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**REPORT ON THE COORDINATION  
OF ACTIVITIES IN FAVOUR  
OF SMEs AND THE CRAFT SECTOR**

## SUMMARY

This report on the coordination of activities in favour of SMEs and the craft sector, drawn up in accordance with article 5 of Council Decision 93/379/EEC<sup>1</sup> of 14 June 1993, seeks to respond to the Council's request while taking into account the framework proposed by the Commission in its Integrated Programme in favour of SMEs and the Craft Sector<sup>2</sup>. Since the Integrated Programme was adopted, the Commission has reaffirmed the contribution of small and medium-sized enterprises (SMEs) to providing more employment, in its White Paper on European Social Policy<sup>3</sup> and also as part of the work on new areas of employment and local development initiatives<sup>4</sup>. In addition, it has emphasized the role of SMEs in the development of the information society<sup>5</sup> and of industrial competitiveness policy of the European Union<sup>6</sup>.

The aim of coordination between the different Community programmes is, on the one hand, to ensure that the SME dimension is integrated into the definition and implementation of Community policies so that better account can be taken of the individuality of SMEs and, on the other hand, to increase their involvement in Community programmes.

Hence the report presents a comprehensive view of the measures taken, under both enterprise policy and other Union policies, to improve the business environment (Chapter I) and to support the development of SMEs (Chapter II). Whereas the first two chapters concentrate essentially on coordination between the Commission services, Chapter III is devoted to coordination with the Commission's partners: the Member States, the professional organizations and the other European institutions.

## INTEGRATED PROGRAMME IN FAVOUR OF THE SMEs AND THE CRAFT SECTOR

Within the framework of the objectives of the White Paper on Growth, Competitiveness and Employment, the Integrated Programme in favour of SMEs and the Craft Sector aims to reinforce coordination of national, regional and Community intervention in favour of SMEs. Two forms of action are proposed: concerted actions and contributions the Union intends to make to the development of SMEs under its policies.

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<sup>1</sup> Council Decision of 14 June 1993, OJ No L 161 of 02.07.1993, p. 71.

<sup>2</sup> COM(94)207 of 03.06.1994 and Council Resolution of 10.10.1994, OJ No C 294 of 22.10.1994, pp. 6-8.

<sup>3</sup> European Social Policy - A way forward for the Union - COM(94) 333, 27.07.1994.

<sup>4</sup> Inventory of Community action to support local development and employment - SEC (94) 2199, 19.12.1994 and Local development and employment initiatives (An investigation in the European Union) - SEC (94) 564, 04.04.1994.

<sup>5</sup> Europe's way to the information society, an action plan - COM (94) 347, 19.07.1994.

<sup>6</sup> An industrial competitiveness policy for the European Union - COM(94) 319, 14.09.1994.

## **Concerted actions**

Concerted actions target the promotion of mutual consultation between Member States and coordination between them as required. First of all, they relate to improvement and simplification of the business environment with a view to reducing burdens on businesses and unlocking their potential to create jobs. To achieve this, a committee to improve and simplify the business environment, set up in December 1994, has the task of identifying best practice for simplifying the formalities affecting enterprises and improving the legislative framework within which they operate. In this context, a forum was organized in June 1995 in Paris to examine legislation and constraints confronting businesses during setting up and their first few years of existence. Concerted actions also target support measures for businesses at national or regional level. The Commission has proposed the creation of concertation forums within which Member States can present their best practice in terms of support to SMEs, and also the launch of a concerted action with SME intermediaries to stimulate SME demand for information, training and advice.

A second forum is scheduled for October 1995 in Madrid on the subject of support arrangements for setting up enterprises and back-up for enterprises in their first few years of business life (see Introduction).

## **The contributions of the Union**

The actual contributions of the Union to the development of SMEs relate to action taken specifically within the framework of enterprise policy and under other Union policies. Coordination of all these interventions takes place through inter-service work.

The Integrated Programme in favour of SMEs does not contain any new expenditure but brings together all the actions under other policies which can contribute towards the development of SMEs, like the Structural Funds, research and technological development and vocational training. The financing of the new actions proposed consequently relies essentially on the established instruments. It is by means of these instruments that the Union contributes to the development of SMEs.

## **IMPROVING THE BUSINESS ENVIRONMENT**

The Commission has presented several proposals for action in the area of improving the business environment which should have a positive influence on SMEs.

A draft document covering the adoption of a definition of SMEs is aimed at making the implementation of Community policies more coherent. It provides, on the one hand, for a recommendation to the Member States in line with the partnership advocated by the Integrated Programme and, on the other, a draft Commission decision on programmes it runs as a Community contribution.

Three recommendations relating respectively to taxation of SMEs, transfer of businesses, and payment delays in commercial transactions, form part of the enlarged partnership with the Member States. By this means, the Commission identifies best practice within the Union and invites Member States which have yet to make comparable arrangements to draw inspiration from this and take the appropriate measures (see points I.1.1.4 and 5 and I.1.2.2.).

The evaluation of the impact of legislative proposals on SMEs has allowed account to be taken of the needs of SMEs during the legislative process as in the case of directives relating to the environmental audit and the eco-label. Furthermore, the proposal for a regulation on the protection of Community design has made it possible to achieve a balance between the divergent interests of spare parts manufacturers on the one hand, and motor manufacturers on the other. Another relevant example relates to the proposal for a directive on cross-border payments (see point I.2.1.2.1.).

As regards competition, the Commission's traditionally favourable attitude towards state aid for SMEs is expressed in a specific framework which allows Member States to grant aid intended to encourage investment by SMEs and encourage them to improve their skills through advice and training. Furthermore, to simplify the administrative procedures, the framework has introduced a "de minimis" rule which exempts Member States from notifying the Commission of small amounts of aid. Finally, to take into account the special position of SMEs, higher aid thresholds are authorized (generally 10 points above the permitted ceiling). This position has again been included in the new Community framework for state aid for the protection of the environment (see point I.2.2.2.).

## **PROGRAMMES AND SUPPORT MEASURES FOR SMEs**

In the area of support measures for SMEs, the Union has established new instruments and programmes directly geared to SMEs.

As part of its enterprise policy, the Commission assists the development of SMEs through the business information network (the EURO-INFO-CENTRES), the trans-national cooperation networks and programmes (the BC-NET, BCC networks, the EUROPARTENARIAT and INTERPRISE programmes and action for sub-contracting) and pilot schemes (EUROMANAGEMENT, Venture Capital, Commerce 2000) aimed at improving SME management, financing and know-how. Most of this action is being taken in direct cooperation with other Commission services (see point II.1).

Under other policies, support for SMEs takes place principally through the Structural Funds and research and technological development programmes, vocational training and international cooperation but also in other Community programmes like the Fifth Environmental Action Programme, special attention is given to SMEs.

The Community SME initiative, part of the follow-up to the White Paper on Growth, Competitiveness and Employment naturally links with the Integrated Programme measures, but according to the methods and procedures of the Structural Funds. With a budget of one billion ECU, principally for objective 1, 2 and 5b regions, the SME initiative should make a significant contribution to making SMEs more competitive by improving their know-how and helping them become more international. By taking up three previous Community initiatives, the Community SME initiative is contributing to a simpler presentation of Community programmes in favour of SMEs. The Community initiative, ADAPT, which targets adaptation to industrial change and improving the competitiveness of enterprises (ECU 1.4 Billion), provides a number of measures in favour of SMEs. It will be coordinated with the SME initiative so as to avoid any dual use of funds and to strengthen their complementarity (see points II.2.1.2.2. and 2.1.3.2.).

The Structural Funds in general will benefit SMEs in the context of the operational programmes adopted for 1994-1999. The Commission will monitor the programmes very closely so that SMEs can effectively benefit from the amounts of aid intended for them (see point II.2.1).

The new financial instruments put in place following the Edinburgh and Copenhagen Councils - subsidized EIB loans for job-creating SMEs and European Investment Fund guarantees for SMEs - are now in place (see point II.2.1.1.).

The implementation of the 4th Framework Programme for Research and Technological Development should see an appreciable increase in participation by SMEs, notably through the introduction, across 10 programmes, of technological stimulation measures for SMEs and a budget of ECU 700 million for SMEs. Over and above these measures, SMEs can also participate in other actions not specifically earmarked for them in the programmes (see point II.2.2.3.). New simplified procedures for the submission and evaluation of the SME proposals have been put in place.

In the field of vocational training, the new LEONARDO programme, with a budget of ECU 620 million for 1995-1999, comprises actions targeting SMEs, in particular to allow them to acquire qualifications and skills to adapt to industrial changes, the evolution of systems of production, and the spread of new technologies. It also targets management training for SMEs, language audits and new training methods in SMEs (see point II.2.3.4.). Taking up several earlier programmes in a single programme, LEONARDO contributes to simpler presentation of actions that can benefit SMEs.

Concerning international cooperation, coordination between enterprise policy and the cooperation programmes with third countries like PHARE, TACIS or MED-INVEST has allowed these countries to benefit from acquired expertise as regards enterprise policy as well as existing intermediary networks and European SMEs to be better informed of opportunities on offer in third countries thanks to Community programmes (see point II.2.4.4.).

## **COORDINATION WITH PARTNERS**

In the context of the social dialogue, a significant number of organisations representing SMEs have now been consulted and are participating in the Standing Committee on Employment. So representation of the interests of SMEs is progressively becoming a reality, thanks also to cooperation agreements concluded between a certain number of them.

The other Union institutions have made a significant contribution to the development of SMEs: the European Parliament, the Economic and Social Council and the Committee of the Regions, as well as the EIB and the EIF. The Commission intends to pursue this excellent collaboration.

Finally, coordination with the various partners has not only influenced programmes with a budgetary impact (like the Structural Funds, research or vocational training), but also policies which could have an impact on the SME environment (like the single market, fiscal policy or competition).

However, by virtue of the principle of subsidiarity and bearing in mind that SME policy is principally the responsibility of national and regional authorities, the Commission's policy coordination role is limited to stimulating or organizing mutual consultation and cooperation between themselves and with the Commission with a view to ensuring more effectiveness and higher profile for the actions.

In future, the Commission will continue its efforts to ensure coordination at the internal level as well as with all its partners - the Member States, the European institutions, the professional organizations - so that the efforts of the Union in favour of SMEs are transformed into growth, competitiveness and employment.

**FINANCIAL INSTRUMENTS, COMMUNITY PROGRAMMES AND SMEs**

<b>Community Interventions</b>	<b>Amount allotted to SMEs (in ecus)</b>	<b>Number of SMEs</b>	<b>SMEs' participation rate across the projects as a whole</b>	<b>SMEs' participation rate in terms of the overall budget</b>
<b><u>Financial Instruments</u></b>				
EIB - Global loans 90-94	9.4 MM	36000	---	<b>45% of financing allotted to industry and services</b>
SME Facility - Global loans with interest subsidy 1994	1 MM	2100 (end April 1995)	100%	
EIF (guarantees)	165 M	---	---	---
<b><u>Structural Funds (94-99)</u></b>				
ERDF (94-99) *	---	---	---	<b>10% on average</b>
ESF (94-99) *	6 MM	---	---	14%
EAGGF 5a (91-93)	705 M	---	65%	58%
<b><u>Community Initiatives (94-99)</u></b>				
SME	1 MM	---	100%	100%
ADAPT : 1.4 MM	---	---	---	---
<b><u>III Framework Programme for RDT (91-94)</u></b>				
All programmes taken together:	1035 MM	6368	---	22%
of which Brite Euram II	219 M	3427	56%	30%
and ESPRIT	459 M	1250	27%	31%
SPRINT (89-94)	---	162500	---	---
THERMIE (90-94)	---	---	60%	---
<b><u>IV Framework Programme for RDT (94-98)</u></b>				
Specific measures in 12 programmes	700 M	---	---	9%
<b><u>Vocational training</u></b>				
EUROTECNET (90-94)	--	46 projects	18%	---
COMETT (90-94)	---	10000 (direct) 40000 (indirect)	75%	---
FORCE (91-94)	---	2250	73%	---
<b><u>International cooperation</u></b>				
PIHARE -SME (90-93)	320 M	---	---	---
TACIS -SME (92-94)	51 M	---	---	---
MED-INVEST (93-95)	12.2 M	---	100%	100%
AL-INVEST (93-95)	18.5 M	---	100%	100%
ECIP (1994)	---	---	84%	---
<b><u>Environment</u></b>				
Financial Instrument LIFE	17 M	43	---	38%

MM = 1000 Million

N.B. : Since this table groups together Community Interventions of different types (subsidies, loans, guarantees) covering different periods, the amounts listed cannot be added together.

\* The figure shown is an estimate of SMEs' anticipated participation.

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## INTRODUCTION

Article 5 of Council Decision 93/379/EEC of 14 June 1993<sup>7</sup> on the multiannual programme 1993-1996 in favour of small and medium-sized enterprises (SMEs) states that the Commission shall submit to the European Parliament, the Council and the Economic and Social Committee, during the first half of 1995, a report on *"coordination between the different Community programmes manifestly in the interests of SMEs and craft industries but not covered by this Decision and on the initiatives taken in pursuance of this Decision"*.

Since then, the Commission has adopted, on 25 May 1994, the Integrated Programme in favour of SMEs and the Craft Sector<sup>8</sup> - implementation of which was agreed by the Council in its resolution of 10 October 1994<sup>9</sup>. It aims to assemble the various initiatives - existing and new - into a global framework, with a view to ensuring their coherence and giving them a high profile. It proposes a strengthened partnership between all the parties concerned in the development of SMEs<sup>10</sup> - at the Community, national and regional levels - in order to achieve greater convergence of actions.

The Integrated Programme includes two types of action: concerted actions and the contributions the Union intends to make to the development of SMEs.

Concerted actions arising from article 130, paragraph 2, of the Treaty on European Union are aimed at encouraging mutual consultation between Member States and coordination between them as required.

One of the first concerted actions with the Member States concerns the improvement and simplification of the environment for enterprises. A committee for the improvement and simplification of the environment for enterprises was created in December 1994 in order to identify the best measures for simplifying the formalities which enterprises have to comply with, and to improve the legislative framework in which they operate. There was consultation on legislative and administrative provisions of Member States which hinder the creation, growth and transfer of enterprises. In this context, a forum was organized in June 1995 in Paris during which the legislation and formalities burdening enterprises during their creation and their first few years of existence were examined.

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<sup>7</sup> Council Decision on a multiannual programme of Community measures to intensify the priority areas and to ensure the continuity and consolidation of policy for enterprise, in particular small and medium-sized enterprises, in the Community, OJ No L 161, 02.07.1993, p. 71.

<sup>8</sup> COM(94) 207 of 03.06.1994.

<sup>9</sup> Council Resolution of 10.10.1994, OJ No C 294, 22.10.1994, pp. 6-8.

<sup>10</sup> Given that enterprise policy applies to any enterprise whatever its sector of activity or legal form and including cooperatives, mutual societies, associations and foundations.

The other concerted actions relate to the improvement and strengthening of the effectiveness of support measures for SMEs and the craft sector. To this end, the Commission has proposed organizing themed forums allowing the Member States and the Commission to present and compare best practice in terms of support for SMEs. The exchange of experiences between Member States will relate to support measures for SMEs which exist at every level. In fact, the majority of the provisions on support for SMEs are the responsibility of the States and the regions, but certain pilot schemes have also been floated at Community level, and a good exchange of best practice should have a positive effect on the implementation of Community, national or regional measures. In this context, a second forum will cover support provisions for the creation of enterprises and the accompaniment of enterprises during the first few years of their existence. To stimulate SMEs' demand for information, training and advice, the Commission has also proposed a concerted action with SME intermediaries with the aim of raising the profile of the support services offered to SMEs and encouraging them to make greater use of these services. For resource reasons, the Commission has had to put back the start of the preparatory work.

This report takes account both of the requirements of the Council and the framework proposed by the Commission in its Integrated Programme which includes the Community actions in favour of SMEs. It relates to the contributions the Union intends to make to the development of SMEs under both enterprise policy and its other policies.

This report hinges on 2 axes relating, on the one hand, to the improvement of the environment of enterprises (Chapter I) and, on the other hand, to the programmes or measures of support to SMEs (Chapter II). Chapter III is devoted to coordination with the Commission's partners which are the Member States, the professional organizations and the other European institutions while the first two chapters essentially cover coordination between Commission services.

This report on coordination between the various Community activities seeks to present and analyze the way in which the SME dimension has been integrated into the definition and the implementation of Community actions in order to take greater account of the individuality of SMEs and facilitate their participation in Community programmes.

## CHAPTER I. IMPROVING THE SME ENVIRONMENT

### 1. IMPROVING THE SME ENVIRONMENT IN TERMS OF ENTERPRISE POLICY

#### 1.1. ADMINISTRATIVE, LEGAL AND FISCAL ENVIRONMENT

##### 1.1.1. INTER-SERVICE CONSULTATIONS RELATING TO LEGISLATIVE PROPOSALS

The role of the Commission service in charge of enterprise policy (DG XXIII) in inter-service consultations on legislative proposals is to ensure that the Commission is taking appropriate account of the impact on enterprise, and in particular on SMEs which might often be disproportionately burdened by regulation if account of their size and scarce resources is not appropriately taken. Account should be taken not only of the compliance costs and other burdens of the regulation itself, but also the administrative procedures or requirements which stem directly from the regulation. DG XXIII's responsibility is to consider the regulation itself and to ensure that the views of the SME business organisations have been taken into account. In addition, where it is appropriate for a business impact assessment to be completed, then DG XXIII has to give its approval.

Although the number of proposals for legislation coming forward from other Directorates General slowed down in 1994, reflecting in part the fact that the Internal Market Legislative Programme is almost complete, there were a number of issues where DG XXIII was particularly involved, both in the inter-service consultation, and to ensure that business impact assessments were properly completed.

In the field of environmental regulations for example, such as those on Environmental Management and Audit Systems (EMAS)<sup>11</sup>, and the Eco-labelling scheme<sup>12</sup>, DG XXIII has been able, in close cooperation with DG XI, to ensure that the particular concerns of SMEs are taken into account. While both these schemes are voluntary the pressure to participate may be overwhelming in practice as businesses strive to maintain and improve their competitive position, or as subcontractors find they need such environmental credentials in order to win contracts. On the whole SMEs lack the human and financial resources to take an active part in these schemes which is compounded by the fact that so far European standards have not been established, which would help SMEs comply. Such issues as the environmental criteria which need to be satisfied in order to qualify for an Eco-label need to be established in such a way, particularly in respect of testing and certification requirements, so that SMEs have a reasonable chance of taking part. Recognizing the need for positive action to facilitate participation by SMEs in EMAS, DG XXIII is considering launching a new Euromanagement Project in 1995, specifically to help SMEs in this area.

<sup>11</sup> Regulation 1836/93 of 29.06.1993, OJ No L 168, 10.07.1993.

<sup>12</sup> Regulation 880/92 of 23.03.1992, OJ No L 99, 11.04.1992, pp. 1-7.

### 1.1.2. EVALUATION OF THE IMPACT OF LEGISLATIVE PROPOSALS ON THE SMEs

All the legislative proposals - some fifteen in 1994 - likely to have an impact on businesses in terms of cost or extra administrative processes are the subject of an impact file. The quality of business impact assessments completed by Directorates General has gradually improved although there is still room for further improvement. In 1994 there was a wide range of legislative proposals covering various sectors which were likely to impact on business, particularly on SMEs, and for which impact assessments were required. A number of legislative proposals scheduled for adoption by the Commission in 1994 had business impact assessments drafted into them, but were delayed until 1995.

The business impact assessment completed for the Commission proposal on cross-border payments<sup>13</sup> (see point I.2.1.2.1.) is a good example of a comprehensive assessment and demonstrates the full extent of the consultation procedures undertaken by the Commission. The assessment suggests that going ahead with the proposal would be overwhelmingly positive in terms of benefit. SME business organisations were specifically consulted and were strongly in favour of the principles of the proposal, but would have preferred self-regulation provided that its effects could have been measured in the short term. SMEs would also have preferred the value ceiling for payments covered by the proposal to be removed, but the Commission felt that the threshold of ECU 10,000 afforded SMEs reasonably suitable coverage, without having any significant impact on the banking sector.

The Commission proposal for a Council regulation on the protection of Community design<sup>14</sup> is a good example of where the business impact assessment sets out the often conflicting interests of different business sectors. While on the one hand enterprises will only need to acquire a single Community registration for each design, on the other, it was argued by a number of SME business organisations, representing the producers of automobile spare parts, that the criteria for individual character and novelty could lead to a lower protection threshold than was envisaged. The Commission felt that a reasonable balance had been struck in its final proposal between the need to protect car manufacturers and at the same time allowing the independent spare parts manufacturers competitive access to the market. The result of all the negotiations was that the Commission decided on a "repair clause" which gives any third party the right, after three years of the marketing of a car, to manufacture the spare parts which will restore a damaged vehicle to its original state. This business impact assessment set out the various issues on which both the Commission, and subsequently the Council and European Parliament, would be able to make a decision in the light of the impact that the proposal was likely to have.

The Commission's proposal for a Council directive on packaging and packaging waste when originally put forward by the Commission in July 1992<sup>15</sup>, contained an impact assessment which not only set out the difficulties that some industry sectors might have in meeting recovery and recycling targets, but also the particular problems for SMEs in the retail sector.

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<sup>13</sup> COM(94) 436 final of 18.11.1994.

<sup>14</sup> COM(93) 342 final of 03.12.1993.

<sup>15</sup> COM(92) 278 final of 15.07.1992.

The Council have only just reached agreement on a proposal which has substantially modified target levels reflecting the strength of concern felt by a number of industry sectors. Member States are required to consider the problems that SMEs would have in complying with the directive, including the need to provide detailed data.

Other examples of legislative proposals where business impact assessments were completed include :

- amendment to Directive 89/655/EEC on the minimum safety and health requirements for the use of equipment by workers<sup>16</sup> which deals with the dangers inherent in certain types of equipment. The assessment dealt with such issues as the principles for in-service inspection of equipment, and the requirement for Member States to take measures to facilitate implementation by enterprises, particularly SMEs.
- proposal for a Council Directive on energy efficiency requirements for household electric refrigerators and freezers<sup>17</sup>. Amongst other issues the concern of some appliance manufacturers for voluntary agreements to be considered emerged from this business impact assessment, but ultimately it was not accepted. It was felt that the concerns of SMEs about the new investment costs necessary would be eased by an adaptation period of three years.
- proposal for a Council Directive on Statistical returns in respect of carriage of goods and passengers by sea<sup>18</sup>. The impact assessment showed that detailed consultation had taken place with business from an early stage including ship and port owners. The concerns of SMEs were taken into account through the ability of Member States to exempt certain operations carried out by small vessels or to require only summary statistics at the smallest ports.
- proposal for a Council Directive on cableway installations designed to carry passengers<sup>19</sup>. Most enterprises covered by this proposal are small companies and the impact assessment refers to consultations with a number of business organizations who were broadly content with the proposals.

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<sup>16</sup> COM(94) 56 final of 14.03.1994.

<sup>17</sup> COM(94) 521 final of 07.12.1994.

<sup>18</sup> COM(94) 275 final of 04.07.1994.

<sup>19</sup> COM(93) 646 of 31.01.1994.

### **1.1.3. GUIDELINES ON REGULATORY POLICY**

The services are currently collaborating to draw up guidelines for the Community legislative process and examining the possibilities of improving the impact file system, particularly through the introduction of more complete assessment techniques including, where appropriate, cost-benefit analysis. For certain specific subjects this collaboration between the Directorates-General began at the conceptual stage of the work.

### **1.1.4. RECOMMENDATION ON TAXATION OF SMEs**

Two documents, produced in close collaboration between the services dealing with taxation and the services responsible for enterprise policy, and adopted by the Commission in 1994, target improvement of the fiscal environment for enterprises and for SMEs in particular. In its communication on the improvement of the fiscal environment for SMEs<sup>20</sup>, the Commission identifies three priority problems of SMEs: their capacity to attract adequate financial resources, their capacity to respond to administrative complexity and finally the problem of change of proprietor. The recommendation on the taxation of SMEs<sup>21</sup> aims, on the one hand, to ensure greater equity in the fiscal treatment of retained or reinvested profits between sole traders, partnerships and limited companies and, on the other hand, to lift the fiscal obstacles inherent in the transformation from sole trader or partnership to limited company.

### **1.1.5. RECOMMENDATION ON TRANSFER OF SMEs**

With the aim of ensuring the survival of enterprises and the jobs attached to them, the Commission adopted a recommendation on 7 December 1994 on the transfer of small and medium-sized enterprises<sup>22</sup>. Drawn up in coordination with the services dealing with taxation and company law, this recommendation is the result of wide consultation amongst companies and the Member States, on the Commission's guidelines contained in its communication on the transfer of enterprises: actions in favour of SMEs<sup>23</sup>. The Commission recommends that the Member States encourage actions on awareness and information for heads of enterprises, offer them a financial environment favourable to the success of the transfer as well as the legal tools to allow them to prepare effectively for this operation, promote transfers to third parties and finally reduce the fiscal burden on inheritance or gift.

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<sup>20</sup> COM(94) 206 final of 25.05.1994

<sup>21</sup> C(94) 1305 final of 25.05.1994, published in OJ No L 177 of 09.07.1994.

<sup>22</sup> C(94) 3312 of 07.12.1994, see also OJ L 385 of 31.12.1994, p. 14. for the legal instrument and OJ C 400 of 31.12.1994, p. 1. for the Explanatory Memorandum.

<sup>23</sup> C(94) 1491 of 29.06.1994, published in OJ No C 204 of 23.07.1994.

## **1.2. FINANCIAL ENVIRONMENT**

### **1.2.1. BANKS-SME PARTNERSHIP**

A Round Table of Senior Bank Officials was created in 1993 on the initiative of the Commissioner in charge of enterprise policy. Composed of senior representatives of financial institutions and organizations representing SMEs, it had the task of issuing recommendations geared to creating a more effective partnership between the financial institutions and SMEs. These recommendations are contained in the final report that the Round Table delivered to the Commission on 19 May 1994 and they are addressed to the financial institutions, the SMEs, the Member States and the European Union.

The Round Table recommended that the European Union should look to better utilization - in the interests of the SMEs - of its financial instruments such as the activities of the European Investment Bank and those of the European Investment Fund. It also advocates examining the possibilities of using certification tools relating to management quality in enterprises. On 28 October 1994 the Commission adopted a Communication<sup>24</sup> in which it commented on the Round Table's final report.

### **1.2.2. RECOMMENDATION ON PAYMENT TERMS FOR COMMERCIAL TRANSACTIONS**

After wide consultation of interested parties, the various Commission services concerned and committees made up of representatives of the Member States regularly consulted by these services, on 12 May 1995 the Commission adopted a recommendation on payment terms for commercial transactions<sup>25</sup>. Addressed to the Member States, this recommendation aims to combat delays in payment by providing a legal framework that is sufficiently dissuasive of bad payers and to ensure the maintenance of reasonable payment terms for transactions where contractual relations between partners are not in balance (public contracts in particular).

In this context, the Commission has given thought to encouraging the development of integrated cash flow management software. The purpose of this action is to urge heads of enterprises to manage their cash flows better and software suppliers to offer suitable products which integrate accounting, financial analysis and management control.

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<sup>24</sup> COM(94) 435 final of 28.10.94.

<sup>25</sup> C(94) 3283 of 30.11.1994, see also OJ L 127 of 10.06.1995, p. 19 for the legal instrument and OJ C 144 of 10.06.1995, p. 3. for the Explanatory Memorandum.

### **1.2.3. MUTUAL GUARANTEES**

In accordance with the guidelines set out in its communication on the role of mutual guarantee societies in the financing of SMEs<sup>26</sup>, the Commission encourages the promotion, development and extension of mutual guarantee societies in the European Union. Specifically, it collaborates with the European Mutual Guarantee Association (EMGA-AECM) which includes in its operations support for a cooperation project with Portugal where the first mutual guarantee society was created in 1994 (this project will later be supported in the framework of the Structural Funds), improvement in the weighting of risks and qualification for guarantee offered by the mutual guarantee societies under European banking law and the organization of mutual guarantee awareness seminars. Finally, the EMGA-AECM has also been active in the context of establishing the EIF, which should accept several projects relating to reinsurance of national mutual guarantee systems. It should be recalled that in its opinion of 29 April 1992<sup>27</sup> the Economic and Social Committee supported the efforts of the Commission to give new impetus to mutual guarantees. It recommended that the Commission present its ideas and proposals for action on the financing of SMEs.

### **1.2.4. THE EUROPEAN CAPITAL MARKET**

In the context of its enterprise policy and the encouragement of employment, the Commission supported the launching of a feasibility study into the creation of a European Capital Market more suited to the needs of growing, entrepreneurially managed companies. This led to the formation of the EASD (European Association of Securities Dealers) which, in conjunction with other members of the financial community, is preparing the ground for the early launching of the EASDAQ (European Association of Securities Dealers Automated Quotation) stock market.

### **1.2.5. OTHER INITIATIVES WITH AN IMPACT ON THE SME FINANCIAL ENVIRONMENT**

Other initiatives have been taken to improve the SME financial environment, such as the proposal for a directive relating to cross-border payments (see point I.2.1.2.1.) and the application of the third directives on the coordination of insurance (see point I.2.1.2.2).

### **1.2.6. NEW FINANCIAL INSTRUMENTS FOR SMES**

After the Edinburgh and Copenhagen Councils two new financial instruments were put in place: subsidized loans for job-creating SMEs and the European Investment Fund (see point II.2.1.1.).

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<sup>26</sup> COM(91) 1550 of 05.09.1991.

<sup>27</sup> Opinion of 29.04.1992 on the role of mutual guarantee systems in the financing of SMEs, rapporteur Mr E. Muller, published in OJ No C 169 of 06.07.1992, p.7.

## **2. IMPROVING THE SME ENVIRONMENT UNDER OTHER UNION POLICIES**

### **2.1 THE INTERNAL MARKET PROGRAMME**

On the whole, the Internal Market should be regarded as an "enabling programme" which opens up commercial opportunities for companies previously confined to one Member State market, and thereby offering them new avenues for growth. In general, the Internal Market is expected to deliver proportionately greater benefits to SMEs than to larger firms, especially in those sectors where there was a high incidence of non-tariff barriers in markets and in those regions where markets were artificially divided by trade barriers. SMEs will also benefit in their capacity as purchasers of inputs through access to a wider range of competing suppliers. However, it would be a mistake to regard the Internal Market as an initiative capable, in itself, of solving all the problems confronting Community enterprises. In practice, the most pronounced impact of the Internal Market programme will be felt in approximately 40 manufacturing industries (accounting for 50% of industrial output), and a small number of important service sectors. Furthermore, measures to complete the single market must be complemented by appropriate actions and policies at national and Community level, notably as regards implementation and enforcement, and in the application of competition and industrial policy.

#### **2.1.1. IMPACT ON THE LEGAL ENVIRONMENT FOR SMES**

##### **2.1.1.1. Findings of studies**

On the basis of the responses to a questionnaire sent in 1993 by the SME Observatory<sup>28</sup> to a selection of SME experts in all EU Member States, it can be concluded that the Internal Market programme is seen as having a positive effect on the business environment of SMEs. It is also seen as providing a stimulus to overall demand, resource and business development, and as allowing for a reduction in average production costs as a result of market expansion - particularly in those Member States with a lower proportion of SMEs. On the other hand, the Internal Market programme is perceived as leading to keener competition, and placing greater pressure on costs and price as factors in competitiveness. On the whole, the completion of the Internal Market programme may occasion a certain amount of restructuring in the short-run while the positive effects materialize in the medium to longer-term.

While the above analysis states the case for an Internal Market in rather abstract terms, the benefits for the individual company can take very concrete form. The manner in which the generalized advantages of Internal Market integration translate into direct cost improvements for small and medium-sized companies was illustrated in a survey undertaken in late 1993 - early 1994.

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<sup>28</sup> The European Observatory for SMEs, Second Annual Report of 31.03.1994, point 4-6.

In order to gain an impression of the effects of the Internal Market from the grass-roots level, the Commission launched a Community-wide study of business experience of the Internal Market which covers 1993 and 1994<sup>29</sup>. To date 240 companies have responded. The study provides a useful picture of the reality for business, albeit through companies which perhaps already had a significant European awareness. It focused on SMEs as perhaps more vulnerable to trade barriers, not having the resources required to overcome them. But the results, presented here, show that both SMEs and larger companies have much to gain from the opportunities the Single Market affords.

Findings of case-studies of the experience of individual companies :

1. Cross-border shipments : moving goods from place to place has become much easier with the Single Market - almost every respondent agreed that intra EC transactions are now both faster and cheaper. With the abolition of frontier controls border delays were greatly reduced, and firms are no longer constrained by customs opening hours. Return of defective goods is also now much easier. However it was interesting that some companies in both Greece and the UK were unaffected by these improvements, as they exported largely by air. Competition in the transport sector appears to have been particularly successful in forcing down costs (some firms quote reductions of up to 50%). But in those Member States where transport costs were already well below the EC average, EC carriers are still more expensive than local ones. The new customs declaration system has saved time and money for many, although some firms, from countries where the information was not collected through an existing procedure, have found some small countervailing costs.
2. Access to cheaper and better inputs : on the financial side, several companies welcome greater flexibility in the insurance market - for instance British companies report taking up French insurance for a better deal. But many regret that the Internal Market in insurance is not yet complete. Improved access to capital markets was widely welcomed, with several companies making use of foreign capital. Some had centralised cash flow activities in production countries to avoid currency movement costs. It seems that in many cases benefits from bank liberalisation have yet to feed through. Some firms report reduced transaction costs while others find no change, although those which mention them consider that credit transaction costs are reducing. But the most common complaint about the financial aspect of the Single Market concerned not the failure of an existing structure, but the lack of one essential requirement - Economic and Monetary Union.

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<sup>29</sup> IP(94) 228 du 17.03.1994, "Companies Start to notice the difference, a short report on the effect of the Internal Market on business". The findings of this study will be published in 1995.

3. Technical harmonization : for many, progress in technical harmonization had made exporting significantly easier, as well as producing savings in the testing and certification field - a Belgian company cited a saving of more than 50%. Several firms had adopted the EN 29000 standard with significant financial and other benefits - it was particularly useful in providing a common reference for companies wishing to develop new contacts. A few firms reported that the need to switch to European standards was delaying the expected decrease in production costs, but this is of course only temporary. In some areas unharmonized national requirements were still causing problems, and European standards were often requested as a solution. And somewhat disturbingly, experience of mutual recognition was somewhat mixed - as many complained about its failure as benefitted from it. The results of the EUROMANAGEMENT pilot action in this field (see point II.1.3.2.) show that there was an even more negative attitude on the part of SMEs to standards and the standards-making process, combined with a lack of information on the basic mechanisms of the Single Market and the benefits to be gained from harmonised standards.
4. Public procurement : there are also reports of greater success in penetrating foreign public procurement markets, and benefits gained from the EC information systems on tender opportunities. Some problems remain - with regard to, for example : information on contracting opportunities, contract awards and tight tender response times. However several companies are minimising remaining problems by developing a local presence through partnership arrangements and other links. And as one company pointed out, the mere fact of having competed for a tender in another Member State gives a Europe-wide view and experience.
5. Business strategy and reactions : this EC dimension to the export market has had a profound effect on business activity. Almost all companies perceive that competition has become fiercer, and many have as a result been spurred to innovate new products and improve efficiency. One British company was forced to develop more advanced and efficient versions of its product, for instance, and won back a lost contract as a result. Competitive expansion into other Member States is common and takes many forms - partnerships with companies in other EC countries, licensing and agency agreements, distribution agreements with firms in other countries and sub-contracting arrangements are only some of the measures employed. In one case a French and Italian company created a joint subsidiary to enter a new market; in another a Belgian firm used a partnership with another EC company to increase exports from 0% to around 60% of turnover. Another company has seen its EU business rise from virtually nothing before 1992 to around half its export total now. And in one of the key trends, several firms commented that the new "export mentality" and know-how gained in the Internal Market gives them the vision and the edge to compete internationally - new opportunities are promoting changes in business culture which can only be beneficial to the European economy.

Perhaps the crucial lesson to be learned from the survey is that the Single Market is not a panacea for all problems facing European firms, but rather is all about seizing opportunities. As a French businessman put it : "The Single Market cannot itself stimulate companies to invest and expand, if the determination isn't there. Rather, it provides an environment in which dynamic, innovative and competitive businesses can perform to their maximum effectiveness, reaping in full the rewards of their own efforts".

#### **2.1.1.2. Accountancy Rules**

Directives 78/660/EEC (annual accounts)<sup>30</sup>, 83/349/EEC (consolidated accounts)<sup>31</sup> and 84/253/EEC (account controllers)<sup>32</sup> provide the Member States with the option of exempting small and medium-sized enterprises which do not exceed certain turnover limits from some of their obligations. Article 53 § 2 of Directive 78/660/EEC provides for these turnover limits to be revised every five years, as a function of the economic and monetary evolution in the Union.

The last of these revisions took place in March 1994. Council Directive 94/8/EC of 21 March 1994<sup>33</sup> raised the aforesaid turnover limits by 25%, thus giving the Member States the option of allowing a larger number of firms to benefit from the exemptions mentioned in the previous paragraph.

#### **2.1.1.3. Protection of intellectual and industrial property**

In 1995, The Commission intends to prepare a Green Paper dealing with the question of the need for harmonization of legislation relating to utility models - "Intellectual Property Rights" (IPR) are the ownership rights vested in the generation of an original idea. These utility models are a particular form of protection of innovation which, because of their specificity, are of special interest to SMEs. This is a flexible form of protection, not very costly and well adapted to active SMEs in certain sectors of innovation. The Commission has also proposed a Regulation on the protection of Community design<sup>34</sup> which is potentially of great interest for SMEs (see point I.1.1.2.).

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<sup>30</sup> OJ No L 222 of 14.08.1978, p. 11.

<sup>31</sup> OJ No L 193 of 18.07.1983, p. 1.

<sup>32</sup> OJ No L 126 of 12.05.1984, p. 20.

<sup>33</sup> OJ No L 82 of 25.03.1994, p. 33.

<sup>34</sup> COM(93) 342 of 03.12.1993.

## **2.1.2. IMPACT ON THE SME FINANCIAL ENVIRONMENT**

### **2.1.2.1. Cross-border payments**

An in-depth case-study of a proposed Community Directive, foreseen in the Commission's Strategic Programme on the Internal Market, provides a useful insight into how Community legislation can benefit SMEs, and the extent to which SME interests are borne in mind when preparing Internal Market legislation. Attempts to bring about reductions in the level of commission charged for cross-border payments and in the extent of double-charging, through voluntary codes of good practice, did not work. The Commission therefore tabled a proposal for a Commission Directive to tackle this problem<sup>35</sup>. The business impact assessment completed for this proposal is part of the document adopted by the Commission<sup>36</sup>. This indicates the expected costs and benefits of the measure, particularly for SMEs, describes the consultation procedures carried out, and the analysis which has prompted the Commission to come forward with this proposal.

### **2.1.2.2. The insurance sector**

On 1 July 1994 the Third Directives on coordination relating to insurance came into force, completing the Internal Market in the financial sector<sup>37</sup>. Conditions of access to insurance markets as well as operating conditions have been simplified by the introduction of the "European passport" system. This makes access to the various national insurance markets much easier and less expensive. An increase in competition between insurance companies and greater innovation in insurance products should also be expected.

This should allow SMEs to have access to insurance products existing in the European Union and thus procure for themselves the insurance cover they consider best adapted to their specific needs, at the best prices. The favourable climate produced by the elimination of national frontiers in the insurance sector encourages the appearance of insurance products adapted to the special risks cover which often concerns SMEs (bio-technology, computers, electronics, etc.). In fact, insurers are aware of the importance of SMEs in the economic and industrial fabric of the Member States and they are increasingly setting up products adapted to the very particular needs of SMEs, both as regards company risks themselves and as regards contingency provision and supplementary social security.

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<sup>35</sup> COM(94) 436 final of 18.11.1994.

<sup>36</sup> COM(94) 436 final of 18.11.1994.

<sup>37</sup> Life assurance OJ No L 360 of 09.12.1992 and non-life insurance OJ No L 228 of 11.08.1992.

### 2.1.2.3. Stock exchanges

One area of action of the Commission services in the field of stock exchanges has a particular bearing on SMEs. Point 5 of Article 1 § 1 of Directive 94/18/EC (the "EUROLIST Directive") adopted on 30 May 1994<sup>38</sup> allows companies in regulated junior markets to become officially listed without publishing new listing particulars, under certain circumstances. This is a simplification of previous rules and represents a saving for the SMEs involved.

## 2.2. COMPETITION POLICY

### 2.2.1. IMPACT ON THE LEGAL ENVIRONMENT: RULES OF COMPETITION APPLICABLE TO ENTERPRISES

Under article 85 of the EC Treaty on agreements between enterprises, SMEs are the principal beneficiaries of the Commission communication on agreements of minor importance<sup>39</sup>. At the same time as reinforcing legal security, this communication has contributed to freeing SMEs from unnecessary administrative burdens and has thus facilitated cooperation between SMEs. In fact, cooperation agreements - which should normally be prohibited by virtue of article 85 paragraph 1 of the Treaty - are permitted and need no longer be notified if the firms concerned have a market share of less than 5% and if their total turnover for one financial year does not exceed ECU 200 million. This threshold was raised to ECU 300 million in 1994<sup>40</sup>

Furthermore, the Commission communication on agreements, decisions and joint practices relating to cooperation between firms<sup>41</sup> lays down that agreements whose only purpose is the exchange of views and experiences, the completion of joint studies and the establishment of common statistics and calculation systems do not restrict competition. Furthermore, the Commission communication on the assessment of subcontracting agreements<sup>42</sup> provides that certain restrictions relating to the execution of subcontracting agreements are not covered by article 85.

Clearly the aforesaid provisions open up development possibilities for small and medium-sized enterprises.

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<sup>38</sup> OJ No L 135 of 31.05.1994, p. 1.

<sup>39</sup> OJ No C 231 of 12.09.1986, p. 2.

<sup>40</sup> JO C 368 of 23.12.1994, p. 20.

<sup>41</sup> OJ No C 75 of 29.07.1968, p. 3.

<sup>42</sup> OJ No C 1 of 03.01.1979, p. 2.

Furthermore, in its resolution of 10 October 1994<sup>43</sup>, the Council invited the Commission to examine possibilities for cooperation between SMEs (for example cooperation in networks for joint purchases and sales) in the light of Community competition law.

As regards the application of competition rules in specific sectors of activity, such as distribution and sales and after sales service in respect of motor vehicles, Regulation 123/85<sup>44</sup> was amended to include a number of provisions aimed at ensuring that dealers - who are in the vast majority of cases SMEs - enjoy a greater degree of commercial independence vis-à-vis manufacturers. This amendment also served to redress the imbalance between manufacturers and distributors of spare parts on the one hand and car manufacturers on the other.

In the area of research and development<sup>45</sup>, specialization<sup>46</sup>, patent licensing<sup>47</sup> and know-how licensing<sup>48</sup>, in 1992<sup>49</sup> the Commission amended the relevant exemption regulations with the intention of facilitating the use of these provisions, in particular during transfer of technology or RTD projects and which contain thresholds designed to take account of the smallest restrictive effect on competition in agreements concluded between enterprises which do not have small shares in the market, which should be favourable to SMEs. In addition, on 30 June 1994 the Commission published a draft regulation aimed at facilitating certain categories of technology transfer agreements, inviting those involved to send in their comments<sup>50</sup>.

As regards control of concentrations, the thresholds provided by regulation 4064/89<sup>51</sup> defining the Community dimension of concentration operations, exclude SMEs from its field of application. Finally, article 86 protects SMEs from abuse of dominant position by larger competitors.

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<sup>43</sup> OJ No C 294 of 22.10.1994, p. 7.

<sup>44</sup> OJ No L 15 of 18.01.1985, p. 16, amended by C(95) 1447 approved by the Commission on 21.06.1995.

<sup>45</sup> OJ No L 53 of 22.02.1985, p. 5.

<sup>46</sup> OJ No L 53 of 22.02.1985, p. 1.

<sup>47</sup> OJ No L 219 of 16.08.1984, p. 15, corrigendum: OJ No L 280 of 22.10.1985, p. 32.

<sup>48</sup> OJ No L 61 of 04.03.1989, p. 1.

<sup>49</sup> OJ No L 21 of 29.01.1993, p. 8.

<sup>50</sup> OJ No C 178 of 30.06.1994, p. 3.

<sup>51</sup> OJ No L 395 of 30.12.1989, corrigendum: OJ No L 257 of 21.09.1990.

### 2.2.2. IMPACT ON THE FINANCIAL ENVIRONMENT: STATE AID

The Commission's traditionally favourable attitude to state aid for SMEs was formalized by the adoption, in 1992, of a specific framework<sup>52</sup> which will be reexamined in 1995. This framework provides Member States with the option of granting aid, within certain set limits, designed to encourage investment by SMEs (that is, enterprises with less than 250 employees and turnover below ECU 20 million, which are not 25% or more owned by a large enterprise), and to encourage them to improve their competence through advice and information. In order to simplify the administrative procedures in the interest of SMEs, the framework introduces, for the first time, a "de minimis" rule which dispenses Member States from notifying the Commission of very small sums of aid which it considers to have a negligible impact on trade between Member States and on competition. At the same time, the Commission has published a communication<sup>53</sup> which extends the field of application of the accelerated authorization procedure for aid systems of minor importance to all SMEs (outside of specific sectors) as defined in the framework.

Finally, in the control of state aid, the Commission takes general account of the special position of SMEs. This is expressed in the authorization of a higher aid threshold (generally **10 points higher than the normally permitted ceilings**) or more relaxed conditions when the beneficiaries are SMEs. This position has been confirmed recently in the new Community framework on state aid for environmental protection adopted in 1993<sup>54</sup>, as well as the Community guidelines on state aid for rescuing and restructuring firms in difficulty adopted in 1994<sup>55</sup>.

### 2.3. ENERGY POLICY

The objectives of the Union's energy policy have a direct effect on the development and operation of SMEs, since they are aimed at meeting the needs of individual and industrial users at less cost, under circumstances which ensure security of supply and environmental protection.

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<sup>52</sup> OJ No C 213 of 19.08.1992, p. 2.

<sup>53</sup> OJ No C 213 of 19.08.1992, p. 10.

<sup>54</sup> OJ No C 72 of 10.03.1994, p. 3.

<sup>55</sup> OJ No C 368 of 23.12.1994, p. 12.

Of these three objectives, improving the overall competitiveness of the economy is the most directly linked to expanding SMEs. The availability of energy at the best prices and on the best terms is a determining factor in strengthening the overall competitiveness of the economy, and that of SMEs in particular. The second objective, i.e. security of supply, should also have a great effect on SMEs, since the possibility of guaranteeing in the future that essential energy needs can be met guarantees that prices of the various forms of energy will continue to fall and that the quality of user service will be maintained. The third objective concerns developing sustainable and non-inflationary growth while protecting the environment. Progress towards sustainable development means finding balanced solutions which take account of the cost/effectiveness aspect, so as to avoid any distortions in the development of the competitiveness of Community industry *vis-à-vis* the outside world and also *vis-à-vis* SMEs.

The objectives of energy policy must be attained in the context of the Single Market and therefore the completion of the single market for energy is a *sine qua non*.

The growth of trade and the internationalization of markets expose the world of the SMEs to increased competition. In this process of reinforcing competition, containing production costs obviously plays an essential role if SMEs are to survive in a world market.

Energy costs, which for some of these enterprises represent a large proportion of total costs, must also be contained. Accordingly, industry is taking an interest in the completion of the single market for energy. It is important to maintain the competitiveness of all industry, and thus of SMEs, to guarantee access to energy at competitive prices in the immediate future. Consumers must be able to choose between the various sources of supply and a greater number of suppliers.

At present, transboundary trade in energy and competition between producers is somewhat limited, because of technical, legal (because of national monopolies) and fiscal barriers.

In all these fields, progress has already been made over the past few years, in particular through standardization and the first phase of liberalizing the electricity and gas sectors<sup>56</sup>.

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<sup>56</sup> Council Directive 90/377/EEC of 29.06.1990 concerning a Community procedure to improve the transparency of gas and electricity prices charged to industrial end-users, OJ L 185 of 17.07.1990, Council Directive 90/547/EEC of 29.10.1990 on the transit of electricity through transmission grids, OJ L 313 of 13.11.1990, Council Directive 91/296/EEC of 31.05.1991 on the transit of natural gas through grids, OJ L 147 of 12.06.1991.

Other proposals<sup>57</sup> have been forwarded to give customers a greater choice of sources of supply and of suppliers.

The second phase of liberalizing the electricity and gas markets proposed by the Commission provides for the reinforcement of competition in the production sector and access for third parties to the network, which would give the major industrial consumers and the distributors a greater choice of suppliers in the Union.

It is through the distributors (who will pass on the benefits to their customers) that, in this second phase, the SMEs will be able to take advantage of the opportunities offered by this increased competition, which will reinforce security of supply and give more competitive prices on the market. In the third phase, access could be extended to other industrial consumers (by lowering the consumption threshold), so that some SMEs could negotiate their supply contract freely with a supplier in the Union.

#### **2.4. ENVIRONMENTAL POLICY**

In the review of the 5th. Action Programme, of November 1994, mention is made of the British, Danish, German and Dutch governments' initiatives to assist SMEs with consultants advice and financial incentives to upgrade environmental performance and to install clean technology. In the UK, industry has set up a Committee to help the scaling down of cleaner technology developed for large enterprises for SME use.

In November 1994, the Commission also presented a Communication on "Economic Growth and the Environment". The Communication strongly underlines the need for market based instruments in the area of environmental policies, in particular economic and fiscal instruments like eco-labelling, eco-auditing, voluntary agreements, tax rebates for green investments, etc. A shift is proposed away from a "command and control" policy towards more market based instruments, so that companies are able to integrate environmental considerations in their policies in a more flexible way. This form of "deregulation" is of special importance for SMEs."

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<sup>57</sup> Draft Directives concerning common rules for the internal market in natural gas and electricity, COM(93) 643 of 07.12.1993.

## **CHAPTER II. PROGRAMMES AND SUPPORT MEASURES FOR SMEs**

### **1. PROGRAMMES AND SUPPORT MEASURES FOR SMEs UNDER ENTERPRISE POLICY**

#### **1.1. THE EURO-INFO-CENTRES NETWORK**

Because of their special position at local level, the EICs can contribute to raising interest amongst enterprises in their region in the various Community programmes and policies. They provide information to heads of firms and feed information back to the different Commission services so that they can take account of the special problems of SMEs.

A deepening of the EICs' information mission has been achieved largely thanks to the special relationship which has been developed between the Commission services and the EICs in the framework of the special working groups. Thus, specialized groups have been set up, since 1992, in the following main areas (which have themselves been divided into sub-groups): Internal Market (Information on the markets of other Member States, public tenders, VAT and quality), RTD, external relations and Community programmes (environment, training and Structural Funds). Essentially these are sectors which have been difficult for SMEs to access up to now. This growing specialization by the EICs allows information monitoring actions to be increased and facilitates the exchange of good practice.

##### **1.1.1. THE EICs AS DISSEMINATORS OF USEFUL INFORMATION TARGETED ON ENTERPRISES**

Anxious to respond to the real needs of firms, the EICs increasingly tend to offer an "info-service", that is, a full personalized service of diagnostics, advice and monitoring which identifies through research the optimum solutions for the firm.

During 1994, the EICs contributed greatly to the organization of Internal Market Weeks which took place in all the Member States of the European Union and met with great success amongst SME participants.

As regards public tenders, the EICs have been particularly active in circulating information about calls for tender, thanks notably to the TED database. Software programs (TENNIS and TEDAUTOMATA) have been developed as a function of the specific needs of SMEs allowing them better to understand and exploit these very complex markets.

Thanks to the support of the Commission services involved, the EICs have played an active role in the promotion of Community RTD programmes, most notably CRAFT, with SMEs. They have particularly made them aware of the new opportunities which arise from the Fourth Framework Programme through training seminars or brochures, including a guide to project management.

On transport, the Commission services have collaborated to carry out an awareness action exclusively for SMEs in the transport sector, which resulted in the publication of a leaflet in August 1994. In addition to a brief description of services and programmes available to SMEs from the Commission (EIC, BC-NET, BRE and EUROPARTENARIAT), notably with a view to promoting trans-national cooperation, the leaflet provides a concrete example for each of these, involving one or more transport firms as well as a list of useful addresses by country.

On the environment, the EICs have been chosen by the Commission services to carry out an information and awareness campaign for SMEs on environmental questions with a view to encouraging them to adopt the voluntary regulations on environmental management and the eco-audit (EMAS - "Eco-Management and Audit Scheme"). In practical terms, the contribution of the EICs has consisted in drawing up a self-evaluation guide (on paper and on disk) to environmental performance for heads of firms, and in particular SMEs, most of which have not yet adopted a particular strategy in this area because they see in it more threats than potential opportunities.

#### **1.1.2. THE EICs AS ORGANIZERS OF FEEDBACK**

The Commission services are increasingly aware that the information and advice mission fulfilled by the EICs puts them in a special position to understand the particular problems encountered by SMEs in the implementation of legislation or in participating in certain Community programmes. This feedback is particularly valuable because it gives a better idea of the reality on the ground and eventually can help adapt the legislation or programmes in question.

Up to now, the Commission services have structured this feedback by directly consulting EICs or having them carry out specific studies based on questionnaires circulated to SMEs in their region.

In the first case, the most significant example is the participation of certain EICs on the Listening Committee on VAT. The EICs have participated actively in the meetings and have also been asked to carry out a study on the impact of the transitional VAT regime.

An identical step has been undertaken on the Internal Market. This has made it possible to collect, from a questionnaire and structured interviews carried out with the economic operators, both quantitative and qualitative information about the impact of the Internal Market, as well as numerous SME success stories (see point I.2.1.1.).

The analysis of this data has served as a basis for drawing up the Annual Report on the Internal Market<sup>58</sup> and has been taken into account in completing the Strategic Programme<sup>59</sup>.

Greater cooperation with other Commission services is also under study for the transmission of complaints, in order to improve the procedures for enterprises.

### **1.1.3. THE EICs AS PARTNERS AT THE LOCAL LEVEL**

This double function of dissemination of information and organization of feedback for the various Commission services therefore stands the EICs in good stead as a valuable channel of direct contacts with economic circles and the other actors in local development and illustrates in a concrete way the application of the principle of subsidiarity.

The partnership relations which the EIC has developed with all the parties concerned at local level, whether public or private (Chambers of Commerce and Trades Councils, Regional Councils and organizations promoting/spreading technologies), make it possible to offer a more complete service to economic operators. It is thus possible for the EICs to relay technical documents to more specialized organizations. Furthermore, certain EICs have succeeded in coordinating, even co-piloting, community initiative programmes financed in the context of the Structural Funds.

In other sectors the Commission services have preferred to use information /advice and enterprise cooperation services which the EIC network can offer them rather than establishing their own network, both for reasons of effectiveness and credibility on the ground. So in RTD, certain EICs have been designated as Value Relay Centres with the function of ensuring promotion of the transfer of innovations resulting from Community programmes towards SMEs.

The various Commission services have also called on the EICs as members of a well-established network in the European Union, and soon in the European Economic Area, which has established correspondents in the countries of central and eastern Europe and the Mediterranean. Currently the Commission services also envisage the possibility of using organizations located in third countries (in Asia or in Latin America, for example) which have already established a working relationship with certain EICs to the benefit of European firms in the search for market opportunities and outlets.

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<sup>58</sup> COM(94) 55 final of 14.03.1994

<sup>59</sup> COM(93) 632 final of 22.12.1993.

## 1.2. NETWORKS AND COOPERATION PROGRAMMES

One of the priority areas in enterprise policy concerns inter-enterprise cooperation. The Commission has established partner search networks, the Business Cooperation Network (BC-NET) and the Business Communication Centre (BCC) as well as the Europartenariat and Interprise programmes.

In 1994, **the 461 correspondents in the BCC network generated 7,629 cooperation profiles.** As regards the regions eligible under objectives 1, 2 and 5b, the activity of the network is distributed as follows:

- Objective 1 : 92 correspondents have generated 919 cooperation profiles;
- Objective 2 : 142 correspondents have generated 2,156 cooperation profiles;
- Objective 5b : 15 correspondents have generated 184 cooperation profiles.

**The 533 BC-NET advisers have generated 10,349 cooperation profiles.** For the regions eligible under objectives 1, 2 and 5b, the activity is distributed as follows:

- Objective 1 : 96 correspondents have generated 1,085 cooperation profiles;
- Objective 2 : 142 correspondents have generated 3,624 cooperation profiles;
- Objective 5b : 28 correspondents have generated 560 cooperation profiles.

49 INTERPRISE events were organized in 1994, 31 of which (63%) have related to objective 1, 2 and 5b regions.

The Europartenariat held in Bilbao in 1994 allowed 479 selected enterprises from 7 Spanish regions to meet over 2,000 enterprises at 9,000 meetings.

Furthermore, the various Commission services cooperate to encourage international cooperation thanks to the opening of partnership programmes for third countries. This is how enterprise policy makes available to the other policies of the Union its tools and know-how, notably allowing the countries of central and eastern Europe, Mediterranean third countries and other third countries to benefit (see point II.2.4.4).

As an example the European Union/Middle East Partenariat event which was held in Cairo in December 1994 brought together 600 enterprises in the region (Egypt, Israel, Palestinian territories and Jordan) and more than 400 enterprises from Europe. **It is estimated that about 10,000 scheduled meetings and 5,000 spontaneous meetings took place between enterprises.**

In 1994, three Med-Interprise events took place in the Mediterranean countries of Morocco, Lebanon and Cyprus. The enterprise policy services ensure technical assistance under the cooperation section of the Med-Invest programme, the finance contributed by the services in charge of external relations.

On subcontracting, the enterprise policy services are cooperating with the industrial policy services, notably for the organization of European forums like those organized in 1994 in the sectors of clothing and construction and for the cooperation actions targeting the competitiveness of firms.

In this context, in accordance with the Council's request (in its resolution of 22 November 1993<sup>60</sup>) and the proposals of the Integrated Programme, the Commission has tested the meetings formula known as "reverse salons" organized on the initiative of the clients to contact subcontractors in the context of new inter-industrial partnership relations. Thus VETIS was organized in Turin in November 1994 making meeting areas available to purchasing and technical departments of manufacturers and large suppliers to the motor industry to play host to suppliers of components or services. This action was aimed at establishing permanent relations to their mutual advantage between manufacturers, suppliers and subcontractors in the areas of quality ("zero fault"), service to clients, price (affordable and competitive) and time ("Just in Time, Time to Market").

Furthermore, the Integrated Programme provides for the reinforcement of support measures to enterprises notably in the area of cooperation. The members of the network (BC-NET and BCC), as local operators in direct contact with firms, are required to play a fundamental role in the implementation of the proposed actions which affect 3 areas: stimulating cooperation between SMEs by support beyond the initial partner stage, access to public markets and new information technologies.

### 1.3 PILOT SCHEMES

Under enterprise policy, the Commission is carrying out a certain number of actions in particularly sensitive areas such as access to research and technological development (RTD), access to public contracts, standardization and certification, commerce and distribution and, finally, the craft sector and small enterprises. These actions are carried out through inter-service cooperation in the majority of cases.

As an example, in RTD, an inter-service working group has been created for better coordination of actions in favour of SMEs. This coordination has been effective in the context of Euromanagement RTD II and above all the 4th RTD Framework Programme which has made it possible to extend the CRAFT procedures and the feasibility premiums to all RTD programmes (see point II.2.2.3.). In the context of Euromanagement RTD II, DG XXIII has, for the first time, associated the Member States in the selection of participants and beneficiary SMEs, as well as the management of the action. This collaboration makes it possible to encourage the Member States to establish similar actions in the future themselves.

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<sup>60</sup> OJ No C 326 of 03.12.1993, p. 1.

### 1.3.1 THE CRAFT SECTOR AND SMALL ENTERPRISES

As regards the craft sector, following a call for tenders launched in 1994, the Commission will support the creation of 7 cross-border offices to help the craft sector and small enterprises develop cross-border activities and help them overcome existing barriers. It has also commissioned a series of studies on the problems of border areas.

In order to lay the ground for the Second European Conference on the Craft Sector, 12 subject-specific preparatory conferences were organized in the Member States with a view to stimulating discussion and an exchange of experiences on the role of small enterprises and craft businesses within the Single Market. At the end of this Second European Conference on the craft sector and small enterprises, which took place in Berlin on 26 and 27 September 1994 around the common theme of "craft and small enterprises : the key to growth, innovation and employment", conclusions were presented as regards new actions aimed at ensuring that these enterprises benefit fully from the advantages of the Single Market and from Community programmes. The Commission intends to act on the recommendations formulated at the Council's request in its Resolution of 10 October 1994<sup>61</sup> by presenting a communication on follow-up measures before the end of 1995.

Finally, in October 1994 the Commission published a call for proposals to support transnational cooperation<sup>62</sup> with the help of intermediaries. The Commission aims via this action to support partnerships between small businesses and craft enterprises in two Member States by ensuring that they are accompanied by intermediaries who facilitate their moves towards cooperation.

### 1.3.2. EUROMANAGEMENT

On standardization, certification, quality and safety in the workplace, the Commission launched a Euromanagement action in 1993 which ended in 1994 and **made it possible to audit 842 SMEs**. The report produced by the coordinator of the action, AFNOR (Association Française pour Normalisation), shows that the principles of the single market and standardization (through European directives and standards) are generally very poorly understood, for reasons relating to the difficulties of gaining access to information and the low participation rate of SMEs in the work on European and even national standards (one of the reasons seems to be the lack of human and financial resources). As to quality, a good number of SMEs have commented that they are looking for an improvement in their organization and their competitiveness from the quality assurance systems. However, these are harder to establish in SMEs than in large enterprises. The report shows that SMEs have difficulty in understanding and applying EN ISO 9000 and in particular in formalizing their quality procedures. Since they are unfamiliar with the language of standards, they feel that they are dependent on outside consultation and often do not know how to avoid making over-complex interpretations of the standards and setting up systems which are too clumsy and expensive.

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<sup>61</sup> OJ C 294 of 22.10.1994, p. 6.

<sup>62</sup> OJ No C 282 of 08.10.1994, p. 14.

As regards certification, the report notes that there is still much work to be done on completing the single market, in particular on mutual recognition. SMEs stress in their comments that they expect substantial benefits. However, SMEs are often unfamiliar with EC markings and see the cost of obtaining certificates as a problem (for products and/or quality systems). Lastly, on health and safety in the workplace knowledge amongst SMEs is low. About one in five SMEs are in a position to quote the existing standards on safety of employees.

### **1.3.3. START-UP CAPITAL PILOT SCHEME**

The Commission (in particular the services responsible for enterprise policy and those concerned with regional policy) launched a pilot scheme in 1989 to "stimulate the creation of start-up capital funds". In this context, it has supported the establishment of 23 "start-up funds" whose essential mission consists in making capital available to firms in the embryonic stage of existence which generally have enormous difficulty in obtaining this on the market.

**As at 1 January 1995, the 23 funds had raised ECU 41 million in capital, of which ECU 27 million have been invested in 228 new enterprises (average rate of capital participation of 26%), generating 2,085 direct jobs.**

It is costing the Commission ECU 1 260 to take part in a job creation scheme under the pilot plan. For ECU 8.76 million invested by the Commission in the form of reimbursable advances (ECU 6.085 million) and contributions to the capital (ECU 2.675 million), a capital sum of ECU 41 million has been raised by the pilot plan funds (58% of which is from private sources), which represents a substantial lever effect.

### **1.3.4. COMMERCE AND DISTRIBUTION : ACTION COMMERCE 2000**

The European conference on strategies for a modern distribution network in Europe, which was held in Athens on 2 and 3 June 1994, has invited the Commission to pursue and intensify the Commerce 2000 pilot programme. This programme aims to encourage the promotion of cooperation relations between SMEs by establishing modern methods of management and new technologies. A second call for tenders launched at the end of 1993 was used to select, in 1994, 52 feasibility study projects and 6 pilot projects, the results of which should become available in the course of 1995.

### **1.3.5. COOPERATIVES, ASSOCIATIONS, MUTUAL SOCIETIES**

The Community multi-annual programme of work for cooperatives, mutual societies, associations and foundations in the European Union<sup>63</sup>, adopted by the Commission in February 1994, received the consent of the European Parliament in March 1995. This programme provides a formal framework for Community action based on innovation, partnership, networking and the trans-national dynamic. It aims to preserve diversity in the sector, to encourage solidarity and to help cooperative enterprises to respond to the dual objective of economic development and social progress in the European Union.

Cooperative enterprises are involved under various headings in the process of allocation of structural funds at the European, national, regional and local level. However, their inclusion in partnerships, as well as their experience, remains very scattered. Exchange of best practice is encouraged, so as to maximize the contribution of SMEs to the creation of employment, occupational training, regional development, local initiative and urban reconversion.

The various actions supported include the Euro-Info-Centre for the social economy known as ARIES, the European financial mechanism SOFICATRA for financing enterprises in this sector from own funds, the European training network for the third sector and the network of experts on proximity services.

Recognizing the growing importance of associations in Europe, the Commission is also preparing a White Paper on Associations and Foundations. Associations have been increasingly involved in providing services that were hitherto provided by public authorities, and in a number of key European programmes.

### **1.3.6. STATISTICS**

With a view to improving the statistical information which is available, Eurostat, in conjunction with the NSIs of the Member States, has begun to collect all the financial information available on enterprises, so as to highlight the importance of SMEs as regards production in the Member States and employment. In conjunction with DG XXIII, Eurostat has published at regular intervals the report "Enterprises in Europe", the third edition, of which is from 1994. This report contains detailed information by sector of economic activity and by payroll size classes on all the enterprises in the European Union, viz. their number, number of employees and turnover.

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<sup>63</sup> COM(93) 650 of 16.02.1994.

## **2. SUPPORT PROGRAMMES AND MEASURES FOR SMEs UNDER OTHER UNION POLICIES**

It has to be recognized that the majority of Community support is provided largely in the context of the Union's financial instruments and, in particular, the structural funds, as well as Community programmes, such as the research and technological development and occupational training programmes.

Here close coordination between policies is essential in order to facilitate effective participation by SMEs in these programmes.

### **2.1. THE UNION'S FINANCIAL INSTRUMENTS (EIB AND STRUCTURAL FUNDS) AND THE SMEs**

#### **2.1.1. THE EUROPEAN INVESTMENT BANK, THE EUROPEAN INVESTMENT FUND AND SMEs**

Created in 1958 to facilitate, with funds borrowed on the capital markets, the funding of investments to promote balanced development of the Community and European integration, the European Investment Bank participates actively in the support of Community policies. It also contributes to cooperation policies towards third countries (the African states, the Caribbean and the Pacific, the countries of the Mediterranean basin and the countries of central and eastern Europe.

The EIB finances investments supporting regional development as a priority. It contributes regularly to strengthening European communications networks, the protection of the environment and the improvement of the life context as well as the competitiveness of industry.

To strengthen the international competitiveness of industry and promote its integration at the Community level, the EIB finances large-scale investments through individual loans and modest ones, in particular those of small and medium-sized enterprises, indirectly through its global loans.

##### **2.1.1.1. The EIB's global loans**

The global loans are concluded with financial intermediaries, operating at the national, regional or even local level, and used in agreement with the Bank and according to its economic, technical and financial criteria. This decentralized procedure, closer to the local reality, puts the **EIB in a position to support small and medium-sized investments made mainly by SMEs**, which it would not be able to finance by individual loans, for reasons of management efficiency. Currently the EIB is collaborating with over one hundred partners, financial institutions or commercial banks.

The field of application of global loans has been progressively increased in order to adapt to the development of needs and the diversification of Community policies. They usually respond to several Community policy objectives and concern :

- investments of small and medium-sized enterprises in industry, services (notably tourism) and agriculture;
- small-scale infrastructure contributing to Community objectives in the areas of regional development, environmental protection, energy or transport.

The figures presented in Table No 1 indicate the importance of the role of the EIB in support to the investments of SMEs.

Table No 1

## THE EUROPEAN INVESTMENT BANK

### **The EIB in figures :**

EIB loans amounted to :

1994 : ECU 19.9 billion including ECU 17.7 billion in the Community and ECU 2.2 billion in the context of cooperation policies relating to third countries;

1993 : ECU 19.6 billion;

1992 : ECU 17 billion.

### **The EIB and regional development :**

1994 : ECU 12 billion (88% in regions eligible for the Structural Funds - objectives 1, 2 et 5b);

1993 : ECU 12.5 billion;

1992 : ECU 11.8 billion.

From 1989 to 1994, EIB finance in favour of regional development amounted to ECU 59 billion of which ECU 54 billion in Structural Fund zones (objectives 1, 2 and 5b)

### **The EIB and the SMEs :**

In 1994, the EIB concluded global loans in a total amount of ECU 3.281 million compared with ECU 3.598 million in 1993. During the year 7 712 credits were granted on current global loans in an amount of 2.763 million (6 023 credits and 3.258 million in 1993).

60% of this amount was devoted to supporting 6 776 SMEs, nine-tenths of which employed less than 50 people and benefited from more than 60% of the credits granted. About 70% of these SMEs are located in regional development zones.

Some 35% of the credits relate to small or medium-sized investments in the infrastructure sector (environment, communications, energy) usually made by local communities. The balance consists of investment by SMEs to improve the environment and promote the rational use of energy.

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

1991 : ECU 3.3 billion of which ECU 2.3 billion for 9 548 SMEs;

1992 : ECU 2.6 billion of which ECU 2.1 billion for 7 223 SMEs;

1993 : ECU 2.7 billion of which ECU 1.5 billion for 5 257 SMEs.

1994 : ECU 1.8 billion of which ECU 1.7 billion for 6 776 SMEs. Italy (ECU 595 million), France (ECU 947 million), Germany (ECU 342 million) and Belgium (ECU 116 million) have benefitted most from credits on global loans. In addition, the EIB supports investments of SMEs relating to environment or rational use of energy.

Since 1990, the EIB has provided significant support to the financing of SMEs. Thus nearly 36,000 SMEs have benefitted from credits in a total amount of over ECU 9.4 billion, or some 45% of the financing granted to industry and services. Over 4/5 of them are enterprises employing less than 50 people and 97% less than 250. More than 23,000 operations (ECU 6.2 billion in credits) relate to investments in the aided areas and some 13,000 projects outside these areas.

The experience of the EIB in financing SMEs and its close relations with the European banking system led the European Council of Edinburgh (December 1992) and Copenhagen (June 1993) to ask it to strengthen its activities in this area.

In the context of the growth initiative, the EIB was invited not only to accelerate the financing of infrastructure, and notably the trans-European networks, but also to help job-creating SMEs.

#### **2.1.1.2 The SME facility : subsidized loans for job-creating SMEs**

A mechanism for interest subsidies on budgetary resources of the European Union relating to **ECU 1 billion in global EIB loans** in favour of the SMEs was approved in April 1994 by the Council of Ministers<sup>64</sup>. An agreement was signed between the European Commission and the EIB on 14.6.1994 on the implementation by the latter of the interest subsidy mechanism. The Commission adopted a report on the implementation of this decision on 19.11.1994<sup>65</sup>.

This mechanism is open to SMEs with net fixed assets of a maximum of ECU 75 million and with staff not exceeding 500 persons; however, at least 60% of the beneficiaries will be SMEs with less than 250 employees and an annual turnover of a maximum of ECU 20 million or a total payroll under ECU 10 million.

**The interest subsidy of 2% per year** is applied for 5 years on a maximum loan amount of ECU 30,000 per job created, which comes out at a subsidy of ECU 3,000 over 5 years per job created. The payment will be made as from 1.8.1995, when the beneficiary has proved that the new jobs have been in existence for at least 6 months. The SME facility should allow 30,000 jobs to be created.

After decision of the Council, this mechanism was implemented in September 1994 and at the end of April 1995, **48% of the one billion of global loans had been allocated to some 2 100 businesses and more than 23 000 new jobs were planned. 96% of the volume of loans were granted to SMEs with less than 250 employees.** The number of EIB intermediaries in the implementation of this mechanism varies by Member State from 1 to 25 (In Italy). An information leaflet has been widely circulated, notably through the Euro-Info-Centres. The relevant Commission services are monitoring the implementation of this mechanism closely.

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<sup>64</sup> Council Decision 94/217/EC of 19.04.1994, OJ No L 107 of 28.04.1994, p. 57.

<sup>65</sup> COM(94) 434 final of 19.11.1994, report by the Commission on the implementation of the decision regarding the provision of Community interest subsidies on loans for small and medium-sized enterprises extended by the EIB to the SMEs under its temporary leading facility (the SME facility).

### 2.1.1.3. The European Investment Fund : loan guarantees granted to SMEs

At the Edinburgh Council it was decided, in the context of the European growth initiative, to create a **European Investment Fund** aimed at granting loan guarantees for projects relating to the trans-European networks and for the SMEs. With a capital of ECU 2 billion subscribed by the EIB (40%), the Commission (30%) and some sixty financial institutions (30%), this instrument can extend guarantees for a total amount which can eventually reach rise to eight times its paid-up capital, or ECU 16 billion. Later, the EIF will be able to take shares in the capital of enterprises specializing in the financing of SME capital.

The EIF focuses its attention on those areas where it can be complementary to existing sources of finance. It follows sound banking principles in offering two main types of financial products :

- financial guarantees : the level and extent of guarantees depend on the nature of the project; variations in the risks involved are reflected in differentiated rates of guarantee commissions. Guarantees may be provided not only to projects financed by EIF shareholders but also for those of third parties. In general, these guarantees will not cover more than half of the project cost and may be given in conjunction with other guarantors;
- equity : in the case of SMEs, the EIF will provide equity or quasi-equity only through competent intermediaries (indirect facility). The Fund could however take small direct participations in Trans-European Networks (TENs) projects during the start-up phase. During its two-year start-up period, the EIF's activities will consist of providing guarantees. It will take equity participations only after further study and a decision by the General Meeting.
- the initial ceiling on the overall commitments of the Fund has been set at 3 times its subscribed capital. This may be raised, by decision of the Fund's bodies, first to 5 times and then up to a maximum of 8 times subscribed capital once adequate reserves have been established.

The Fund will not normally provide direct guarantees to individual SMEs. It will rather work through appropriate financial intermediaries in the Member States, offering guarantee lines to underwrite selected portfolios of SME projects or guarantees on the sources of funding used by the intermediaries for their SME loans (i.e. EIB global loans, bond issues).

As of 2.2.1995, the Fund has approved 4 guarantee operations in favour of SMEs (in addition to 8 in favour of TENs), one of which has been signed. These SME lines, to with financial institutions in Portugal and France, amount to over ECU 165 million to be drawn down during the next 1-3 years. Further operations are under examination including with mutual guarantee schemes which would not only facilitate access to credit through guarantees but would also increase the volume of loans granted to SMEs.

## 2.1.2. SPECIFIC REGIONAL POLICY ACTIONS IN FAVOUR OF SMEs

Aware of the role of the SMEs in achieving economic and social cohesion, the Commission is implementing a real policy of support to enterprise, targeting regional economic development. The 1988 reform has made it possible to strengthen action in favour of local development both in traditional forms and innovative forms of intervention. Article 1c of the ERDF regulation<sup>66</sup> in fact gives this fund a mission of "development of the endogenous potential of the regions for measures of promotion and support for initiatives of local development and activities of SMEs".

This section concentrates on presenting the Commission's main guidelines for the programming period 1994-1999, supplementing earlier reports which have dealt exhaustively with the Community's major principles on structural action for the benefit of the SMEs, their instruments and their financing methods as well as the balance sheet for the period 1989-1993<sup>67</sup>.

### 2.1.2.1. The Community Support Frameworks

Within the new Community Support Frameworks (CSF) and Single Programming Documents (DOCUP), on average **10% of the total resources of the ERDF are devoted specifically to measures dealing with the promotion and improvement of the economic environment centred on the SMEs**. Given that the budgetary envelope of the ERDF has been doubled for 1994-1999, this percentage constitutes a virtual doubling in value relative to the period 1989-1993. This quantitative progress is largely due to the efforts of the Commission during negotiations. The increase is certainly more tangible in objective 2 (industrial decline) and 5b (rural) areas - **where the percentage is between 15 and 20% on average** - than in the objective 1 areas. In these areas it does not appear to exceed 8% except in the case of Portugal, thanks mainly to the programme to modernize the Portuguese economic fabric (notably PEDOP II), the commerce modernization programme (PROCOM) and the programmes of rural and local development and regional aid, and in the cases of French and Belgian Hainaut, Flevoland and the United Kingdom regions concerned (notably the Highlands and Islands and Merseyside). It should be noted that the programme in favour of Greek industry includes sub-programme for SMEs.

Operators can obtain information on the operational programmes either from the European Commission or directly from the competent national or regional authorities, or from the Euro-Info Centres.

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<sup>66</sup> Council Regulation (EEC) No 2083/93 of 20.07.1993, OJ No L 193 of 31.07.1993, p. 34.

<sup>67</sup> COM(94) 221 final of 07.09.1994 and 5th annual report on the implementation of the reform of the Structural Funds COM(95) 30 of 20.03.1995

ERDF interventions cover two broad categories of action :

- support to the encouragement of demand for services by SMEs through co-financing of national or regional aid procedures with a regional aim : subsidies to investment that creates jobs, youth employment, equipment forming part of the context of modernization of a firm or of environmental protection are thus the principal measures co-financed by the Union. Small economic infrastructure projects (industrial zones, technology parks, small business parks, enterprise facilities in general) can also be supported;
- support to the supply of services to SMEs consistent with creating, developing or supporting structures improving their non-material working environment.

Hence, finance is available for arrangements responding to the principal needs expressed by the SMEs.

- Advice and innovation : technological centres, management shops, Enterprise and Innovation Centres, certification and standardization bodies, the "enterprise" services of Chambers of Commerce and of Industry, consultancy organizations;
- Financing : financial engineering mechanisms<sup>68</sup> in the most varied forms : guarantee funds, start-up capital, risk capital, participatory loans, mutual guarantee societies, hire-purchase, factoring;
- Internationalization : support measures for international actions by SMEs under collective (group participation in fairs and shows, common export services) or individual form (bringing a product up to standard or packaging a product, specialized advice or market studies).

The guidelines advocated by the Commission clearly give preference to interventions in favour of the offer of services, by insisting on the need for extended integration : **advice and accompaniment do in fact considerably improve the rate of survival of newly created SMEs and the performance of developing SMEs.** So they are in the end closely linked to access of SMEs to credit and its cost, the latter depending directly on the appreciation of the risk run by the financing bodies.

#### 2.1.2.2. Community initiatives

The Commission uses its right of initiative to propose several "Community Initiatives" specially geared towards the SMEs and to which they can have access via the relevant authorities at regional or national level, charged with collecting and selecting projects covered by the general guidelines of the operational programmes.

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<sup>68</sup> See the guide to financial engineering techniques used in the context of regional policies, available on demand from the European Commission.

**The SME Community initiative<sup>69</sup>**, allocated ECU 1 billion for the period 1994-99 - including ECU 800 million for objective 1 regions, is naturally linked with all the enterprise actions under the Integrated Programme in favour of SMEs and the Craft Sector, always according to the methods and procedures of the Structural Funds. This initiative notably groups together the earlier initiatives TELEMATIC, PRISMA and STRIDE.

Considering, on the one hand, the potential creation of jobs and the competitiveness gains of SMEs and, on the other hand, the particular characteristics of these enterprises in the objective 1 regions, the aim of the Community SME initiative, in accordance with the guidelines of the White Paper on Growth, Competitiveness and Employment, is to contribute to the internationalization of the SMEs and promote improvements in their level of competitiveness.

For this purpose, seven priority areas have been identified : improvement of production and organization systems, environment and rational use of energy, cooperation with research centres, access to new markets, cooperation networks, strengthening vocational qualifications, improved access to the financial system.

This initiative must contribute, in a significant way, to making the SMEs of the Union more competitive by improving their environment and their know-how. The proposals submitted by the Member States contain measures both in the area of cooperation between SMEs - notably targeting their internationalization and better access to domestic markets as well as to public markets - and in subcontracting, adoption of total quality strategy, cooperation with research centres, access to new technologies, marketing, finance, better organization and management of enterprises and also management of the environment. The programmes, which target SMEs in the industrial and service sectors, explicitly include the commercial sector for some, with specific programmes as for Spain and Portugal. They also contain proposals targeting micro-enterprises (Portugal) or small enterprises (Ireland).

The 12 other Community initiatives (INTERREG II, LEADER II, REGIS II, EMPLOI, ADAPT, RECHAR II, RESIDER II, KONVER, RETEX, TEXTILE-PORTUGAL, URBAN and PESCA) on which the Communications to the Member States were published on 1 July 1994<sup>70</sup> can also contribute to the development of the SMEs. For example:

**REGIS** : which is principally concerned with the diversification of the productive fabric of the most peripheral regions of the European Union in a perspective of full participation of their SMEs in the single market.

**RETEX**: which is designed to assist enterprises in the textiles sector in the regions most affected by international competition by improving their competitiveness with a view to the full participation of SMEs in the large internal market.

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<sup>69</sup> OJ No C 180 of 01.07.1994, pp. 10-14.

<sup>70</sup> OJ No C 180 of 01.07.1994.

URBAN : with the objective of revitalizing degenerated urban areas by a global and coordinated strategy. The programmes proposed often contain measures intended to support and create jobs by encouraging the establishment of industrial and service SMEs, notably commercial ones with a view to ensuring satisfactory commercial facilities for the population.

ADAPT : which targets adaptation to industrial change and improving the competitiveness of firms (see point II.2.1.3.2). The Commission attaches particular importance to the coordination of this relevant initiative of the European Social Fund with the SME initiative.

### 2.1.2.3. Innovative forms of intervention

Innovative forms of Community intervention include global subsidies and pilot schemes.

- a) The global development subsidy introduced as from 1988<sup>71</sup> is granted by the Community to an existing or newly established body, described as an "intermediary body", for carrying out a territorial development strategy which it has designed, formalized, negotiated with the Commission in the context of a contractual agreement, and which it will implement under its own responsibility.

Article 6 of the ERDF regulation<sup>72</sup> states that this instrument should preferably be used in the context of the CSFs, in favour of local development initiatives in order, notably, to establish a propitious environment for the development of SMEs.

This financing technique experienced a relatively sustained spread during the period 1988-1993 when 31 agreements were established for a total combined amount of ECU 687 million. 22 of these subsidies have involved intermediary bodies in the Italian Mezzogiorno, largely backing up support services to the SMEs of these regions. The new programming period should see increased development of this form of intervention, notably in Italy and Spain where 9 agreements are currently being prepared compared with two in the preceding period.

- b) Community pilot schemes include tested programmes:

The "European Enterprise and Innovation Centres" (EEICs), launched in 1984 are public-private partnership structures for identifying and selecting entrepreneurs and projects which offer the most complete range of services to enterprise and accompany the firm during the start-up period. Today the EEICs, of which 70 are fully operational on Community territory, have already contributed to the creation of more than **2,800 enterprises representing 16,000 direct jobs**. This network is grouped into the "European Business & Innovation Centres Network" (EC-BIC).

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<sup>71</sup> Council Regulation (EEC) 2081/93 of 20.07.1993, OJ No L 193 of 31.07.1993, p. 9 and Council Regulation (EEC) 2082/93 of 20.07.1993, OJ No L 193 of 31.07.1993, p. 25.

<sup>72</sup> Council Regulation (EEC) 2083/93 of 20.07.1993, OJ No L 193 of 31.07.1993, p. 37.

On inter-enterprise cooperation, Europartenariat - organized jointly by the Commission services responsible for enterprise policy and regional policies - constitutes an initiative resolutely centred on SMEs. In effect, it establishes contacts between SMEs in the "host region" (Ireland in 1988, Andalusia in 1989, Wales in 1990, Portugal and the new Länder in 1991, Greece and the Mezzogiorno in 1992, North-East France and Scotland in 1993, Poland and 7 "Atlantic Corniche" regions of Spain in 1994) and the SMEs of other regions of the Community, so that they can conclude agreements at the technical, commercial and financial level : in this way **several thousand enterprises have already established mutual relations through the Europartenariat**, resulting in many cooperation agreements.

This tried and tested method is also used in the context of more sectoral or regionalized operations, like the "DOM-Interpartenariat" in June 1994, also organized into an inter-service partnership.

Other inter-enterprise pilot schemes target :

- groupings of regional producers including craft businesses and linking them with actors in the distribution sector (marketing of quality regional products);
- cooperation between large enterprises and networks of sub-contractors, including those involved in large infrastructure projects, as well as the support of industrial clustering (Eurospin).
- lastly, the new proposed guidelines on pilot projects (Article 10 of the ERDF Regulation) favour in a general way supporting the development of the latent potential of the regions, while stressing that enterprises, and in particular SMEs, should have access to R & DT and to the possibilities offered by the information society. The pilot projects concerned with interregional cooperation will stress the provision of common resources to give SMEs in the regions better access to the Single Market, in particular by supporting the supply of common services and their concerted actions on international promotion.

### 2.1.3. THE EUROPEAN SOCIAL FUND AND THE SMEs

#### 2.1.3.1. Community Support Frameworks

Small and medium-sized enterprises are recognised as being a major source of new employment. The creation of new SMEs and the development of existing SMEs is crucial in the search for new jobs. The Commission is therefore paying particular attention to such issues as the contribution of different kinds of enterprises to **job creation and the encouragement of entrepreneurial activity to stimulate the creation of more SMEs**.

The far-reaching revision of the ESF regulation in July 1993<sup>73</sup> has made the ESF a much more flexible and policy driven instrument. The Community Support Frameworks now agreed or proposed in relation to the various objectives pursued by the Structural Funds reflect a more coherent and strategic approach to human resources development and improvement of the labour market. Account has been taken of the three priorities for the ESF formulated by the Commission in the White Paper on Social Policy<sup>74</sup> :

- improving access to and the quality of education and initial training, and boosting human potential in research, science and technology;
- increasing competitiveness and preventing unemployment by adapting the workforce to the challenge of change through a systematic approach to continuing training;
- improving the employment opportunities of those exposed to long-term unemployment and exclusion through the development of a package of measures which form a pathway to integration.

Emphasis has been put on establishing or improving in-firm training systems including the drawing up of company training plans, management development and mechanisms to anticipate labour market trends. The particular **difficulties faced by SMEs in addressing their training needs in-house** has also been highlighted and encouragement given to improving the quality and relevance of external training supply and to the promotion of distance training techniques to open up cost efficient and flexible training possibilities. In Greece, for example, decentralised accredited training centres are being set up to provide continuing training.

Thus both the important role to be played by SMEs in generating jobs and the particular difficulties they face in developing their personnel are widely recognised. The promotion of a more systematic approach to continued training is planned to make up approximately **ECU 6 Billion during the period 1994-1999 or some 14% of total Social Fund allocations**. Actions are to a large extent, but not exclusively, concentrated in regions lagging behind, in terms of general economic development, or seriously affected by industrial or rural decline (Objectives 1, 2 and 5b). Other measures are applied throughout the Union with a view to facilitating the adaptation of workers to industrial change and to changes in production systems (Objective 4 and Community Initiatives).

The new Objective 4 of the European Social Fund intends to "facilitate the adaptation of workers of either sex, particularly those threatened with unemployment, to industrial change and to changes in the production systems". The actions aim to take into account specifically the particular needs of small and medium-sized enterprises.

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<sup>73</sup> Council Regulation (EEC) 2084/93 of 20.07.1993, OJ No L 193 of 20.07.1993, p. 39.

<sup>74</sup> COM(94) 333 of 27.07.1994.

There are three main areas of action :

- the anticipation of labour market trends and vocational training requirements;
- vocational training and retraining, guidance and counselling;
- assistance for the improvement and development of appropriate training systems.

Objective 4 actions are applicable right across the European Union. The approach is "horizontal" rather than favouring a particular economic sector. Objective 4 also promotes the "extended partnership" approach, that is the involvement of the relevant economic and social partners, and training bodies. The level and degree of partner involvement depends on the institutional practice in the respective Member States.

One of the common measures that Member States have decided is to **develop the capacity of managers within SMEs to manage change** (new technologies, processes, markets). Another main theme developed by Member States is the reskilling of workers whose skills have become obsolete. This leads to the development of training programmes that support "multi-skilling" of workers and their active participation at several points of production and organization within an enterprise.

The improvement of training systems within firms is also emphasized. Certain countries, for example, have decided to promote mutual cooperation between firms, with the aim (amongst others) of developing training plans for the workers.

If the concept of anticipation, and the involvement of at least some big companies is developing in France and Germany, the approach is less advanced in other Member States. France, for example, is intending to spend about ECU 228 million of a total Objective 4 allocation of ECU 300 million on training workers within enterprises. **70% of this allocation for training (ECU 160 million) will be aimed at workers within SMEs.** Precise spending allocations for most countries are not yet available. It is, however, expected that **SMEs will benefit from a substantial proportion of the resources.**

The total Community expenditure for Objective 4, outside of regions lagging behind (Objective 1), is just over ECU 1 billion for the period 1994-1996. At global level, it is foreseen that private enterprise, Member States and the Community will each contribute one-third to the financing of measures (thus multiplying the one billion by three).

### 2.1.3.2. The Adapt Community Initiative

ADAPT is a new trans-national Community Initiative specifically designed to help the labour force respond to the changing needs of the labour market. ADAPT focuses on developing companies' human capital through training and qualification schemes, thus helping to increase the competitiveness of industry, services and commerce. The beneficiaries of ADAPT will, **to a great extent, be small and medium-sized enterprises and their labour force.** Under ADAPT four main fields of action should be retained

- training, counselling and guidance;
- forward planning, promotion of networking and new employment opportunities (employment and industrial change, qualification and training needs);
- adaptation of support structures and systems;
- information, dissemination and awareness raising.

The actions of ADAPT will be complementary to those of the SME Community initiative. The SME initiative, like ADAPT, is fundamentally about promoting adaptation to industrial change, however, the SME initiative's focus is on the introduction of new production and organisation systems into enterprises (see point II.2.1.2.2.).

During the first half of 1995 each Member State should have the framework of national programmes in place. Project selection, which is the responsibility of the national governments, should take place during the second half of 1995.

There is a total of ECU 1.4 billion available for the ADAPT Community Initiative financing over the period 1995-1999. Of this money, ECU 400 million will be reserved for actions within regions lagging behind (Objective 1). Measures under ADAPT are co-financed by the Community: with the "additional" money of Member States and private business, the global amount spent on ADAPT should be at least triple. **By the very nature of ADAPT a large proportion of expenditure should go to the benefit of SMEs.**

### 2.1.3.3. Local development and employment

Community actions in favour of local development and employment often concern SMEs, particularly micro-enterprises and craft businesses<sup>75</sup>.

At the June 1994 European Council particular stress was laid on local development and the role of the SMEs, micro-enterprises and craft businesses in the development of employment<sup>76</sup>. This led the Commission, at the Essen European Council in December 1994, to present an inventory of Community action to support local development and employment<sup>77</sup>. This report presents the tools made available by the European Union together with an evaluation of the use of these instruments. It sets out proposals to improve the effectiveness and coherence of Community actions based on experimentation, the transfer of good practice and the strengthening of European information and cooperation networks. Finally, it proposes initiating debate and exchange of views at the European level with a view to re-establishing the partnership between the Member States and the Union to benefit local initiatives. This report was complemented by a survey within the European Union on local development and employment initiatives<sup>78</sup>.

Lastly, on the basis of a Commission proposal<sup>79</sup>, The Essen European Council (in addition to the decisions taken by the two preceding Councils in Brussels and Corfu) defined five broad areas of priority actions on employment<sup>80</sup> based on the White Paper on Growth, Competitiveness and Employment, which were intended to assist SMEs to develop, viz.:

1. improving employment opportunities for the labour force by promoting investment in vocational training;
2. increasing the employment-intensiveness of growth, in particular by:
  - more flexible organization of work in a way which fulfils both the wishes of employees and the requirements of competition;
  - a wage policy which encourages job-creating investment;
  - the promotion of initiatives, particularly at regional and local level, that create jobs which take account of new requirements, e.g. in the environmental and services spheres;

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<sup>75</sup> A detailed presentation of the ELI and ELDA is contained in report COM(94) 221 of 07.09.1994, point III.5.

<sup>76</sup> EC Bulletin 06/1994, point 1.6, p. 10.

<sup>77</sup> SEC(94) 2199 of 19.12.1994.

<sup>78</sup> SEC(95) 564 of 04.04.1995.

<sup>79</sup> "Actions to convert growth into employment" - Brussels action plan (phase 2) of 28.11.1994.

<sup>80</sup> EC Bulletin 12/1994, point I.3.

3. reducing non-wage labour costs extensively enough to promote the engagement of workers, particularly non-skilled workers;
4. improving the effectiveness of labour-market policy;
5. measures to help groups which are particularly hard hit by unemployment, such as young people, the long-term unemployed, older employees and unemployed women.

To implement these conclusions, the Commission has recently forwarded to the Council a communication on establishing a European instrument to support and promote employment (ESSEN), which, *inter alia*, deals with supporting the development of local development and employment initiatives, including the role of micro-enterprises and "économie sociale" enterprises<sup>80A</sup>.

The Essen Initiative recognizes the need to stimulate the creation of jobs in the following areas, which will partly be taken up by SMEs : home help services, child care, new information and communication technologies, assistance to young people facing difficulties, better housing, security, local public transport services, revitalisation of urban public areas, local shops, tourism, audiovisual services, the cultural heritage, local cultural development, waste management, water services, protection and conservation of natural areas, and the control of pollution.

#### 2.1.4. THE EAGGF-GUIDANCE AND SMEs

The interventions of the EAGGF-Guidance section relate to objectives 1,5b and 5a.

As regards objective 1 regions, the EAGGF Guidance Section intervenes principally in the form of operational programmes, supported by one or more funds, and Community initiatives, including LEADER. The commitment appropriations for 1993 are ECU 866 million for operational programmes (excluding the amounts allocated to objective 5a horizontal measures).

As regards the next period, it is still too soon to identify the measures to assist SMEs, since a large number of operational programmes have yet to be approved.

The structural appropriations for LEADER II<sup>81</sup> amount to ECU 1.4 thousand million, which includes 900 million for objective 1 regions for 1994-1999. As negotiations are currently in progress, it is not possible to indicate the share that will be reserved for the SMEs. **However, it is probable, that as in LEADER I, the SMEs will be beneficiaries of the interventions on a large scale.**

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<sup>80A</sup> COM(95) 250 of 13.6.1995.

<sup>81</sup> OJ No C 180 of 01.07.1994, p. 48.

As to objective 5b, it covers 50 areas in 9 Member States. It covers 5% of the population and 17% of the Community's territory. 73 operational programmes have been approved for this objective, amounting to ECU 2 607 million. On 31 December 1993 all the appropriations for this objective had been committed. A detailed analysis of Community actions under objective 5b for the period 1989-1993 is contained in the report COM(94) 221 of 7 September 1994 (I.1.1.). The appropriations available for objectives 5b for the next period - 1994-1999 - amount to ECU 6 667 million. This budgetary envelope covers a population of 28.523 million inhabitants, or 8.24% of the population of the Union. It should be noted that the population in these areas has grown by 72% compared with the coverage for the period 1989-1993. The programming stage is not yet completed for these zones, so the measures in favour of SMEs cannot yet be identified.

In the context of objective 5a, EAGGF-Guidance intervenes to accelerate the adaptation of agricultural structures and to improve the conditions of processing and marketing of agricultural and forestry products, viz.:

a) aids to modernize agricultural holdings

Community regulations provide for the possibility of granting aids to farmers or groups of farmers. In 1993 the commitments of the European Agriculture Guidance and Guarantee Fund (Guidance Section) were of the order of ECU 1 059 million and covered the cofinancing of three sectors mainly, viz.:

- investment aids, at the rate of 50 000 new farm workers each year, promoting diversification of activities and more care for the environment;
- compensatory payments in badly affected regions affect over 1.2 million agricultural workers and 55% of the Union's territory;
- installation and investment aids for young farmers (indispensable for making the farm population younger, with an average of 20 000 installations *per annum*).

These measures have been successful when applied to viable holdings and young farmers, and in the countries which have been using them only a little while, such as Spain and Portugal for modernizing their agricultural sector.

- b) aids for modernizing the processing and marketing of agricultural and forestry products

Two Regulations provide for Community support for investment in the processing and marketing of agricultural products (Regulation (EEC) No 866/90) and forestry products (Regulation (EEC) No 867/90). During the period 1991-1993, **some 65% of projects co-financed under these Regulations related to SMEs, which obtained nearly 58% of the total EAGGF assistance of ECU 1 217 million.** While SMEs form the majority of the beneficiaries as regards the number of projects, their projects are smaller and consequently the EAGGF assistance is proportionally less for SMEs than for large enterprises. In addition, the size of the projects presented by SMEs varies appreciably from one Member State to another, from 33% of the projects in Denmark to 100% in Spain and Greece, for example. The average Community contribution per project carried out by SMEs was ECU 304 600 (ranging from ECU 65 649 in the Netherlands to ECU 559 838 in Ireland).

#### **2.1.5. THE COMMON FISHERIES POLICY AND SMEs**

**The fisheries and aquaculture sector is essentially made up of SMEs.** Thus 95% of the Community fleet consists of vessels under 24 m, 65% under 12 m, the latter employing 40% of the labour force, with 1 or 2 seamen per boat<sup>82</sup>. Likewise, according to a recent study carried out on behalf of the European Commission<sup>83</sup>, the fisheries and aquaculture products processing industry employs more than 90,000 people in some 2240 establishments or a Community average of 40 people per enterprise.

The SMEs are thus the principal beneficiaries of Community structural interventions in favour of fisheries. Since January 1994, the structural side of the common fisheries policy (CFP), forms an integral part of the Community Structural Funds arrangements, the two preceding financial instruments<sup>84</sup> having merged to give birth to the Financial Instrument for Fisheries-Guidance (FIFG)<sup>85</sup>. As for the other Structural Funds, the principle of multi-annual global programming is the rule, this programming forming the subject of negotiations in the context of partnership with the Member States.

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<sup>82</sup> Source: Index of the Community fleet.

<sup>83</sup> Statistical study of the fisheries and aquaculture product processing sector in the European Community, April 1993.

<sup>84</sup> Council Regulation (EEC) 4028/86 and Council Regulation (EEC) 4042/89.

<sup>85</sup> Council Regulation (EEC) 2080/93 of 20.07.1993, defining the criteria and conditions for Community interventions for structural purposes in the fisheries and aquaculture sector as well as the processing and marketing of their products.

Respecting the requirements of the Common Fisheries Policy, in particular the fleet restructuring objectives defined in the Multi-annual Guidance Programmes (MGP), the FIFG participates in the financing of investments and actions in the following areas:

- restructuring and renewal of the fishing fleet;
- modernization of the fishing fleet;
- improvement of conditions of transformation and marketing of fisheries and aquaculture products;
- development of aquaculture and development of coastal marine areas;
- equipment of fishing ports;
- market research.

The FIFG also contributes to the implementation of measures for the adaptation of capacities and to the setting up of temporary associations of firms and mixed companies.

Investments eligible for the FIFG relate, in particular, to operating conditions on board ship, improved selection of techniques and fishing tackle, improvement of product quality, bringing product hygiene, health and safety in the workplace and environmental protection up to Community standards.

Community participation can reach 75% of public expenditure in the regions covered by Structural Funds objective 1 and 50% in the other regions. These percentages are 50 and 30% respectively for productive investments. The FIFG has a financial envelope of some ECU 2.7 billion for the period 1994-1999.

It is also appropriate to highlight the adoption of the Community initiative PESCA<sup>86</sup> supplementing the FIFG. The originality of PESCA resides in the fact that it aims to create very targeted projects to aid the fisheries sector to change successfully and to revitalize the socio-economic fabric of the coastal zones. The PESCA initiative has an allocation of ECU 250 million (of which ECU 125 million for the objective 1 regions) for the period 1994-1999.

Finally, at the request of the Council, the Commission has presented a report on the socio-economic accompaniment measures linked to the restructuring of the fisheries sector<sup>87</sup>.

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<sup>86</sup> Notice to the Member States published in OJ no C 180 of 01.07.1994, p. 1.

<sup>87</sup> COM(95) 55 of 20.03.1995.

### **2.1.6. COORDINATION BETWEEN ENTERPRISE POLICY AND THE UNION'S FINANCIAL INSTRUMENTS**

As regards the new financial instruments of the Union, that is, the EIB's subsidized loans for SMEs and the European Investment Funds, the enterprise policy services cooperate with the financial affairs services and the EIB so that the SMEs can take full advantage of these opportunities.

The services dealing with enterprise policy collaborate with the services responsible for the Structural Funds in the context of the implementation of the Community Support Frameworks (1994-1995) and the operational programmes that accompany them as well as the Community initiatives, in particular the SME and ADAPT initiatives in order to make support for SMEs effective and visible. In this context, they participate in inter-service work as well as negotiations with the Member States. They are members of the monitoring committees for the programmes of greatest interest to the SMEs like the programmes relating to industry and to services (Ireland, Italy, Greece and Portugal) or local development (Ireland, Portugal) and naturally the same will apply to the programmes relating to the SME initiative. 1995 will be marked by the completion of negotiations with the Member States with a view to adopting operational programmes relating to the SME and ADAPT initiatives which should have a major impact on the development of the SMEs.

While during the 1989-1993 period substantial amounts were provided to support industry and services in the Community Support Frameworks (CSFs) (about 20% of the financial envelope), the SMEs did not always benefit fully<sup>88</sup>. The new CSFs adopted for the period 1994-1999 accord greater importance to the development of the SMEs. The operational programmes already adopted provide in fact for significant amounts in favour of the SMEs, sometimes proposing SME sub-programmes (Greece), or a programme for commerce (Portugal). In future the monitoring committees should ensure the concrete implementation of these measures in favour of SMEs.

In conclusion, closer cooperation between the Commission services has been established which allows the SME dimension to be better taken into account in the programmes. It allows the interventions to be better coordinated to strengthen their coherence, their visibility and their effectiveness. Nevertheless, because of the decentralization of the management of the programmes, the role of the Commission is limited, once the programmes have been adopted, to monitoring and checking on their implementation. So, by virtue of the partnership, the Member States, the regional and local authorities, and the economic and social partners need to be made aware of the importance of the role of SMEs in the achievement of economic and social cohesion.

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<sup>88</sup> In its report on the coordination of Community actions in favour of SMEs and craft businesses of 07.09.1994, the Commission analyzes the way in which the SMEs have been able to benefit from the support of the Structural Funds and puts forward a certain number of recommendations to increase and improve the use of these funds by the SMEs, COM(94) 207, point I.1.5.

## **2.2 RESEARCH AND TECHNOLOGICAL DEVELOPMENT POLICY AND THE SMEs**

Increased efforts have been made in the context of the 4th Framework Programme for Research and Technological Development<sup>89</sup> to facilitate the participation of SMEs in Community research programmes, thanks to close coordination between enterprise policy and RTD policy. This chapter, in addition to a retrospective analysis of the participation of SMEs in the 3rd Framework Programme, presents the significant innovations introduced in the 4th Framework Programme to facilitate participation by SMEs.

### **2.2.1. SME DEFINITION**

While there is no formal definition of SMEs in the field of the Commission's Research Programmes, the definition used for the CRAFT action under the third Framework Programme (FP III) is maintained as a provisional definition to determine the eligibility of enterprises for the SME specific "technology stimulation" measures implemented under the fourth Framework Programme (FP IV). According to this provisional definition, an enterprise is considered as an SME if it satisfies the following conditions :

- has no more than 500 employees;
- has an annual turnover of no more than ECU 38 million;
- is no more than 1/3 owned by an organisation larger than an SME (based on turnover and number of employees) unless it is a financial investor such as a bank or venture capitalist.

In the future, this provisional definition could be revised in order to introduce a coherent definition of SMEs in all Community programmes. In particular, the Commission will closely monitor the participation of SMEs in the category of less than 250 employees in order to determine whether its programmes take sufficient account of the needs of these enterprises, which represent 99.8% of all enterprises in the European Union. In fact, the CRAFT Programme has shown that 90% of SME participants have fallen into the category of less than 250 employees.

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<sup>89</sup> 4th FPRTD, OJ No L 126 of 18.05.1994, p. 1.

## **2.2.2. OVERVIEW OF SME PARTICIPATION UNDER THE THIRD FRAMEWORK PROGRAMME**

### **2.2.2.1. Statistics**

Table No 2 gives a summary of participation rates by SMEs in the programmes of FP III and the corresponding EC financial contribution on a programme by programme basis. **Overall, the total number of SMEs participating was 6 368, which represents a budgetary commitment of ECU 1 035 million, equal to 22% of the total Community financial commitment.**

The data in table No 2 must be used with caution since they include all enterprises with less than 500 employees irrespective of any other criteria for turnover or ownership (i.e. subsidiaries of large companies are included).

Table No 2

SME participation in programmes of the 3rd RTD Framework Programme<sup>90</sup>

	Number of SME participations*	% of total participations*	EC financial commitment (MECU)	% of total EC financial commitment
Industrial&Materials Technologies:BriteEuram II	3427	56%	219	30%
- Industrial and focused fundamental research	652	24%	139	24%
- CRAFT (Step 1)	1304	95%	5	100%
- CRAFT (Step 2)	1203	70%	67	100% <sup>91</sup>
- Feasibility Awards	268	100%	8	100%
ESPRIT	1250	27%	459	31%
RACE	585	41%	185	34%
Telematics and TIDE	411	20.3%	86	23.6%
Non Nuclear Energy	341	17%	49	21%
Measurement and Testing	44	13%	5	12%
Agriculture and Agro-Industry	59	10%	6	3%
Aeronautics	37	9%	2.5	4%
Marine S&T	52	7%	7	7%
Environment	80	3%	10	3%
Biotechnology	20	2%	2	1%
Nuclear Fission	22	2%	1	3%
Biomedicine and Health	7	1%	2	1%
Human Capital	33	< 1%	2	1%

\* The same SME participating in two different projects is counted as two participations

Source: Directorate-General for RTD.

<sup>90</sup> Statistics for contracts signed up to 01.11.1994.

<sup>91</sup> Although most RTD work is carried out by R&D performer organisations, the results are entirely for the benefit of the SME proposers.

## 2.2.2.2. BRITE EURAM

### a) CRAFT and Feasibility Awards

Within the Brite-Euram programme (Industrial and Materials Technologies) the Commission introduced **two SME specific schemes, Feasibility Awards (1989) and CRAFT (1991)** in order to increase both quantitatively and qualitatively SME participation in the Framework Programme. Feasibility Awards were aimed at SMEs with RTD capacity who wished to prepare themselves to take a major or leading role in a large multi-partner project, while CRAFT targeted SMEs with little or no RTD means, enabling them to engage third party organisations with adequate RTD means to carry out RTD work on their behalf.

The total figures for Brite Euram in table 2 have been broken down to show the effect of the SME specific actions. Furthermore, when normalised to the size of the budget available (i.e. EC budgetary commitment) the participation figures reveal the strong multiplier effect resulting from the SME specific nature of the actions.

For CRAFT Step 1, the 1304 SME participations correspond to 391 outline proposals selected for expansion, 83% of which followed through with a full research proposal. Altogether, a total of 165 Step 2 CRAFT (Co-operative research) proposals were selected for funding involving, as indicated, over 1200 SMEs. This achievement of CRAFT is all the more notable since **the greater majority of these SMEs (80%) are total newcomers to EC RTD with 50% having no previous RTD co-operation experience at all.**

The CRAFT action has made it possible to triple the number of SMEs participating in the BRITE-EURAM programme. The nature of the "co-operative research" projects supported under CRAFT has made it particularly popular with traditional industrial sectors such as textiles, materials processing, leather, mechanical engineering, construction, or wood and furniture. Many of the projects tackle problems to do with the modernisation of production and processes via adaptation of existing technologies.

Given the profile of the types of companies thus involved, the success of CRAFT is owed to a sustained information dissemination and SME stimulation campaign which was implemented largely via a European wide network of officially appointed CRAFT National Focal Points (NFPs). Apart from ad-hoc focused SME stimulation actions conducted on a sectoral/transnational basis, the NFPs and their associated sub-networks have acted as decentralized sources of information and advice responding to specific requests as well as undertaking promotional activities on their own initiative, all aimed at helping SMEs in the process of setting up and submitting proposals.

Feasibility Awards recipients and all other SME participations in the various specific programmes listed mostly represent the *high-tech* end of the SME population. While such SMEs tend to be better equipped and informed regarding EC RTD opportunities, they still suffer from disadvantages of scale when compared to large companies. In fact, a study carried out in the context of the BRITE-EURAM programme revealed that **SMEs derive a lot less benefit from participating in collaborative industrial research projects than large companies or SME subsidiaries of large companies.** This has had clear implications for the type of improvements that have been made in the SME specific actions to be implemented under FP IV.

Both these schemes in their present forms have come to an end in 1994 as the Third Framework Programme (FP III) draws to a close and the Fourth Framework Programme (FP IV) comes on-stream. However, this changeover between framework programmes marks an important milestone for SME specific research actions. Based on the success under Brite-Euram II of the CRAFT action, the decision has been taken to deploy a **new improved CRAFT action, which integrates the Feasibility Award concept, to all specific programmes of industrial relevance under FP IV (see point II.2.2.3.).**

**b) Concrete examples of typical CRAFT projects in BRITE-EURAM II**

**"Obtaining smooth ceramic glazes with improved wear resistance and hardness"**

Ref. CR - 1001-91

This project has been running since February 1993. Its objective is to develop new formulations for glossy and mat ceramic floor tile glazes with improved hardness and abrasion resistance, thereby reducing their dirt retention characteristics. A total of eight SMEs are involved (2 German, 2 British, 2 Spanish, 1 Irish and 1 Italian), six of which are involved in manufacture and distribution of ceramic tiles, one is a glaze manufacturer and one is involved in construction. Two research centres, one in Belgium and one in Spain, are carrying out the research work for the SME proposers.

**"Development and Characterisation of Surface treatments eliminating nickel-induced allergies"**

- Ref. CR - 1076-91

This project, which has been running since December 1993 is developing a procedure for coating the surface of nickel to avoid the allergy problems nickel causes when it comes in contact with the skin. The project, which is of particular relevance to the jewellery and watch making industries, involves a total of 14 SMEs from three countries (7 French, 2 Spanish and 5 Italian). Eight of these SMEs are electro-platers, two are instrumentation manufacturers, one is a material supplier and three are jewellery makers. Three research organisations (one each in France, Spain and Italy) are carrying out the research on behalf of the SMEs.

### **2.2.2.3. Research into information and telecommunications technologies (ESPRIT)**

The Information Technology programme ESPRIT III, with a budget of ECU 1,532 million for the period 1991-1994, covers the following areas: micro-electronics, advanced treatment of information, calculation and high performance networks, advanced information systems for the firm and the initiative on micro-processor open systems, integrated computer-assisted production and, finally, basic research.

#### **a) Implementing ESPRIT III**

The RTD actions have been implemented through some 710 projects carried out by consortia grouping together large, medium-sized or small enterprises as well as universities teams or research centres. **About 920 separate SMEs**, belonging to different Member States, have participated. About a third of these SMEs took part in more than one project. They carry out **about 31% of the total of the relevant work of the programme**. The various efforts made by the programme in favour of the SMEs have been crowned with success, because this rate of participation is growing rapidly compared to that obtained during the previous phase of the programme (ESPRIT II, ECU 1,600 million, 1987-1991) when it was 21%.

The Information Technologies Programme plays an essential role vis-à-vis SMEs wishing to carry out an RTD in information technologies or to have access to results at the cutting edge of technology. Besides the financial aid contributed, the SMEs participate in consortia uniting the required critical mass at the level of size and necessary competence. They benefit from a rigorous system of evaluation and piloting of projects which assures them of the validity of the work carried out. Finally, the programme allows the SMEs to form trans-national links with other partners. It is important to emphasize that the SMEs are generally very concerned to put the RTD effort they have made to good account. So they play a visible and significant role in industrial exploitation of the results obtained by these projects.

b) Concrete examples of the impact of the programme on SMEs

*SMEs and the European Systems and Software Initiative (ESSI)*

*ESSI is an accompanying measure to the specific research and technological development programme for information technologies (1990 to 1994). Its main goal is to promote Software Best Practice in all industries, so as to achieve greater efficiency, higher quality and greater economy.*

*70% of all European software development is now carried out in non-information technologies sectors of industry, with significant participation by SMEs. It follows that SMEs form a substantial part of the ESSI target group. Moreover, within the Information technologies industry itself the great majority of suppliers of software-based process improvement technology are SMEs.*

*The pilot phase of ESSI was started in 1993 to test the perceived relevance of the programme and the effectiveness of the implementation mechanism. The amount allocated was ECU 30 million. 45% of all accepted proposals have had SMEs as prime proposers. In addition, SMEs make up a significant number of the partners, subcontractors and suppliers in the remaining accepted proposals. Overall SMEs are present either as lead users or as technology suppliers in more than 90% of the ESSI pilot phase projects.*

*There are several reasons for the high profile of SMEs within ESSI. First, as indicated, SMEs are a major target for this initiative. Secondly, this initiative has a broader industrial appeal than traditional RTD activities and is specifically targeted at practitioners and users. Consequently simpler, more flexible and "lighter" methods of implementation have been developed, thus making it more attractive to smaller organisations with more limited resources. This applies in particular to the preparation of proposals. Thirdly, the method of funding, based upon the principle of 100% marginal costing, can be seen as being particularly attractive to organisations with lower overheads, such as SMEs.*

### *HPCN contribution to European industrial competitiveness*

*Goods and services sectors rely increasingly on Information technology, as a component and as a tool. HPCN (High Performance Computing and Networking) provides a level of functionality and performance not previously attainable or viable. It opens up new opportunities for faster, more efficient and more reliable design, manufacture, quality control and information storage and retrieval. Strategically, HPCN is central to increasing the competitiveness of European industry and Europe must maintain a leading position in HPCN technologies. ESPRIT, and the new Information Technology programme, aim to promote the development of the HPCN technology in Europe, and its adoption by European industry as a competitive weapon. SMEs are central in this regard, as both technology developers and users.*

*GP-MIMD and DESIRE, are examples of projects in which HPCN technology is being developed. GP-MIMD aims to support development of hardware and software environments for parallel computers. It is based on architecture which allows modular interconnection of up to thousands of processors. Processing power can thus exceed hundreds of Giga-flops. This advanced technology is now pioneered in Europe by a number of SMEs including Meiko, Parsys, Parsytech and Telmat. ESPRIT has contributed to their success by providing funding for their technology, and a framework for the establishment of partnerships. Moreover ESPRIT is a showcase allowing greater visibility of results and facilitating their dissemination.*

*The sales by Meiko of their CS-2 machine to the US Energy Department (the first sale of a super computer to a U.S. government laboratory by a non-U.S. company), and to the CERN laboratory for Particle Physics in Geneva (the first-ever such sale by a European company) are recent examples of European successes arising from this project.*

*As part of the DESIRE project, an SME, Mental Images, uses parallel computers in CAD applications to provide better visual feedback and photo realistic rendering and visualisation than was hitherto possible. (Rendering makes a computer image more realistic by simulating surface textures and reflections and shades on the object displayed). A typical application is in the design of car bodies, simulating a metallic finish and reflective windscreen. The SME-developed rendering technology in this project has been sold to major industrial end users such as BMW and Mercedes-Benz. Agreements with Dassault and Softimage, a Canadian subsidiary of Microsoft's Advanced Technology Division specialized in 3D and visualisation software, testify to the worldwide reputation won by this SME.*

### **c) The new Information Technologies Programme**

**In the new Information Technologies Programme covering the period 1994-1998<sup>92</sup>, the programme's effort to adapt to the specificities of SMEs will be continued and amplified, both in the technical content of the programme and in procedures.**

First of all, the accent will be on several actions which are of special interest to SMEs and also respond to the objectives of the programme, in particular contributing to building the information society. Thus, in the area of components and systems technology, an action is planned in favour of the "first use" of integrated circuits in specific and innovatory applications.

In the field of software technologies, a first series of actions has been put in place experimentally during ESPRIT III under "best practice" to promote the use of the most advanced software technologies in concrete applications. Given the success of this experiment, notably for SMEs, this type of action will be developed strongly in the new Information Technologies Programme, which will allow a vast range of SMEs and users to be reached and the know-how acquired to be circulated.

As regards procedures, several new provisions are included as presented in the chapter on the specific actions in favour of SMEs within the 4th Framework Programme for RTD, viz : cooperative type projects, exploratory premiums and the two-stage procedure (see point II.2.2.3. below).

#### **2.2.2.4. Research results optimization programme (VALUE)**

The VALUE programme is aimed at promoting the spread and effective use of the results of the research into science and technology in order to contribute to strengthening the competitiveness of European industry and notably of the SMEs. The support provided to the contracting parties participating in Community research, and notably the SMEs, involves the financing of market studies, feasibility studies, the preparation of business plans for SMEs seeking risk capital or other forms of finance. VALUE I (1989-1993) with ECU 38 million and the centralized action VALUE II (1992-1994)<sup>93</sup> with ECU 66 million are reaching the end of their implementation<sup>94</sup>.

**Table No 3 on the participation of SMEs in VALUE shows that the SMEs have been involved 69% as contractor, 39% as partner and 38% as participant.**

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<sup>92</sup> SEC(94) 1917 of 15.11.1994.

<sup>93</sup> Council Decision 92/272/EEC of 29.04.1992, OJ No L 141 of 23.05.1992, p. 1.

<sup>94</sup> These programmes are the subject of a detailed presentation in report COM(94) 221 of 07.09.1994, see point II.3.

Table No 3

Participation of SMEs in VALUE Programme

Programme	Commitment Appropriations	Appropriations*al lotted to SMEs	% *	Projects**			Partners***			Participations****		
				Total	SME	%	Total	SME	%	Total	SME	%
VALUE I	7.276.890	2.910.156	40	109	55	50	197	93	47	205	101	49
VALUE II	9.950.000	4.079.500	41	143	98	69	429	166	39	469	180	38

- \* Extrapolation from available data to cover all projects
- \*\* Number of contracts
- \*\*\* Partners : there can be several SME partners in a single project
- \*\*\*\* Participation : one SME can participate in several projects

Source : Directorate General for telecommunications, the Information Market and the Optimization of Research

### 2.2.3. SME SPECIFIC ACTIONS UNDER THE FOURTH FRAMEWORK PROGRAMME (FP IV)

Based on the experience of the Brite-Euram programme, technology stimulation measures for SMEs have been introduced in 12 RTD programmes under FP IV using the following general schemes:

- Proposals can be submitted and evaluated in 2 stages : Outline proposals submitted at Stage 1 may give rise to an exploratory award to help cover the cost of preparing a complete proposal for submission at Stage 2;
- A standard project called "co-operative research" is available under most programmes exclusively for SMEs with little or no RTD capability; co-operative research proposals may be submitted directly or through the two stage procedure when appropriate;
- Co-operative research and exploratory award proposals are implemented via a continuously open call - i.e. proposals can be submitted at any time;
- Decentralised information, advice and assistance are available at national and regional levels to SMEs from a Network of Focal Points.

These measures are well underway and the first proposals have been submitted in early 1995.

Furthermore, there is an **information package on "technology stimulation measures for SMEs"** which is common to 10 programmes and a **new SME Unit** within the Commission services responsible for RTD to ensure the harmonized implementation of the SME specific measures between all the relevant programmes. **Specific budgets have been allocated within the different programmes for specific SME measures and the total amount is over ECU 700 million, which represents 9% of the total budget for these programmes.**

In addition, however, the share of the FP IV budget which will benefit SMEs will be greater than ECU 700 million as SMEs will also participate in other actions within the mainstream research programmes.

In conclusion, great progress has been achieved to facilitate access of SMEs to Community RTD programmes.

## **2.2.4. INNOVATION AND TECHNOLOGY TRANSFER PROGRAMME (SPRINT)**

The implementation of the strategic programme for innovation and technology transfer (SPRINT) was extended up to 31 December 1994<sup>95</sup>. The measures adopted aim to stimulate innovation and technology transfer, notably in the SMEs. Continuity of these measures will be assured in the context of the third action provided for in the Fourth Framework Programme of RTD<sup>96</sup>. The budget allocated to SPRINT for the period 1989-1994 was ECU 113 million.

The activities promoted by SPRINT relating to SMEs are covered by three sets of actions :

### **2.2.4.1. European innovation services infrastructure**

In 1994, the actions consisted in consolidating the networks rather than developing them. Innovation in SMEs has been stimulated by the following networks:

#### **a) Networks of consultants in technology and innovation management**

These networks aim to promote trans-national technological cooperation between their SME clients. By the end of 1994, SPRINT had subsidized more than 150 networks which include over 350 bodies. Definite technological agreements made, each involving two SMEs, have been estimated at 750. These agreements cover the various contractual forms of transfer of technology like: patent or know-how licences, industrial franchise, technical cooperation, technical assistance and the creation of joint ventures.

SPRINT also laid stress in 1994 on the exchange of experiences and the dissemination of good practice in the area of technology brokerage with SMEs. A mobilization campaign covering all the Member States reinforced the SPRINT series of 20 Technology Transfer Days for SMEs and increased **awareness amongst over 2000 SMEs and technological advisory bodies**.

#### **b) Network of research and technology organizations (RTO)**

Over 60 RTO networks linking 300 members have been supported. The work programmes in these projects aim to disseminate technologies to the SMEs, both in the traditional industries (building, textiles or wood) and in diffusion technologies such as laser or CAD/CAM for example. It has been estimated that **some 50,000 SMEs have benefitted from the technology dissemination activities carried on by these networks**.

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<sup>95</sup> OJ No L 6 of 08.01.1994, p. 25.

<sup>96</sup> Council Decision 94/917/EC of 15.12.1994 relating to the specific programme of dissemination and optimization of the results of activities in the field of research and technological development, including demonstration, OJ No L 361 of 31.12.1994, p. 101.

#### 2.2.4.2. Intra-Community dissemination of technological resources

##### a) Intra-Community innovation transfer

Specific projects for intra-Community innovation transfer have been promoted. Of the forty-odd projects that have received financial support during their definition stage, twenty-one projects had been set in motion by the end of 1994. Their objective is to adapt and transfer finished technologies from one region to another, or from one sector to another.

##### b) SME awareness actions on innovation management

The growing complexity of technology entails profound changes in enterprises. The use of management techniques (such as quality, industrial design, value analysis or intellectual property management) facilitate the integration of new technologies within enterprises. In order to make SMEs more aware of access and the use of new innovation management techniques, SPRINT launched the MINT initiative. MINT (Managing the Integration of New Technologies) has been prepared as a Community experimental advice and diagnostic programme, **providing financial support to about 1500 SMEs** in the Member States as well as in certain EFTA countries forming part of the European Economic Area. These enterprises will receive advice designed to facilitate their adoption of new technologies thanks to integrated use of management techniques.

In parallel with the MINT programme, several initiatives have been launched to promote the exchange of experiences between professionals in the European Union in the key areas linked to **innovation management as well as the dissemination of these techniques with the SMEs.**

Amongst these initiatives, the organization of the 4th European Design Prize should be highlighted. **The very high number of entrants from SMEs (over 1200)** demonstrates the success of this initiative to make SMEs more aware of the advantages of design as a management technique.

The activities to promote quality and value analysis (publication of success stories or drawing up users' manuals) affect **over 10,000 SMEs every year, notably in the traditional industries sector.**

##### c) Innovation financing activities

Two programmes relating to innovation financing have been launched by SPRINT. The first, entitled "Trans-national Investment Forums", brings together entrepreneurs from innovative and rapidly growing SMEs, seeking sources of finance, and financiers seeking investment opportunities. A dozen forums have been planned for 1994 and 1995, bringing together **some 500 innovative SMEs and more than 1000 contributors of capital**, largely risk capital companies, from all over the Union.

The second, known as the Technology Performance Financing Plan (TPF) aims to facilitate the acquisition of new technologies by enterprises, and notably SMEs by improving their liquidity and by strengthening the competitiveness of European suppliers of new technologies.

#### **2.2.4.3. Better knowledge of innovation and greater concertation between the Member States and the Commission**

The European Innovation Observatory (EIMS) under the SPRINT programme has established a knowledge base and a research capacity on innovation and technology transfer at Community level.

Notable amongst the studies in progress in 1994 affecting SMEs is the Community Innovation Survey (CIS), a joint SPRINT and EUROSTAT initiative which has created a database on **40,000 enterprises, mainly SMEs**, covering 200 variables in each enterprise. This research will permit the analysis of capacities and innovative strategies of European SMEs as well as the dissemination of technologies and innovation management techniques.

Beyond the various studies launched by the EIMS in 1994 to provide an **analytical and empirical outline of the current state of innovation in European SMEs**, SPRINT has promoted a series of forums in 1994 on certain key issues in innovation policies for SMEs (regional innovation infrastructure, innovation financing, Research and Technology Organizations' development strategies, participation of workers in innovation, and finally, innovation policy themes).

Table No 4 shows the estimated number of enterprises that have directly benefitted from the SPRINT programme, by type of measure. **Altogether 162,600 SMEs have benefitted from the SPRINT programme**, either purchasing, testing or keeping themselves informed of the new technologies, notably thanks to the trans-national networks.

#### **2.2.5. EUROTECH CAPITAL ACTION**

The purpose of the EUROTECH CAPITAL action is to encourage the financing by private capital of High-Technology Transnational Projects. Accordingly, the commission has approved European financial units specializing in supplying their own funds to SMEs. These financial units, which have a minimum investment capacity of ECU 50 million, agree to reserve **at least 20% for participation in SMEs** which develop High-Technology Transnational Projects or which use environmentally-friendly technologies.

In 1994 the EUROTECH CAPITAL network comprised 13 members, covering the majority of the Member States, who **had undertaken to invest an overall total of ECU 202 million in High-Technology Transnational Projects**, which in relation to the Community budget has a leverage effect of **2 500%**.

TABLE NO 4

## ESTIMATE OF THE NUMBER OF SMEs WHICH HAVE DIRECTLY BENEFITTED FROM SPRINT

I. European innovation services infrastructure	Number of SMEs which have acquired a new technology or other resources	Number of SMEs which have tested/assessed the new technology	Number of SMEs which have become aware of the new technology
<p><b>1.1. Trans-national technological cooperation between SMEs through trans-national networks of consultants in technology and innovation management and technology transfer days (since 1989)</b></p> <ul style="list-style-type: none"> <li>- 750 <u>agreements</u> forged each involving two SMEs.</li> <li>Examples of such agreements : production or distribution licences, joint R&amp;D and production agreements</li> <li>- for each agreement concluded, an average of 10 SMEs have assessed or tested the technology</li> <li>- for each agreement concluded, some 30 SMEs have become aware of the new technology</li> <li>- SMEs participating in technology transfer days</li> </ul> <p><b>1.2. Dissemination of new technologies through networks of research and technology organizations.</b></p> <p>300 research and technology organizations with on average 750 SME clients, took part in this action</p> <ul style="list-style-type: none"> <li>- 2 % of SME clients have acquired a <u>new technology</u> as a direct result of the activities of this network</li> <li>- 8 % of SME clients have assessed or tested a new technology as a direct result of the activities of this network</li> <li>- 20 % of SME clients have become aware of the new technology</li> </ul>	1.500	7.500	22.000 2.000
<p><b>II. Intra-Community dissemination of technological resources</b></p>	Number of enterprises directly involved		
<p><b>2.1. Specific projects designed for the intra-Community transfer of innovations (21 projects of this type each involve 5 SMEs) :</b></p> <p>SMEs participating in specific projects; SMEs will be made aware of the new technology during the dissemination of specific projects.</p> <p><b>2.2. Awareness actions with SMEs on innovation management</b></p> <p>MINT programme SMEs made aware of the advantages of innovation management techniques</p> <p><b>2.3. Innovation financing activities</b></p> <p>12 forums each bringing together some 40 innovative SMEs from different countries seeking finance</p>	100 1.500 500		10.000 10.000
<p><b>III EIMS- Community innovation survey</b></p>			40.000
<p><b>TOTAL</b></p>	8.100	25.500	129.000

Source : Directorate General of Telecommunications, the Information Market and the Optimization of Research

## 2.2.6. THE THERMIE PROGRAMME

Given the importance of the role of SMEs in the economic development of the European Union, they constitute a special target for energy policy. The THERMIE programme, one of the pillars of this policy, responds effectively to the needs of SMEs in terms of innovative and high performance energy technologies by establishing continuity of research and development activities in the market by demonstration.

### 2.2.6.1. The THERMIE Programme 1990-1994

After the first oil shock in 1973, the Commission implemented programmes to support energy demonstration and hydrocarbons technologies to respond effectively to the effects of the crisis, particularly on SMEs, which were faced at the time with the double challenge of maintaining their competitiveness and controlling their production costs. **From 1974 to 1989, 50% of the projects supported by these programmes involved SMEs in a total of 2450 projects; this represents ECU 1.2 billion of financial support .**

In 1990, the THERMIE Programme<sup>97</sup>, with funding of ECU 700 million over five years, was adopted, ensuring the continuity of the earlier programmes and adding three new dimensions:

- better coordination and complementarity with similar programmes in Member States,
- broad dissemination of information on innovative energy technologies already developed and ready to penetrate the market,
- subsidiary priority projects in which SMEs participate.

This programme supports a wide group of technologies aimed both at production and processing and at energy use in the following areas :

- Rational use of energy in industry, buildings and transport,
- Renewable energies,
- Solid fuels,
- Hydrocarbons.

From 1990 to 1994, the THERMIE programme supported 713 projects at a cost of ECU 573 million. **60% of the projects involved SMEs which were included as a selection criterion in the evaluation of technological tenders.** This marks an important development by comparison with the 1973-1989 period and shows the interest of the THERMIE Programme in SMEs.

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<sup>97</sup> Council Regulation (EEC) 2008/90 of 29.06.1990, OJ No L 185 of 17.07.1990, p. 1.

The THERMIE Programme has also permitted the implementation of associated measures to accompany the technological projects and promote energy technologies amongst users and notably SMEs. These measures are largely carried out through the OPET network (Organizations for the Promotion of Energy Technologies") which was launched in 1990 and which now groups together 49 public and private organizations in Europe. This network has woven close relations with the industrial world and the SMEs by a whole series of actions on communication, market studies, seminars, workshops and marketing groups. Providing information in a form that is as adapted to and receivable by SMEs as possible, is one of the principal roles of the OPET network.

#### 2.2.6.2. The THERMIE Programme 1995-1998

For the 1995-1998 period, the THERMIE<sup>98</sup> is part of the Fourth Framework Programme for Research and Technological Development, including demonstration, in the field of non-nuclear energy.

THERMIE, with a budget of over ECU 500 million over the period considered, is divided into two main chapters ;

- financial support to projects implementing innovative energy technologies;
- financial support to a whole series of complementary activities such as:
  - definition of the strategy for energy demonstration;
  - dissemination of energy technologies on the market;
  - support and accompaniment measure;
  - technological stimulation of SMEs.

So this new THERMIE programme provides for support to even more SMEs both at the project support level and complementary activities including **one chapter exclusively devoted to SMEs**. The aim is to encourage and facilitate participation by SMEs in technological projects by :

- assisting SMEs to identify their needs and find partners;
- adapting newly developed energy technologies to their specific needs;
- training their staff in the new energy technologies;
- assisting SMEs to participate in existing energy demonstration projects.

In addition, in order to complete the activities for market penetration of energy technologies, the Commission has proposed an additional programme (THERMIE II) for the 1995-1998 period<sup>99</sup>, currently under negotiation.

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<sup>98</sup> Council Decision 94/806/EC of 23.11.1994, p. 87.

<sup>99</sup> COM(94) 654 of 20.01.1995.

## 2.2.7. RESEARCH ACTIVITIES IN THE FIELD OF TRANSPORT

The EURET Programme (EUropean REsearch in Transport) was launched by the Council Decision of 21 December 1990<sup>100</sup>. It responds to three objectives : the optimization of the management of transport networks, the optimization of logistics and the reduction of external effects. With a budget of ECU 26.8 million, the programme has allowed SMEs to participate, thanks to the creation of enterprise consortia. While large enterprises have benefitted from more than half the available funds (51%), **SMEs come second amongst beneficiaries with 19% of the budget (ECU 3.6 million) and 25% of the number of participants.**

The Council Decision adopting a specific programme for research and technological development, including demonstration in the field of transport (1994 to 1998)<sup>101</sup> also provides for **technological stimulation geared to encouraging and facilitating the participation of SMEs.** The programme will encourage the participation of SMEs by granting a subsidy covering the exploratory phase, and including the search for partners and an RTD action and through cooperative research. This subsidy will be granted on the basis of outline proposals which can be submitted at any time (see point II.2.2.3.).

## 2.3. VOCATIONAL TRAINING PROGRAMMES AND THE SMEs

In the field of vocational training, in addition to the important resources (some ECU 20 billion for the 1989-1993 period) devoted to the occupational integration of people who have difficulties on the labour market, thanks to the European Social Fund, the Commission has implemented a certain number of programmes intended to raise the level of qualifications throughout the Community in order to master the process of economic, technological, social and cultural change (COMETT, EUROTECNET, FORCE and PETRA). These programmes were completed at the end of 1994 and replaced as from 1.1.1995 by the LEONARDO programme<sup>102</sup> which opens the way to the new generation of professional training programmes for the 1995-1999 period. This chapter therefore presents, first, an evaluation of the impact of the earlier programmes on the SMEs<sup>103</sup> and, secondly, the new prospects offered by the LEONARDO programme.

The EUROTECNET, COMETT and FORCE programmes have achieved significant and concrete results laying the basis of trans-national cooperation and demonstrating the importance accorded throughout the European Union to vocational training as a policy fundamental to economic growth. Particular attention has been accorded to the participation of SMEs in the actions supported by these programmes. Table No 5 gives the figures for SME participation in these three programmes.

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<sup>100</sup> Council Decision 91/11/EEC of 21.12.1990, OJ No L 8 of 11.01.1991, p. 6.

<sup>101</sup> OJ No L 361 of 31.12.1994, p. 56.

<sup>102</sup> OJ No L 340 of 29.12.1994, p. 8.

<sup>103</sup> This part consists of an update of the information in the report COM(94) 221 final of 07.09.1994, point III. The Commission report on the coordination of activities in favour of SMEs presents a detailed analysis of these programmes together with examples of projects.

Table No 5

**VOCATIONAL TRAINING**

**ACTIONS IN FAVOUR OF SMES IN THE  
EUROTECNET, COMETT AND FORCE PROGRAMMES**

<b>PROGRAMMES</b>	<b>1993-1994</b>
<p><b><u>EUROTECNET (1990-1994)</u></b></p> <ul style="list-style-type: none"> <li>. Budget (MECU)</li> <li>. Total number of projects in the network</li> <li>. Total number of projects targeting SMEs</li> <li>. % of projects targeting SMEs</li> </ul>	<p>7,5 MECU</p> <p>284</p> <p>46</p> <p><b>18 %</b></p>
<p><b><u>FORCE (1991-1994)</u></b></p> <ul style="list-style-type: none"> <li>. Budget 91-94</li> <li>. Total number of projects (call for tenders, 91 to 93)</li> <li>. Number of SMEs contracting or coordinating projects, of which groups of SMEs</li> <li>. SME beneficiaries               <ul style="list-style-type: none"> <li>- directly</li> <li>- through groups of enterprises</li> <li>- through business, sectoral federations</li> </ul> </li> <li>. Number of enterprises involved of which groups of SMEs (contracting, coordinators, partners)</li> <li>. Number of SMEs directly involved of which groups of SMEs (contracting, coordinators, partners)</li> </ul> <p><b>Rate of direct participation SMEs, groups of SMEs all firms</b></p>	<p>83,1 MECU</p> <p>716</p> <p>253</p> <p>Several thousand, groups of SMEs able to assemble many members, sometimes several hundred.</p> <p>3.100</p> <p>2.250</p> <p><b>73 %</b></p>

PROGRAMMES	1993-1994
<b>COMETT (1990-1994)</b>	
Budget (excluding EFTA) (MECU)(90-92:121)(93-94:79)	200 MECU
EFTA Budget	30 MECU
<b>Number of SMEs directly benefitting, of which:</b>	> 40.000- +/- 200.000 employees
- SMEs receiving students on placement	> 15.000
- SME employees receiving training courses	+/- 100.000
- SME staff using training products	+/- 70.000
<b>Number of SMEs involved as partners in a project, of which:</b>	> 10.000
- Number of SMEs < 50 employees	> 5.000
- Number of SMEs with 50 to 200 employees	> 3.000
- SMEs in university-enterprise training partnerships	> 3.000
- SMEs in exchange projects	> 4.000
- SMEs as partners in education and continuing training projects	> 2.500
Percentage of COMETT projects including at least 1 SME as partner	> 2.000 (80%)
<b>Estimate of rate of participation of SMEs (&lt; 500 employees) amongst all participating enterprises</b>	+/- 75%

Source : Commission Services DG XXII

### 2.3.1. THE EUROTECNET PROGRAMME

The EUROTECNET programme<sup>104</sup> (1990-1994) aimed to promote innovation in the field of vocational training resulting from technological change. The Council Decision stipulated **that it is appropriate to ensure that small and medium-sized enterprises participate in the implementation of the programme and the dissemination of the results obtained.** EUROTECNET therefore attached particular importance to projects which have an impact on innovative solutions in the development of human resources in the SMEs. At the outcome of the selection procedures in the 12 Member States, 284 demonstration projects were selected to constitute the network of EUROTECNET projects of which **46 (or 18% of the total) relate to initial or continuing vocational training in SMEs or for SMEs.**

### 2.3.2. THE COMETT PROGRAMME

The COMETT programme (1990-1994)<sup>105</sup> was a programme of intra-Community cooperation between university and enterprise on initial and continuing training in the field of technologies, notably advanced technologies. One of its general objectives was to respond to the needs for specific qualifications for SMEs. The global budget was ECU 230 million (including the EFTA contribution).

SMEs have been able to benefit from the COMETT programme as partner in a project, as direct beneficiary of the results of a project (e.g. by going on a course) or as indirect beneficiary (by gaining access to the training resulting from analysis of needs supported by the programme).

A detailed analysis of SME participation in the COMETT programme shows that **about 75% of enterprises involved as partners in one or more COMETT projects are SMEs (less than 500 employees), reaching a figure of 10,000 SMEs in 1994 and possibly rising to 15,000 by the end of 1995. Of these 10,000 SMEs participating directly, 5,000 (or half) employ less than 50 people and 3,000 (or a third) have between 50 and 200 employees.**

**80% of COMETT projects include at least one SME.** The UETA (University Enterprise Training Association) and the universities have made it possible to involve SMEs in COMETT projects. The role of the UETA has grown continuously thanks to the network and the system of bringing partners together. **40% of the manufacturing enterprises entered COMETT through a university compared with 5% through training enterprises.**

Of the SMEs which have participated in COMETT, **33% participate in the UETA, 40% in trans-national exchanges and about 25% in joint continuing training projects.**

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<sup>104</sup> Council Decision 89/657/EEC of 18.12.1989, OJ No L 393 of 30.12.1989, p. 30.

<sup>105</sup> Council Decision 89/27/EEC, OJ No L 13 of 17.01.1989, p. 28.

Altogether, it is estimated that **40,000 SMEs will have benefitted directly from COMETT II**, including at least 15,000 which have received students on placements from different countries. As regards the measures for continuing training, it is currently estimated that some **200,000 SME employees** have taken a training course or are using training materials. Finally, it should be noted that over **one thousand SME intermediary organizations** (Chambers of Commerce or trade associations) have participated in the COMETT partnerships with a multiplier effect on SMEs.

### **2.3.3. THE FORCE PROGRAMME**

The FORCE programme<sup>106</sup> (Continuing Vocational Training in the European Community) had the objective of encouraging enterprises, notably SMEs, to invest in continuing vocational training. For this purpose the trans-national measures of the FORCE programme supported the achievement of synergy in innovation, European sectoral surveys, analysis of contractual policy and forecasts of the development of qualifications and skills.

During the years 1991, 1992 and 1993, 716 projects were selected (164 in 1991, 263 in 1992 and 289 in 1993). **2250 SMEs or groups of SMEs participated in this as partners in more than two-thirds of the projects**, directly or indirectly via associations, chambers or inter-enterprise training organizations.

As an example, the retail sector was chosen as a field of investigation to identify the new trends in this sector where the links between vocational training and the organization of work are traditionally weak. Thus a programme of distance learning for the employees of commercial SMEs belonging to a form of cooperation between shopkeepers in 3 Member States was supported.

### **2.3.4. THE NEW LEONARDO da Vinci PROGRAMME (1995-1999)**

On the proposal of the Commission, the Council adopted a Decision establishing a programme of action for implementing a continuing vocational training programme in the European Community known as LEONARDO da Vinci<sup>107</sup>. The programme will run from 1.1.1995 to 31.12.1999, with a budget of ECU 620 million.

The LEONARDO programme aims to promote quality in vocational training and innovative capacity in this field. For this purpose, it establishes a Common Framework of objectives, qualitatively describing the eighteen objectives for vocational training defined at Community level. The Community measures described below will be implemented on the basis of this common framework of objectives.

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<sup>106</sup> Council Decision 90/267/EEC of 29.05.1990, OJ No L 156 of 21.06.1990, p. 1.

<sup>107</sup> Council Decision of 6.12.1994, OJ No L 340 of 29.12.1994, p. 8.

LEONARDO takes up the three main types of trans-national cooperation measure initiated in the earlier programmes :

- pilot cooperation projects;
- exchange programmes for different publics;
- surveys and analysis.

It includes an important innovation. In fact, all the proposals included in these three types of measure should have a trans-national character and a stronger accent is put on the dissemination and breaking-down of the results.

The measures are distinguished according to their purpose, in three sections:

- Section I : Support to improvement of systems and arrangements for vocational training in the Member States;
- Section II : Support to improvement of vocational training actions, including through university-enterprise cooperation relating to enterprises and workers;
- Section III : Support to development of language skills, knowledge and dissemination of innovations in the field of vocational training.

In each section specific priorities are defined. As regards the trans-national pilot projects in section II, and without prejudice to the procedure laid down by article 6 of the Decision, these priorities must include, amongst others :

- the acquisition of the qualifications and skills required for adapting to industrial change, the development of production systems and the dissemination of new technologies, **notably in small and medium-sized enterprises and the traditional sectors of industry;**
- the development of training of enterprise management in the transfer of technological innovations and **the training of directors and heads of small and medium-sized enterprise.**

Furthermore, in the context of section III and in particular of cooperation with a view to the improvement of language skills, Community support is planned for the conception of trans-national pilot projects targeting the **completion of linguistic audits for enterprises, and notably small and medium-sized enterprises** and the socio-economic actors.

Equally, in the context of surveys and analyses in the area of vocational training, Community support is planned on a trans-national basis with a view to analyzing **new training methods intended for small and medium-sized enterprises in order to increase access for their workers to appropriate training.**

All fields of vocational training are covered : initial training and transition to working life, continuing training, university-enterprise cooperation in particular with SMEs and with a view to supporting the transfer of technological innovations (section II). Through the notion of continuum, LEONARDO is advancing the objective of transverse cooperation between areas corresponding to the policy objective of the development of life-long learning.

All the players in vocational training are involved in the measures : public authorities, enterprises, notably SMEs, the social partners at the national level and the Community level, public and private training organizations, universities. An important point is that the partnerships between the various players are researched with a view to increasing the quality of training by better adjustment of **supply to the needs of enterprises and in particular the SMEs**. Each project will be presented by its coordinator and will identify clearly the associated partners in the various Member States.

LEONARDO lays particular stress on coordination with other Community actions<sup>108</sup>. The actions supported in the context of LEONARDO essentially bear on the preparation of training actions, product conception and innovative methods, dissemination and de-multiplication of results. The LEONARDO programme must not target support for carrying out training actions as such in a marginal way, hence the search for **complementarity** between this action programme and the finance allocated in the context of the Structural Funds, notably under the heading of the Community initiative **ADAPT** (see point II.2.1.3.2.) **where the SMEs will be widely involved and the Community SME initiative** (see point II.2.1.2.2.) **where they are directly targeted**.

In addition, the services charged to Education, Training and Youth seek increased coordination with those of enterprise policy to ensure that the implementation of the LEONARDO programme is coherent with the Integrated Programme in favour of the SMEs (see Introduction to this report).

## 2.4 THE OTHER COMMUNITY PROGRAMMES

### 2.4.1. ENVIRONMENTAL POLICY

#### 2.4.1.1. The LIFE financial instrument

Since 1992, the SMEs can be supported in the context of the LIFE financial instrument for the environment, created by EEC Regulation No 1973/92 of 21.5.1992<sup>109</sup>.

In 1993, 99 demonstration projects in the Member States have been co-financed in the context of this programme from total assistance of ECU 44,653,159.

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<sup>108</sup> Article 8, paragraph 2 of Council Decision 94/819/EC, OJ No L 340 of 29.12.1994, p. 13.

<sup>109</sup> OJ No L 206 of 22.07.1992, p. 1.

**Amongst these projects it is estimated that 43 concern SMEs which have consequently benefitted from co-financing of ECU 16,983,627, or 38% of the total granted. The sectors involved are mainly as follows :**

1. Own technologies sector.
  - Treatment of surfaces : 4 projects
  - Textiles : 3 projects
  - Tannery : 5 projects
  - Paper : 3 projects
  - Agri-food : 3 projects
2. Waste treatment sector, notably by recycling : 17 projects
3. Rehabilitation of contaminated sites : 5 projects
4. Water sector : 2 projects

As regards the impact on employment, estimation is difficult because when pilot demonstration projects are involved it is generally a matter of temporary employment or employment already present in the enterprise.

However it is estimated that there would be between 4 and 6 jobs per project, which leads to the view that **about 200 to 250 jobs in SMEs have been supported by LIFE.**

#### **2.4.1.2. Environmental audit**

In addition, like large enterprises, the SMEs are subject to national and Community regulations on environmental protection. The environmental policy services have made a group of specialized Euro-Info-Centres responsible for preparing a self-analysis tool and for increasing the awareness of the SMEs of the system of management and environmental audit (see point II.1.1.1.).

Moreover, the Commission (DG XI) financed 23 pilot projects involving SMEs in 1994, aimed at facilitating participation of small enterprises in the EC Environmental Development and Audit Scheme.

#### **2.4.2. HYGIENE, SAFETY AND HEALTH IN THE WORKPLACE**

The European Year of Hygiene, safety and health in the Workplace observed in 1992 constituted a special occasion for informing about and improving health and safety in the SMEs<sup>110</sup>, notably through good cooperation between the Commission services. Since then a certain number of actions have been pursued in this area (cf. EUROMANAGEMENT pilot action, II.1.3.2.).

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<sup>110</sup> See COM(94) 221 of 07.09.1994, point IV.2.

The Commission services (DG XXIII and DG V) have drawn up a document on risk assessment in the workplace<sup>111</sup>, in collaboration with the Consultative Committee on Safety, Hygiene and the Protection of Health in the Workplace. Its objective is to inform employees, workers and other parties interested in the practical aspects of implementing the directions on risk assessment set by Council Directive 89/391/EEC<sup>112</sup> concerning the introduction of measures aimed at promoting the improvement of the safety and health of employees at work. Although this document deals primarily with risk assessment, it also examines certain aspects of risk management. One part is **particularly devoted to the needs of small and medium-sized enterprises in this area**.

Furthermore, the self-audit method for health and safety at work prepared by the Commission services offers **support to the heads of SME** during their assessments and their decision-making in the field of protection of health and safety in the workplace. This method will be disseminated in the form of a **self-audit manual for the use of SMEs**.

In coordination with the World Health Organization and the International Labour Organization, the Commission services are developing safety cards on chemical substances. These cards, mainly intended for SMEs, should provide information on the characteristics, toxic potential and typical reactions of certain chemical substances used in the workplace. The preparation of a CD-ROM version of these cards is also envisaged.

In liaison with the Health and Safety Authority, the Commission services organized a conference entitled "Taking risks and working safely" in Dublin on 9 and 10 March 1995. **This conference was principally geared to health and safety in small and medium-sized enterprises.**

The European Agency for Safety and Health at Work was established by the Council on 18 July 1994<sup>113</sup>. Its mission, inter alia, is to provide technical, scientific and economic information on the methods and tools designed for carrying out preventative activities, **with particular attention to the specific problems of small and medium-sized enterprises**. The Commission will particularly press for this Agency to come into operation in 1995.

The Commission has recently proposed a Fourth Programme on safety, hygiene and health at work in which two of the basic principles are : the need to ensure that actions undertaken on health and safety are designed to support the competitiveness of enterprises, particularly SMEs and that improved education, training and information are essential towards achieving better health and safety at work and in assisting SMEs in doing so<sup>113a</sup>.

One of the actions in this proposed Programme is the SAFE Programme (Safety Action for Europe). SAFE will support projects of a practical nature intended to demonstrate: the promotion of improvements in the work place specially directed at safety, hygiene and health at work, particularly for SMEs, and the improvement in the organisation of work practice and to influence attitudes towards safety and health at work in order to reduce accidents at work and occupational diseases.

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<sup>111</sup> Work is in progress on the publication of this document.

<sup>112</sup> OJ No L 183 of 29.06.1989, p. 1.

<sup>113</sup> EEC Regulation No 2062/94, OJ No L 216 of 20.08.1994, p. 1.

<sup>113a</sup> COM(95) 282 of 12.7.1995.

## 2.4.3. THE INFORMATION MARKET

### 2.4.3.1. The IMPACT Programme

The IMPACT programme (1991-1995), targeting the single market for information services, has undertaken several actions in favour of SMEs. In 1994, this programme implemented over 700 actions on awareness and promotion of electronic information services, through a specialist network of national partners. **Most of these addressed SMEs**, which need advanced methods of access to and processing of information to become and remain competitive. Secondly, **the productive industry of electronic information services is itself largely composed of SMEs**. Consequently, the shared cost projects for developing new information products and services supported by the IMPACT programme have been implemented by organizations **75% of which are SMEs**. Finally, the set of projects which were supported following a call for proposals in 1994 specifically targeted information intended for industry and commerce taking account more particularly of the needs of SMEs.

### 2.4.3.2. The TEDIS Programme

Electronic Data Interchange, EDI, is a powerful tool towards helping modernize the European economy and to implement European Union policies for business and, in particular SMEs. The TEDIS (Trade Electronic Data Interchange Systems) programme was launched in 1988 and entered in its second phase in 1991<sup>114</sup>. Out of the 160 contracts signed **half of the prime contractors are SMEs**. TEDIS promotes EDI standards and raises awareness of EDI within enterprises to use in their commercial transactions and in their contacts with administrations, and has application on standards, intellectual property, and telecommunications. TEDIS also co-ordinates sectoral groups and has developed a network of 40 awareness centres in various European regions to stimulate the knowledge and use of EDI to help SMEs.

A recommendation has been adopted on an EDI Interchange Agreement<sup>115</sup> which is intended to simplify the establishment of EDI based transactions and to help SMEs wishing to trade electronically with large companies and administrations. TEDIS has encouraged the use of electronic signatures for EDI messages as a means towards simple and cost-effective solutions for EDI software adapted for SMEs.

In telecommunications, TEDIS has developed interconnection solutions for EDI related telecom services, such as a One Stop Administration (the EDIRA project), which simplifies electronic contacts between small businesses and administrations.

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<sup>114</sup> Council Decision n° 91/385/EEC of 22.07.1993, JO L 208 of 30.07.1991, p. 66.

<sup>115</sup> Recommendation n° 94/820/EC of 19.10.1994, JO L 338 of 28.12.1994, p. 98.

Most small businesses by industry sectors are represented in the various pan-European EDI communities coordinated by TEDIS. TEDIS is also active in several international cooperative ventures where EDI and SMEs are involved, either with developed countries, eg Canada and G7 pilot projects, ("Global Marketplace for SMEs"), or with Mediterranean countries, eg Tunisia, or more recently with Eastern and Central European countries.

TEDIS has also inspired a project for Electronic Commerce in the Commission services themselves, called PECANEC (Pilot Experiment in Canada and EC on electronic Commerce). This project is based on a TEDIS project called Fortius whose objective is to set up a network of "Electronic Commerce Centers" where an electronic catalogue of goods and services offered by small firms is presented, and which can be ordered, delivered and paid for through EDI by purchasers in their own language and currency. In the case of PECANEC, the purchasers are the administrations themselves and the products available in the electronic catalogues include furniture, computers, office supplies and data processing expertise. The goal is to demonstrate that public procurement can be opened up to small enterprises and that they can operate in international markets by using EDI and modern but simple technology.

In conclusion, TEDIS, based on commercially available technologies, is well adapted to SMEs, helps modernize business transactions and supports various European policies developed in favour of SMEs.

#### **2.4.4. INTERNATIONAL COOPERATION**

Cooperation between enterprises is one of the priorities of enterprise policy. This chapter presents the cooperation programmes which have been established to stimulate and support cooperation between Community enterprises and the enterprises of non-Community countries, viz : the countries of EFTA, central and eastern Europe, the CIS and Georgia and those of Asia, Latin America and the Mediterranean.

##### **2.4.4.1. Cooperation with the European Economic Area countries (EEA)**

With the entry into force of the European Economic Area (EEA) on 1 January 1994, the countries which were members of the European Free Trade Association (EFTA) with the exception of Switzerland and Liechtenstein (Austria, Sweden, Finland, Norway and Iceland) are participating in Community activities in the context of enterprise policy and tourism. These countries contributed ECU 2.5 million in 1994 to participate in all enterprise policy activities. Thus correspondence centres were established in these countries and became fully fledged Euro-Info-Centres in June 1994. The member countries of the EEA form part of the Committee known as "article 4" by virtue of Council Decision 93/379/EEC of 14.6.1993<sup>116</sup> without voting rights.

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<sup>116</sup> OJ No L 161 of 02.07.1993.

#### 2.4.4.2. Cooperation with the central and eastern European countries : (CEECs)

In the context of the PHARE programme, the Commission has set up **sub-programmes for the development of SMEs** by providing technical assistance to the following countries : Poland, Hungary, Czech Republic, Slovakia, Bulgaria, Albania, Slovenia, Rumania, Lithuania, Latvia and Estonia. In this context, between 1990 and 1993, the European Union made a contribution of ECU 320 million distributed by country and by measure as shown in Table No 6. The support provided is concentrated on 3 types of measure : **assistance services to SMEs** (advice, information and training), **financial instruments** (banking services) and **guidelines for formulating an enterprise policy**. These programmes are managed in a decentralized way by a management unit established in each country.

**Table No 6**

#### Distribution of Community aid to SMEs in the CEECs

Country	Total MECU	Know-how MECU	Financial instruments MECU	Programme started
Estonia	3	2	1	01/1993
Latvia	3	2	1	01/1993
Lithuania	6	3	3	01/1993
Poland	91	33.7	57.3	01/1991
Czech Republic	35.5	13.5	22	01/1992
Slovak Republic	22	8.7	13.3	01/1992
Hungary	59	27.6	31.4	12/1990
Romania	10	7.6	2.4	02/1993
Bulgaria	25	6	19	09/1991
Slovenia	1	1	-	01/1993
Albania	6.5	2.4	4.1	01/1992
<b>TOTAL</b>	<b>262</b>	<b>107.5</b>	<b>154.5</b>	
Programme, preparation, monitoring and evaluation	5.5	5.5		
EU organisations	5	5		
JOPP	47.5			12/1991
<b>TOTAL</b>	<b>320</b>	<b>118</b>	<b>154.5</b>	

**48.3% of PHARE support to SME development between 1990 and 1993 has been committed to financial instruments, 36.9% for transfer of know-how and 14.8% for JOPP.**

The services responsible for enterprise policy are closely associated with the establishment of measures in favour of SMEs in the context of the PHARE programme. This coordination is carried out at several levels, notably through technical assistance to the development of SMEs in these countries, contributing to the definition, monitoring and evaluation of calls for tender, as well as joint organization of seminars.

In addition, these services contribute to the **progressive integration of new partners from the CEECs into the network of information and cooperation between SMEs, that is the EICs and BC-NET, to the organization of a EUROPARTENARIAT in Gdansk in Poland in 1994** and finally, to the development of cooperation and the inter-enterprise partnership in the context of the JOPP programme (Joint Venture PHARE Programme)<sup>117</sup>.

The JOPP programme is a specific programme within the PHARE programme which aims to develop support actions to the creation of joint enterprises in the CEECs between Community SMEs and partners in these countries. The actions supported relate to feasibility studies, participations in the capital of the joint enterprise, the training of its staff and the information necessary for its creation.

JOPP initially had ECU 20 million available for the period 1991-1993 of which **ECU 17 million directly benefit the SMEs**. An additional amount of ECU 27.5 million was later allocated to the JOPP programme to allow it to face up to the continuing growth in requests from the SMEs.

The measures implemented have essentially permitted Community SMEs to carry out feasibility studies of their joint enterprise projects, thus reducing the administrative, financial and legal constraints which are holding back the development of joint enterprises. After these studies, a certain number of SMEs have already effectively created the joint enterprises envisaged with assistance from appropriations from the JOPP programme.

Although JOPP finance benefits all the CEECs, Poland, the Czech Republic and Hungary are the principal beneficiary countries. This finance covers all the productive economic sectors, and the sectors of industrial production and consumer goods have benefitted most, followed by services and agri-food. **The programme effectively prioritizes assistance to SMEs, given that 66% of the cases approved have been introduced by enterprises with fewer than 100 employees**. By encouraging the creation or extension of joint enterprises in the CEECs, this programme is intended to **encourage investment in Community SMEs** abroad. The forecasts for investment amounted at the end of 1994 to ECU 720 million for a Community budget commitment of ECU 39 million, or a **leverage effect of 1800%**

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<sup>117</sup> Commission Decision of 30.01.1991 No Z91/01, XXV General Report, No 69, p. 26.

#### 2.4.4.3 Cooperation with the CIS and Mongolia

The TACIS Programme is a European Union initiative for the Commonwealth of Independent States (CIS) and Mongolia which fosters the development of harmonious and prosperous economic and political links between the European Union and these partner countries. **Within the framework of TACIS, ECU 19 million have been allocated to support small and medium-sized enterprises in 1992, ECU 20 million in 1993 and ECU 12 million in 1994 which is ECU 51 million for these 3 years.** The distribution by country over these years is the following : Armenia: 1.6, Azerbaijan: 1.3, Belarus: 3.4, Georgia: 3.53, Kazakhstan: 3.8, Moldova: 0.8, Mongolia: 2, Russian Federation: 14.26, Turkmenistan: 1.0, Ukraine: 3.9, Uzbekistan: 3.32, Inter-State: 11.5.

The TACIS SME programme, to date, has been founded on a strategy based upon the need to build up intermediary agencies. That is, to put in place, and support through further technical assistance, organizations which can provide assistance to existing entrepreneurs and those who wish to set up businesses. As a result of the 1992, 1993 and 1994 SME programme over 40 support centres have been established in the New Independent States.

Since the launching of the SME TACIS programme, the Commission services responsible for enterprise policy have been involved in the development of some actions such as the shortlisting of tendering organizations and the evaluation of tenders. Although the support centres in the CIS do not form part of the Euro-Info Correspondence Centres, these Commission Services are providing active help in creating systematic links between the TACIS support centres and the relay centres, which have been established by some Euro-Info- Centres in the CIS.

Furthermore, the Commission services will progressively include the TACIS Support centres in the BCC network, starting with the centres in the Russian Federation and Ukraine. In June 1994 a selected number of CIS entrepreneurs participated in the Europartenariat in Gdansk/Poland. Since then, TACIS has formalized the CIS participation. National counsellors have been appointed in almost all CIS republics and a special training programme has been organized for them. While the Commission services directly responsible for the TACIS programme are providing the funding for the national counsellors, the enterprise policy services have included them in all activities organized for them with regard to the Europartenariat.

Finally, three panels are to be established in Hungary, Russia and Ukraine by the Committee on Commerce and Distribution with the support of DG XXIII's Distributive Trade Unit. The objective is to raise awareness in these countries on problems that EU enterprises wishing to do business there are facing and to provide technical advice and assistance for developing independent professional federations and efficient distribution networks in these countries.

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

#### **2.4.4.4. Cooperation with developing countries in Asia, Latin American and the Mediterranean**

Specific programmes supporting the development of SMEs have been established in a certain number of developing countries, in particular the MED-INVEST programme for Mediterranean third countries, the AL-INVEST programme for Latin American countries and the ECIP programme.

MED-INVEST is a programme of support to cooperation for development of SMEs in Mediterranean third countries in association with European SMEs and professional organizations. Its objective is to promote an environment in Mediterranean third countries that is favourable to the development of SMEs and to the growth in their competitive capacity. MED-INVEST, with a budget of ECU 12.2 million for a period of 2 years (1993-1995), grants non-reimbursable aid to groupings of enterprises, institutions, organizations or development companies which possess a real competence in the area of information, inter-enterprise cooperation as well as in support to economic development.

**The Business Cooperation Network (BC-NET) is associated with this programme to strengthen and extend the network in the 11 Mediterranean third countries<sup>118</sup> as well as to provide training of members and the necessary accompaniment measures to the economic players. The Commission services responsible for enterprise policy provide technical assistance for the creation of partnerships. Correspondence centres linked to the Euro-Info-Centres network were established in Israel in 1993 and in Jordan, Morocco and Tunisia in 1994.**

AL-INVEST, the programme of industrial cooperation and promotion of investment in the Latin American countries<sup>119</sup>, with a budget of ECU 18.5 million for a duration of 2 years (1993-1995), aims to facilitate commercial exchanges, technology and know-how transfer and financing to the mutual benefit of Latin American and European enterprises. **The BCC is also associated with this programme.**

ECIP (European Communities Investment Partners) is a financial instrument in favour of the developing countries of Latin America, Asia and the Mediterranean created in 1988 and its legal basis dates from 1992<sup>120</sup>, the date on which it was extended by a new 3-year trial period and provided with increased finance in view of the success it has experienced (ECU 39.15 million for 1993).

The principal objective of ECIP is to facilitate the creation of joint enterprises in the eligible countries so as to contribute to their economic development. Hence it intervenes in the various stages of the creation of an enterprise : from identification of partners and potential projects through intermediaries to training and technical assistance, via the project feasibility study and a contribution to the capital of the joint enterprise. The maximum amount that can be granted is ECU 1 million for a joint enterprise. ECIP excludes multinational firms and makes it a condition that the joint enterprise includes at least one Community partner and a partner from the country concerned.

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<sup>118</sup> Morocco, Algeria, Tunisia, Jordan, Occupied Territories, Lebanon, Syria, Israel, Turkey, Malta and Cyprus.

<sup>119</sup> Council Regulation No 443/92 of 25.02.1992, OJ No L 52 of 27.02.1992, p. 1.

<sup>120</sup> Council Regulation No 319/92 of 03.02.1992, OJ No L 35 of 12.02.1992, p. 1.

The orientation of the ECIP scheme is towards SMEs (excluding large multinational undertakings, which are expressly excluded by the Regulation). By their very nature all the Facility One actions (grants for identification of projects and partners) are oriented towards SMEs and **84% of all Facility Two, Three and Four actions in terms of number of projects approved in 1994 have concerned beneficiary SME firms**. This reflects the provisions of the Regulation which provides for SME applications to have a priority status but without excluding larger firms, most notably in cases concerning particular development benefits such as technology transfer.

In 1994, 337 projects were approved for a total amount of 42.13 MECU (271 MECU in 1993). This instrument was extended to South Africa according to the conclusions of the Council of 19 April 1994. The results show that this instrument is playing a role in Asia, Latin America and in the Mediterranean to help local economic operators to consider the European Union as a partner in the development of their businesses.

#### **2.4.4.5. Cooperation with China**

After a conference organized with the China Council for the Promotion of International Trade at Antwerp in November 1993, two Interprise meetings in Paris and Nanjing were organized in 1994 to develop contacts between SMEs. Moreover, the last mixed EU-China Commission (Beijing, February 1994) decided to accord the highest priority to industrial cooperation between enterprises and notably European and Chinese. In this context, several actions are in preparation to develop a programme of cooperation in this domain.

#### **2.4.4.6. Promotion of Community exports to Japan**

The EXPROM-Japan programme aims to promote Community exports to Japan. In this context the Commission is implementing :

- management training actions in communication in the Japanese business environment; the Executive Training Programme (ETP) targets medium-sized enterprises but is also intended for small enterprises which have found a niche on the Japanese market;
- an integrated three-year promotion campaign, "Gateway to Japan", which provides logistic and financial support to encourage participation in international fairs taking place in Japan to nine European sectors of activity (essentially industrial) whose performances in Japan are not yet satisfactory given their competitiveness at the world level. **Small and medium-sized enterprises are naturally invited to benefit from this campaign**, even if only through the access thus provided to them to sectoral market studies integrating the draconian changes that have recently taken place in Japan which cannot but encourage them to reconsider this market if they had renounced it.
- concerted actions with the Japanese authorities to introduce small firms into the Japanese market. In the context of the commercial cooperation programme implemented jointly by the Commission and the Japanese authorities, **the Commission is in particular presenting small and medium-sized enterprises as candidates for the JETRO (Japan External Trade Organization) Export to Japan Study Programme.**

#### 2.4.4.7. Conclusion

Most of the programmes for cooperation with third countries, like TACIS, PHARE, EXPROM-Japan, MED-INVEST and ECIP encourage the development of SMEs and notably of joint enterprises. Although the SMEs are the principal beneficiaries directly or indirectly (through larger enterprises), it should be noted that Community support is **not specifically geared towards Community SMEs** and that the PHARE and TACIS programmes, for example, also provide support to **SMEs in the countries benefitting** from Community aid. On the other hand, in cases of joint enterprises, the two parties are guided by common interest which allows them to weave durable economic links between the Community partners and those of the third countries.

The group of actions of cooperation with third countries are the subject of good coordination between the various relevant Commission services. They allow these countries to benefit from acquired expertise in enterprise policy as well as the existing intermediary networks and give European SMEs better information about the opportunities available to them in third countries through Community programmes.

#### 2.4.5. DEVELOPMENT POLICY TOWARDS ACP COUNTRIES (AFRICA, THE CARIBBEAN, THE PACIFIC)

Given the importance of the private sector for the development of African, Caribbean and Pacific States (ACP), the 4th Lomé Convention<sup>121</sup> provides for a vast range of instruments which can be used to support SMEs in those countries. **A large part of these programmes are of direct or indirect interest to European SMEs.**

The instruments of the Convention are implemented by the Commission via the indicative programmes, negotiated and signed with each ACP State, by the EIB or by the Centre for Industrial Development (CID).

Within the framework of these programmes, private sector projects, of priority interest to SMEs, currently affect some forty ACP States, representing some ECU 240 million in technical and financial assistance.

The distribution by ACP region shows the interest of West and East Africa (including the Horn of Africa), each with 9 countries involved and an allocation of ECU 60 million. **Programmes centred on SMEs have also been implemented or are in preparation with countries in the Caribbean region and in certain countries surrounding South Africa.**

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<sup>121</sup> Lomé IV, OJ No L 229 of 17.08.1991.

From the indicative programmes, measures of technical assistance are available as an example : support to specialized bodies (Chambers of Commerce), the despatch of experts to banks financing SMEs but also and above all, for the last ten years the promotion of Investment Forums. First held in West Africa (Dakar) and Central Africa (Libreville), these Forums bring together hundreds of European investors who identify investment opportunities through meeting local entrepreneurs.

Recently, sectoral Forums (mining sector in Lusaka) have also been organized by the Commission. In view of the difficulties ACP exports experience on world markets, commercial promotion actions, in agreement with European SMEs, are assisting local enterprises to improve their competitiveness.

The contribution of resources drawn from these programmes is not limited to technical assistance alone. **The Commission also contributes to the financing of the SMEs**, through subsidies and indirectly, via lines of credit from local financial intermediaries, import programmes, and the creation of guarantee funds (recently, participation in a guarantee fund for loans from banks, notably European, in West Africa).

**A special effort is also made to attack the roots of the problems of SMEs**, mainly African, by giving priority to the creation of enterprises and the training of entrepreneurs at work. A new approach, launched a few years ago in certain Sahel countries, has instigated the creation of hundreds of micro-enterprises and ensured the employment of several thousand people. This effort is being applied in other ACP countries in the region.

The resources of the EIB, notably the risk capital, are particularly adapted to financing SMEs, in view of their great flexibility. Since the 4th Convention, this capital is also offered to joint European-ACP enterprises in the form of capital participation and conditional loans (maximum rate 3%). **A significant part of the total amount of this risk capital (about 40%) has been allocated, directly or indirectly, to ACP - or joint EU-ACP - SMEs, in cooperation, in certain cases, with the financial institutions of the Member States.**

For some fifteen years, the Centre for the Development of Industry (CDI), created by the Conventions which govern cooperation between the EU and the ACP countries, has been supporting cooperation between European industrial SMEs and those of the ACP States, using instruments like joint-venture, management contract, licensing and subcontracting backed by a network of local and European antennae and strict cooperation with Member States' promotion bodies.

The CDI receives some 500 requests for assistance a year and makes use of a budget of ECU 60 million to launch **some 200 direct interventions annually in favour of ACP and European SMEs.**

In view of the complementarity of their respective roles, the Commission, the EIB and the CDI operate in close cooperation. For example, the CDI selects "bankable" projects which benefit from easier access to the resources of the EIB; certain EIB global loans to local SMEs are accompanied by technical assistance offered by the Commission and by the CDI (e.g. with a regional bank in West Africa). The negotiations in progress for the second part of the Lomé Convention (1995-2000) are certainly going to reinforce this inter-institutional cooperation around programmes of support to the private sector, thus promoting the growth of local enterprises and their collaboration with European SMEs.

## **CHAPTER III. COORDINATION WITH THE PARTNERS**

### **1. CONSULTATION WITH BUSINESS ORGANIZATIONS**

The Commission regularly consults and informs associations representative of SMEs, the craft sector, commerce and the social economy at the European level on Community activities specifically directed towards SMEs as well as on all subjects that may concern them (like the Structural Funds, RTD and legislative proposals). In parallel, these organizations inform the Commission on their attitudes to all matters which more particularly affect them. A good partnership has been established between the Commission and these organizations which allows the viewpoints of business to be made known and often taken into account.

The conference organized in June 1994 on "European Enterprises and the final VAT system", which enabled a wide-ranging and fruitful discussion to take place between the various parties concerned, and in particular SME organizations, is a good example of the Commission's strategy.

In the commerce and distribution sector, the Commission systematically consults the Committee on Commerce and Distribution created in 1981<sup>122</sup> on all Community measures likely to concern commerce.

### **2. SOCIAL DIALOGUE**

On 14 December 1993, the Commission presented to the Council and to the European Parliament a "Communication concerning the application of the Agreement on social policy"<sup>123</sup> which notably defines, at Community level, new procedures for consultation with the social partners as well as the conditions by which these collective agreements could be concluded.

Paragraph 24 of this communication defines the criteria to be satisfied by organizations to be consulted, in terms of the provisions of article 3 of the Agreement on social policy. The list of social partner organizations "corresponding at the present stage to the criteria defined in paragraph 24", linked to annexe 2 of the Communication, makes explicit reference to the European Association of Craft, Small and Medium-sized Enterprises (UEAPME, EUROPME and other associated organizations), in accordance with the conclusions of a study undertaken by the Commission services in order to assess the representativeness of the social partners.

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<sup>122</sup> Commission Decision 81/428/EC of 20.05.1981, OJ No L 165 of 23.06.1981, p. 24.

<sup>123</sup> COM(93) 600 final of 14.12.1993.

Furthermore, paragraph 26 of the Communication states that a certain number of organizations exist which meet the criteria set out in paragraph 24 and could therefore be included in the consultation. The Commission does not wish to adopt a restrictive position on this subject but it is also aware of the practical problems posed by the multiplicity of potential players. Only the organizations themselves can develop their own dialogue and negotiating structures. The Commission will try to promote the development of new liaison structures between all the social partners in order to contribute to the rationalization and improvement of this process. **Here, special attention will be paid to representation of small and medium-sized enterprises.**

In the context of the social dialogue, the Commission services have been in contact, during 1994, with numerous organizations expressing a particular interest in small and medium-sized enterprises, both at the interprofessional level and at the sectoral level.

Particular note should be taken of the support provided to the new structure "UEAPME-EUROPMI - Joint Committee on Social Dialogue", which participates in the meetings of the Permanent Committee on Employment. Before the last meeting of this committee, which was held on 22 September 1994, the Commission also provided funding for a preparatory meeting, organized by this SME representative structure.

In the sector of commerce and distribution, over 90% made up of enterprises with less than 10 people, the Commission, in its communication of 14.12.1993, estimated that EUROCOMMERCE fulfils the criteria of representativity. The sectoral social dialogue carried on under the aegis of the Commission between EUROCOMMERCE and EUROFIET has already permitted joint training projects intended mainly for SMEs to be carried out in the context of FORCE (see point II.2.3.3.) as well as the conclusion of a common view on combatting violence in commerce.

In addition, after the Commission's Communication on the Social Protocol, the Directorates General responsible for the structural funds decided to enlarge the consultation under article 31 para. 2 of the regulation on the coordination of EEC funds No 2082/93 to a limited number of professional or specific organizations. As a result, in the context of the meetings it organized with social partners, the Directorate General responsible for Regional Policy invited the following organizations, in addition to the general inter-professional organizations, to the social partners consultation meeting of 21 December 1994: UEAPME, EUROCHAMBRES, COPA, COGECA and EUROPECHE. This invitation illustrated the Commission's wish to consult business in order to establish a dialogue propitious to taking into account the needs of small and medium-sized enterprises in the implementation of the Structural Funds.

### **3. PARTNERSHIP WITH THE MEMBER STATES**

In adopting its resolution of 10 October 1994<sup>124</sup> to give free flight to the dynamic and innovative potential of SMEs - including the craft sector and micro-enterprises - in a competitive economy, the Council wanted to make the implementation of the Integrated Programme a clear political message. So it is endorsing the new approach proposed in the Integrated Programme (by virtue of article 130 of the Treaty on European Union) which targets, by mutual consultation and cooperation between the Member States and between the Member States and the Commission, the inclusion of their actions for the benefit of the SMEs so that their potential for growth and employment can be better mobilized. This innovation in method converts into the implementation of concerted actions which relate both to the improvement of the environment of SMEs and to measures of support to SMEs (see Introduction). Thus a new form of partnership with the Member States is being established through these actions which will be orchestrated by the Commission with the aim of strengthening the effectiveness of measures in favour of SMEs.

In its resolution the Council invites the Commission to present a report on the results of the consultation and the exchange of information as well as concertation on stimulation of demand for services offered to enterprises. In addition, it invites the Commission ensure that SMEs obtain better access to the specific research programmes of the 4th RTD Framework Programme as well as training programmes, and stresses the importance of coordinating the instruments of the Union.

In the sector of commerce and distribution, the Commission is encouraging consultation between the Member States and with them notably through meetings of a group of government experts in internal commerce and directors general of internal commerce. This concertation is proving useful as a framework for Community actions relating to commerce and, particularly to commercial SMEs, in the context of the policies conducted by the Member States.

### **4. COLLABORATION WITH THE OTHER INSTITUTIONS**

The European Parliament has emphasized that the Integrated Programme is the result of the good collaboration that it maintains with the Commission and that there is now a global commitment and a strategy in favour of SMEs. In its resolution of 24 October 1994<sup>125</sup> on the implementation of the Integrated Programme in favour of SMEs and the Craft Sector, it gave a favourable welcome to the Commission's proposals, stressing the need to make the existing programmes in favour of SMEs more transparent, and the advantages of exchange of good practice. It invited the Commission services responsible for enterprise policy to strengthen coordination with the other Commission services. The European Parliament also emphasized its interest in commercial SMEs by creating an Interparliamentary Group on commerce and distribution.

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<sup>124</sup> Council Resolution of 10.10.1994, OJ No C 294 of 22.10.1994, pp. 6-8.

<sup>125</sup> Harrison Report, EP 184.350, 24.10.1994, OJ C 323 of 21.11.1994, p. 19.

The Economic and Social Committee, in its opinion of 15 September 1994<sup>126</sup> relating to the Integrated Programme, has raised certain questions as to the actual capacity of the Commission to ensure real integration of Community actions in favour of SMEs. The committee considers that, to transform the objectives of the Integrated Programme into concrete terms, a global policy commitment by the Union is necessary. To this end, it proposes carrying out an evaluation of the effectiveness of existing measures and an institutional strengthening according to the political weight necessary to implement Community policy in favour of SMEs.

On 1 February 1995 the Committee of the Regions adopted its opinion<sup>127</sup> on the Integrated Programme in which it supported the Commission's proposals and emphasized, *inter alia*, the importance of coordination between the Community programmes so as to facilitate access by SMEs and the craft sector to research and training programmes, thanks notably to an effort of information, a simplification of procedures, greater participation of SME representative organizations and a decentralization of measures to the regional or local level.

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<sup>126</sup> ECS 973/94, Report by Mr Lustenhouwer, OJ C 393 of 21.12.1994, p. 221.

<sup>127</sup> CR 18/95, Opinion on the Integrated Programme in favour of SMEs and the Craft Sector.

## CONCLUSION

In line with the Council's request, the Commission has attempted in this report to present the links and coordination between the actions conducted under enterprise policy and those conducted under other Union policies. The accent has been placed on Community actions which more particularly concern the SMEs and the craft sector. In the spirit of the Integrated Programme, the Commission has followed the two great lines of enterprise policy, viz: improving the environment and support measures to SMEs. In fact, coordination does not merely cover programmes with a budgetary incidence (like the Structural Funds, research or vocational training), it also covers policies which may have an impact on the environment of SMEs (like the completion of the Single Market, taxation or the rules of competition).

The coordination of Community activities implies several levels : first of all within the Commission services, then with the Member States and the other European institutions and finally with business circles.

The Commission will pursue its internal coordination efforts to contribute through its policies to accompanying the development of SMEs. It should be noted that SMEs are now effectively targeted in almost all Community programmes. Significant progress has been made, as the report demonstrates, in the field of the Structural Funds and in particular through the Community SME initiative, RTD (thanks to the specific measures in favour of SMEs introduced into the 4th Framework Programme) and vocational training (notably in the context of the new objective 4, the ADAPT initiative and the new LEONARDO programme). However the Commission must be sure to monitor the implementation of programmes so that the declared objectives in favour of greater support for SMEs are effectively transformed into concrete advantages for the SMEs. The enterprise policy services cooperate with all the other services both in the conception of programmes and policies and in their implementation. So it is a question of pursuing the effort begun to make these programmes more visible and effective.

The other institutions of the Union have also made a significant contribution to the development of SMEs and are called on to play a determinant role : the European Parliament, the Economic and Social Council and the Committee of the Regions, as well as the EIB and the EIF. The Commission intends to pursue good cooperation with these institutions.

Nevertheless, by virtue of the principle of subsidiarity, and given that SME policy is principally incumbent on the national or regional authorities, the role of the Commission in coordinating the policies of the Member States (Article 130 of the TEU) is limited to stimulating or organizing and orchestrating mutual consultation and cooperation between them and with the Commission with a view to ensuring more effectiveness, visibility and a certain convergence of actions. The Integrated Programme, which introduces the second generation of enterprise policy, is clearly part of this perspective. The concerted actions with Member States should contribute to encouraging coordination of actions carried out at the national, regional or local levels.

Finally, the effectiveness of the measures imply good coordination and a permanent dialogue with SME representative organizations. Progress has been made on the representation of the interests of SMEs and the craft sector, notably in the context of the social dialogue.

In conclusion, the Commission will reinforce coordination with all its partners, the Member States, the European institutions, and the business organizations so that the efforts of the Union in favour of SMEs are converted into growth, competitiveness and employment.

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