first scheme. Others feel that CREA is really an operational measure, but a full operational programme in this area would offend against the principle of subsidiarity. Our view is that the Commission is probably justified in launching a new seed capital fund pilot, in view of the many changes, which have been introduced to the scheme, largely as a result of the evaluation of Seed Capital I. As long as the pilots are evaluated and the results disseminated, they could, we believe, help inform policy deliberations at national and Member State levels. It is too early, however, to judge the likely cost-effectiveness of this action.

*Recommendation*

Timely evaluation and analysis of this action, with full dissemination of the results, may well, in our opinion, help to dispel doubts about the quality of its design.

*Conclusion*

The legislative work on **late payments** responds to a need, in our opinion, and costs little. We believe that it is cost-effective. However, the pilot actions relating to **training in cash management** do not currently seem likely to us to feed into any kind of policy environment, which casts doubt on their likely, eventual cost-effectiveness, in our opinion.

*Recommendation*

The legislative work should be pushed forward, in view of its implications for facilitating trade and investment flows within the Internal Market. In relation to SME cash management training, the Commission should, in our view, first examine the activities of the Member States in this area and analyse the lessons learned from their own training programmes in the field of cash management.

*Conclusion*

The **JEV** programme was welcomed in principle by almost all of those involved in our research, but there were questions about its rules and restrictions. These ranged from the topic of the corporate form that can be supported (joint ventures only), to the lack of marketing and the appropriateness of the choice of financial intermediaries in the network. In our view, the design of JEV is broadly appropriate, when taking into account the need to prevent fraudulent applications and minimise the risk of “free riders” (companies who claim the subsidy, when they would have established the joint venture anyway). The most valid criticism of the programme so far is therefore in relation to its lack of promotion. Cost-effectiveness cannot be determined at this stage.

*Recommendation*

In our view, far more financial intermediaries need to be attracted to the scheme so that it becomes “mainstream”. The balance of work and responsibility between the Commission and the financial intermediaries could also be reviewed in any eventual evaluation to see if this could make application procedures faster and easier. Another issue to be considered in the future would be whether the subsidy for the feasibility study alone, might achieve almost as much at much lower cost.

**Objective C: Help SMEs to Europeanise and Internationalise their Strategies, in Particular through Better Information and Cooperation Services**

*Conclusion*

The **Euro Info Centres (EICs)** are evaluated positively. They show a strong quantitative and qualitative impact, growing network effect and a development of added value to SMEs beyond their traditional role of EU information service providers. The technical assistance office in Brussels is performing well and systems for monitoring EIC activity levels and maintaining quality control have been improved during the third MAP. We

conclude that despite the high cost of the measure and the high number of staff involved, that the spending has been broadly cost-effective.

#### *Recommendations*

The EIC project would benefit from clarification of the first-stop-shop concept and an acceptance that EICs should be more integrated into the national SME support agencies in the Member States. This should probably be done on a regional basis in, at least, the larger Member States. Such integration could allow for a reduction in the number of EICs, but this may not be possible in all Member States and must be agreed with the national authorities in question.

There should be no compromise in the maintenance of strict quality control supervision over the entire network, including “network EICs” and “associated EICs”. Any organisation permitted to use the EIC brand name should be governed by the Commission’s quality standards. There is also a need to avoid confusion or competition that could arise in the context of two EICs in the same region. We believe that the “network EIC” concept could ultimately risk being divisive if it removes regional consensus and joint “ownership” of some EICs at local or regional level. It is preferable to persuade all relays, networks and agencies to co-operate at local level than to empower them at national level to compete with each other on the ground.

The network function should be further developed in order to foster growth in new, market-driven services. However, it would be desirable to clarify the “network rights and responsibilities” of participating EICs, to make “good behaviour” a rule of participation and reward it appropriately, as it is the key to the future development of the instrument.

The subsidy level should, in our view, be revised upwards in deserving cases, but the total number of EICs could also be somewhat reduced, in order to maintain value for money. As for the Technical Assistance office, its work is valued, but the Commission needs to be alive to the possibility that some savings might be possible there too without losing valuable services. There should be more emphasis on training of EIC staff and less on the “spoon-feeding” of pre-digested information materials.

#### *Conclusion*

The **promotional actions** all seem sensible and react to a need. We think that the content and design of the Euro Info Newsletter and the DG XXIII web-site could be improved, and that publicity stands are probably not needed at small events such as Interprise meetings. The activities are, however, assessed as broadly cost-effective overall.

#### *Recommendation*

DG XXIII should consider whether, at some point in the future, a hard copy newsletter could be replaced by an upgraded and more regularly updated web-site.

#### *Conclusion*

**BC-Net and BRE** were widely criticised by most of the respondents to our survey of opinion.

A European, public sector action can, in principle, be justified under the subsidiarity principle in this area, in our opinion. However, unless the current schemes can be made to achieve critical mass and to claim the support of a large number of competent and enthusiastic intermediary organisations, they should not continue to be subsidised from public funds. In any case, they should not, in our view, be supported from public funds indefinitely.

A new computerised tool was introduced in 1998 and some intermediaries are enthusiastic about it (though many are not). The networks are also now being re-launched and there is, according to the Commission, renewed interest in them. We are not convinced that the new system and the re-launch will attract sufficient high-quality support for the schemes to become cost-effective in the future, but it is too early to be sure of this. In the past, we consider that the limited results have not been sufficient to justify the substantial expenditure.

#### *Recommendations*

Our view is that BC Net/BRE should be subjected to a comprehensive, independent evaluation in the year 2000. By then it should be possible to determine whether the recent improvements have been sufficient to re-energise the network such that greatly improved results justify continued public spending. If not, radical action is required, in our opinion. BC Net should be privatised or closed down at the end of the third MAP. The EICs should explicitly take over the role of intermediary-based partner search, where they are willing to do so. BRE, on the other hand, should be set up on the Internet with public access for viewers, but controlled access for inputting data. This would facilitate the linkage of BRE with other, internet-based partner search mechanisms, notably in the USA.

#### *Conclusion*

**Europartenariat**, despite the absence of clear statistics on final results in terms of lasting co-operation, is generally believed to be worthwhile. 44% of the participating companies we researched directly claimed to have started a form of useful co-operation as a result of the event. Our opinion is that the events meet a real need and that the substantial amounts spent on the events are justified by the quantitative and qualitative effects, which they have. They are therefore broadly cost-effective.

#### *Recommendations*

The purely regional approach could be complemented by a stronger sectoral focus, in our view, but the events should not grow too big. Companies could and probably should pay a small fee in order to attend. The mandate for the national counsellors could be somewhat tightened, linked to a contractual obligation to trace the outcome of the event *ex post*.

More attention should be given to follow-up of the contacts made at the events. Attention should also be paid to making sure that the quality of the events is not reduced by the participation of subsidised attendees from non-EU, developing countries, who may not fully understand the nature of the partner search focus of **Europartenariat**. Organisers should also, if possible, be subject to tighter evaluation obligations, perhaps involving an obligation to select an external evaluator.

*Conclusion*

**Interprise** is also generally found to be useful and successful by almost all interested parties. Here, 54% of the companies we surveyed claimed a commercial link-up as a result. As with Europartenariat, we consider that the events meet a real need and that the substantial amounts spent on Interprise are justified by the substantial benefits obtained. The action is, therefore, broadly cost-effective, in our opinion.

*Recommendations*

We believe that better matching in advance would help Interprise and a much stricter evaluation obligation should be placed on the organisers as a condition for receiving their subsidy. The Commission could try reducing the subsidy per event slightly at the end of this MAP, to see whether this affects demand from host organisers.

*Conclusion*

On **subcontracting**, we believe that generally the publications seem to have had little impact, except perhaps on intermediaries, and we have doubts about whether they are cost-effective or whether the Commission should be involved with them. The sectoral projects, by contrast, seem to be appreciated by those who have taken part in them and to be highly rated by their organisers in at least two cases. They are worth pursuing, and have probably been cost-effective so far, in our view, but should be integrated into a multi-annual plan, marketed better and evaluated externally.

The IBEX events were highly rated by almost all respondents to our research. Evaluation and promotion of the events were, as usual, the weak aspects, but we believe that more IBEX events should be held in future, if the Commission can find the necessary organisers. These actions seem to have been cost-effective so far. The other subcontracting actions risk being a distraction from the good, sectoral events, but we can see the sense of the Commission attending (though not subsidising) the conferences of subcontracting intermediaries. The proposed SCAN system of linking subcontracting databases seems to be a good idea, but it is not clear whether it is feasible, at this stage.

*Recommendations*

Unless the unit(s) responsible for subcontracting actions is (are) given far more resources, our opinion is that it (they) should concentrate exclusively on more sectoral projects and on the IBEX events in future. Policy work, including research and analysis of Member State policies and Concerted Actions in this area could also be valuable, however, if more resources were available.

*Conclusion*

The **extension of existing DG XXIII programmes** to the wider world seems to us to be a cost-effective way of expanding the reach of the programmes and increasing their potential value for SMEs at little cost. The cost-effectiveness of the other actions to encourage internationalisation is uncertain at this stage.

*Recommendations*

Limits may have to be placed on the international expansion of the events in future if they are not to be overwhelmed with peripheral visitors and lose some of their original

value. DG XXIII should take care to integrate its other actions with those of the Member States in this area.

## **Objective D: Enhance SME Competitiveness and Improve Access to Research, Innovation and Training.**

### *Conclusion*

**Innovation** actions are judged as good in terms of DG XXIII's influence on the content of the Action Plan for Innovation in Europe and on the Fifth Framework Programme for Research & Development. The Commission DGs who lead on these issues welcome DG XXIII's input and expertise, but question, as do the Member States, and as do we, whether the pilot actions in this field are valuable. The cost-effectiveness of actions in this area could only be justified on the basis of their low overall cost. DG XXIII's resources for this work are very limited and focus is essential.

### *Recommendation*

We believe that DG XXIII should focus in future on influencing the way in which DGs XII and XIII make funds available to SMEs. Pilot actions should only be launched, in our view, to test policy options.

### *Conclusion*

In the field of **training and quality**, most commentators have seriously questioned whether DG XXIII should be active at all in this area. Subsidiarity issues arise, as does the obvious fact that Member States all have very substantial programmes under way, and the Commission has big spending activities under the management of DGs V and XXII. We doubt that the pilot actions in this area will be seen to be cost-effective overall, though some training actions could be useful in areas where in-depth policy research has already been conducted (such as the transfer of enterprises), but it is too early to make a definitive conclusion on this.

### *Recommendations*

DG XXIII's activities, if any in future, should in our opinion, be limited to influencing other actors and conducting research on policy in this area, without starting spending initiatives on its own.

### *Conclusion*

**Standardisation**, on the other hand, is an area that calls for EU-level action, in our opinion. The NORMAPME action fills a gap in the European standard-setting process, is cost-effective and should be well publicised, so that potential clients can be enabled to use it.

### *Recommendation*

This action should be continued for the time being, with enhanced publicity.

### *Conclusion*

The work done in relation to the **environment** was complimented, during our research; in as far as it has led to positive account being taken of SME interests in the revision of the

EMAS Regulation. There was a clear link, in our opinion, between the Euromanagement-Environment action and EMAS, but, again, the issue of staff resources available to DG XXIII to administer this action arose as a serious issue.

*Recommendation*

It is not clear that further actions in this area are called for, but if they are, we believe that they should be strictly policy-oriented.

**Objective E: Promote Entrepreneurship and Support Target Groups.**

*Conclusion*

**Promoting entrepreneurship** is the overriding aim of Objective E, and it has been given effect most noticeably in the Commission's Communication on Fostering Entrepreneurship, published in 1998. This action should, in our opinion, acquire greater force in the light of the conclusions of the Luxembourg Employment Summit, and the BEST follow-up will play a role also in keeping the issue in the spotlight.

*Recommendation*

DG XXIII should continue to focus on the development of research in this area and the promotion of best practice amongst the Member State authorities.

*Conclusions*

The work on the **craft sector**, and on **special target groups** such as Women, Young Entrepreneurs and the disadvantaged, has given rise to scepticism that sufficient concrete developments can be expected from the large number of conferences, pilot projects and demonstration events that have taken place. The administrative and processing systems have been slow to date, such that DG XXIII is only now evaluating projects from the 2<sup>nd</sup> MAP, while projects under the 3<sup>rd</sup> MAP are now getting under way. There are constraints on following the results of these pilot actions to the policy development stage, which should be speedily looked at.

Some members of the article 4 Committee also object, in principle, to the singling out of craft and micro-enterprises for special treatment. According to them, all SMEs should be treated equally in relation to the Commission's actions. Special needs groups should be considered within a policy context only, through research, concerted actions, etc. Some Member States feel the same way about special actions for women and the disabled.

Our opinion is that the pilot actions for the craft sector can be justified in principle, in that they clearly fall within the policy framework established by the Milan Conference. They will only be cost-effective, however, if the results are evaluated and communicated to all interested parties in a timely fashion, and fed into the EU policy context. It is not clear to us, that the same policy context exists for the pilot actions in favour of women and promoting young entrepreneurs, so the use which is made of the results of these pilot actions will be an even greater determinant of whether they were cost-effective.

*Recommendations*

The evaluation of existing actions and the starting of a policy debate on the implications of the results should now, in our view, take precedence over the launching of more pilot actions. DG XXIII should make sure, in future, that pilot actions in this area make sense within an overall policy framework, which has been agreed with the Member States, as well as the intermediaries, trade associations and lobby groups for the special interests concerned.

#### *Conclusion*

The **commerce** sector is controversial in the context of the 3<sup>rd</sup> MAP, because of its sectoral focus within what is a horizontal programme. There is a doubt, in many countries, about whether spending on the commerce sector should be undertaken within the framework of the MAP for SMEs, although we believe that DG XXIII has tried to give its efforts in this area an SME focus.

As for the actions undertaken, the recent White Paper has been mostly welcomed, though there is a view in some quarters that it could have been more strategic in focus and fears exist that resource limitations and delays may mean that its action plan is not fully implemented. There are also doubts about the follow-up likely to be given to Commerce 2000 phase 3, where the stakeholders fear that the various reports and conference conclusions, while valuable, may not receive the detailed attention they need to make them go further. The electronic commerce initiative has been broadly welcomed.

The cost-effectiveness of the electronic commerce initiatives cannot be determined at this stage. We have doubts about the eventual cost-effectiveness of the spending so far on Commerce 2000 under the third MAP, but again, it is too early to judge what use may be made of the results of this spending. The other, policy-related actions seem to present no difficulties, in terms of cost-effectiveness, as long as it is accepted that supporting the commerce sector is a valid objective under the MAP.

#### *Recommendations*

DG XXIII should make sure that the White Paper is implemented effectively, and that the results of Commerce 2000 are analysed and disseminated in a timely fashion and used for the development of improved policy for the sector.

## **7. Overall Conclusions**

There is a clear impression that policy development is under-resourced at the moment in DG XXIII. Because of the variety of different fields in which policy is being discussed and developed, substantial resources are needed to ensure that all research is followed up, that all Concerted Actions are well-prepared and highly targeted and to check that Member State commitments are honoured. Policy development should be more integrated and perhaps more measured, with priority target themes to be developed every year or every two years.

There are, in our opinion, too many small pilot projects and actions which are inadequately feeding into genuine policy development at the moment. There are also too many publication-type actions at present, which do not directly relate to policy development or to tangible benefits for SMEs, or which are inadequately disseminated to have major effect. In our opinion some of the least cost-effective actions should be cut and the rest much more stringently and rapidly evaluated and integrated into the policy

development framework. This would release resources for policy development and for developing and perhaps expanding some of the genuine operational actions, most of which are found to be useful and rewarding.

The good points of DG XXIII's current performance are that it has a committed leadership with a focus on achieving results and continuing to keep SME and Enterprise issues at the forefront of the Union's agenda. A large number of measures in the Multi-Annual Programme receive a generally good evaluation, in terms of their quality of design and execution, qualitative impact and cost-effectiveness. The weaknesses are generally to be found in a tendency of fragmentation inside the DG, a proliferation of small-scale actions without adequate resources, monitoring, analysis or further processing through the policy system, and a resulting frustration on the part of the many stakeholders, be they Member State authorities, business representative organisations or intermediary organisations. A common feature is also the lack of dissemination of what may be interesting results of DG XXIII's activities.

Consultation with SME representative organisations on policy issues has improved during the course of the 3<sup>rd</sup> MAP. The Commission must, however, in our view, be careful not to follow too readily the wishes of special interest groups and sectoral representatives for pilot projects and publications on specific issues. Such initiatives must always feed into an overall public policy context.

There is a strong general consensus on the need for an active voice within the Commission, promoting the enterprise angle in relation to the very large number of issues that affect SMEs. There is an equally strong consensus that DG XXIII does not have to « do » so much. Its best work often comes through expert advancement of the SME cause. The fact of having a budget to spend on the MAP may inevitably create a spending culture, but the implication of our evaluation is that the real gains for DG XXIII often come from expert policy work. This may well bring Europe's SMEs greater benefits in the medium term than will the spending of the relatively small amount at the DG's disposal. Having said that, many of the biggest operational actions have been found to be well designed and successful and should be continued and even expanded, if the budgetary authorities so permit.

Our overall conclusion in relation to the cost-effectiveness of the Commission's actions under the third MAP as a whole to date, is that it is broadly acceptable as far as it is known. In many cases, however, the cost-effectiveness of the spending in the first two years of the MAP cannot yet be determined. In some cases, there are grounds for concern, that the results of some of the pilot actions will be inadequately analysed and/or that the results will not be disseminated in a timely fashion. DG XXIII must concentrate on extracting maximum value from 1997/1998 spending during the remainder of the MAP's life. It may be advisable to reallocate some of the DG's human resources, in order to ensure that this is possible and to increase efficiency and cost-effectiveness overall.