

# COMMISSION OF THE EUROPEAN COMMUNITIES

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<p><b>THE ENTERPRISE DIMENSION</b></p> <p><b>ESSENTIAL TO COMMUNITY GROWTH</b></p>
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**Community measures to intensify and to ensure the  
continuity of a policy for enterprise, in particular SMEs, in  
the Community**

**PROPOSAL FOR A**

**COUNCIL DECISION**

**on a multiannual programme (1993-96) of Community measures to intensify  
the priority areas of policy for enterprise, in particular SMEs, in the  
Community**

**(presented by the Commission)**

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**THE ENTERPRISE DIMENSION ESSENTIAL TO  
COMMUNITY GROWTH**

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2. Proposal for a Council Decision on a multiannual programme (1994-97) of Community measures to ensure the continuity of policy for enterprise, in particular SMEs, in the Community

## EXPLANATORY MEMORANDUM

In Edinburgh on 11-12 December 1992, the European Council, endorsing the guidelines put forward by the Commission, agreed action on a wide scale to support growth in the Community.

The Declaration on Promoting Economic Recovery in Europe (1) states that: "Recognizing the importance of SMEs for creating employment and stimulating growth, the European Council called upon the Council and the Commission to ensure that the burdens from Community legislation on small and medium-sized enterprises are reduced (including through the use of simplified schemes and exemption limits in the field of indirect taxation) and that full information about Community support is provided to SMEs. It asked the Commission to accelerate the actions in favour of SMEs which have proven their worth at the Community level".

SMEs account for a major share of GDP, employment and regional development in the Community, and thus make a significant contribution to its economy (2).

The current crisis of confidence and the economic difficulties now afflicting Community action (3) nevertheless underline the soundness of the analysis underlying the launch of an enterprise policy, and also of the measures taken since. The need to intensify and continue the policy has now been recognized and a priority part of it has been made central to the recovery and expansion of the Community economy.

In this context, in order to restore the confidence of businessmen and hence stimulate their involvement in the economic process, it is essential to maintain the indivisibility of the enterprise policy framework. The objective of reviving growth justifies anticipating and increasing the Community's effort with regard to priority measures capable of mobilizing enterprises to achieve the recovery objective.

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- (1) European Council, Edinburgh, 11-12 December 1992, Conclusions of the Presidency, Annex 4 to part A, point 8
  - (2) According to the second Commission report "Enterprises in Europe", of the 11.6 million enterprises surveyed in 1988, 96.3% had less than 20 employees, 3.4% between 20 and 200 employees and less than 0.2% had between 200 and 500 employees, accounting overall for 70.2% of employment in the EEC; the proportion varies across the different regions of the Community. ISBN-92826-4609-2.
  - (3) There has been a marked deterioration in short-term economic prospects. The lowering of growth forecasts in relation to those made in spring 1992 (1% growth now probable in 1993 as against 1.7% previously) is an indication of a worsening in the economic situation even greater than expected (the threshold of 10% unemployment will probably be passed), with a longer timescale for recovery. This latter may be due to a number of factors, in particular the loss of competitiveness of some products on external markets due to the appreciation of certain currencies and especially, according to periodic surveys, a marked crisis in consumer and business confidence.

To mobilize businessmen in the short term, it is essential to hold up the long term prospects which the Community intends to provide in support of the steady expansion of enterprises, and in particular of SMEs. The need for longer-term action is the reason why a proposal for a decision has been put forward which identifies the instruments and areas which will ensure the continuity of enterprise policy.

The co-existence within the unitary framework of enterprise policy of two proposals for decisions, each with its own value added, should make it possible to optimize the macro- and micro economic effects of the enterprise dimension.

A degree of balance between these two aspects of enterprise policy is necessary to ensure that action to restore business confidence in a depressed economy does not jeopardize the credibility of Community action by neglecting the need to tackle long-term structural change.

This programme in favour of enterprises therefore seeks to reinforce immediately those areas for priority action which could provide an immediate response to the needs for enterprises to adapt in a period of uncertainty. It will also have to ensure the continuity of supporting measures, whether of a general nature or in favour of specific categories of enterprises, in order to avoid merely shifting in time or from one business category to another the tendency towards negative expectations whose effect on economic development is clearly seen today.

The general economic situation calls for a special effort where enterprises are concerned, which must supplement the substantial activity carried out in their regard for several years, designed to ensure the thorough involvement of enterprises, especially small and medium-sized ones, in a Community economy and society in full evolution.

**INTENSIFICATION OF PRIORITY ENTERPRISE POLICY MEASURES IN  
ORDER TO STIMULATE GROWTH IN THE COMMUNITY  
(1993-1996)**

<b>INTENSIFICATION OF PRIORITY ENTERPRISE POLICY MEASURES IN ORDER TO STIMULATE GROWTH IN THE COMMUNITY</b>
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## **I. OBJECTIVES**

In order to ensure that Community enterprise policy involves a significant value added element and enables it to contribute to economic revival, the actions most closely geared to the situation of enterprises must be greatly developed and the interaction of instruments intensified.

A major objective is to allow enterprises - beyond the necessary structural changes and greater competition - to seize the opportunities provided by the new dimension of the internal market.

In the context of the Europeanisation of enterprises, the direct effect of strengthening instruments is therefore a crucial factor for growth. It must be based both on the information and cooperation networks set up and on the promotion of existing Community instruments, particularly the strengthening of technological potential, and must also promote the adaptation of the administrative and legal environment to the development of business initiative.

As part of increasing internationalization, as regards both business strategy and the growing importance of partnership in industrial and technical cooperation, full account should be taken of the importance of external relations with non-Community countries as markets are rapidly opening up.

Networks and instruments should thus continue to be expanded to non-Community countries, in line with the priorities of external affairs and development policy. The aim is the mutual one of creating the best possible conditions for contact between Community and third-country businesses, on the basis of know-how already tested at Community level, provided the proper functioning of instruments is not thereby jeopardized.

Against this background, the instruments and measures developed to help SMEs should be directed, by way of priority, at the new European Economic Area, bringing in the EFTA countries, and also the countries of eastern and central Europe. Measures should be developed in complementarity with those provided for in the Community's various trade and development agreements, and in other assistance and cooperation programmes.

The selection of the priority areas of enterprise policy to be reinforced with a view to economic recovery takes into consideration the results of the evaluation of the 1990-93 programme being carried out pursuant to Decision 91/319/EEC (4). The evaluation recognized the soundness of the measures and their capacity to fulfil the tasks set for them, especially their relay effect in getting Community objectives across to firms. This why it has been decided that the priority areas advanced are those best able, once the resources at their disposal are increased, to sustain a process of reviving enterprises' activity.

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(4) Comments by the Commission on the Deloitte & Touche Report on the evaluation of the Community's enterprise policy, SEC(92) 1999 of 11 november 1992.

## **II. PRIORITY AREAS FOR INTENSIFICATION**

<b>A) <u>DEVELOPMENT OF EURO-INFO-CENTRES TO FACILITATE ACCESS TO COMMUNITY INFORMATION</u></b>
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1. Information is one of the main factors contributing to the development and Europeanization of businesses, and the Commission will endeavour to achieve maximum synergy between all the information intermediaries available to businesses.

The main priority is therefore given to reinforcing and developing the Euro Info Centres (EIC) network.

Tailored to the needs of businesses, the Euro Info Centres network plays a dual role, both upstream and downstream of the Commission administration:

- downstream, by disseminating information on Community affairs extremely widely through the many relay points branching out from the 210 EICs;
- upstream, by stimulating highly valuable feedback on the regional economic climate in which businesses are operating.

This information is available to all members of the network and will become increasingly important as the different regions take a greater share of the trade generated by completion of the internal market.

Certain specializations, duly identified and encouraged by the networks' central unit, help to increase the added value of the network as a whole through the dissemination of increasingly operational information and the preparation of integrated information packages.

The EICs also provide practical information and assistance for firms wishing directly to exploit the opportunities offered by Community programmes and increasingly open public procurement.

The EIC network thus emerges as a highly effective diversified, multifunctional Community instrument - with a high added value - providing enterprises with information through decentralized small-business organizations, whose European activities it helps to stimulate.

2. In view of the foregoing, both the structure of the network and the nature of the information provided need to be adjusted in a climate of broad dialogue which must enable businessmen to establish strategies quickly in connection with the effective functioning of the large single market.

With this in mind, the following matters will be proposed:

- adjusting the composition of the network so as to take greater account of existing specialized networks (specializing by size of business - craft industry - or by sector) and granting further requests to join the network from decentralized relays currently operating as subnetworks;
- setting up new correspondence centres outside the Community, to take into account the needs of firms wishing to internationalize their operations;
- speeding up the process of making available reliable information targeted to their real needs of businesses in the context of the single market, in particular in the form of integrated information products, of the database type;
- as part of the financing of EICs, partial Commission funding of decentralized promotion work and database consultation to boost network effectiveness; the latter financing formula would replace the arrangement whereby free access is granted to Community databases only, a system which is to be phased out. The Commission's contribution would be conditional on the EICs achieving precise objectives, especially in penetration local business life.

B) <u>DEVELOPMENT OF NON-CONFIDENTIAL AND CONFIDENTIAL PARTNER-SEARCH NETWORKS - BRE and BC-NET</u>
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3. The strategy of joint development of the two partner-search instruments (BRE and BC-NET) will take account of the different aspects of the quality-improving approach supported by the Council from 1991, when it revised Decision 89/490/EEC, and of more recent factors resulting from the internal and external evaluation of the measures in this field:

- awareness measures and training for the business advisers belonging to these two networks will reflect the observed evolution towards greater interest in technological, financial and marketing cooperation;
- cooperation between the partner-search instruments (BRE and BC-NET) and other decentralized networks will be encouraged making it possible to provide a service closer to enterprises' needs: e.g. the BRE and BC-NET networks could flank initiatives of the Interprise type upstream and downstream; the networks will also seek appropriate forms of cooperation with business organizations, chambers of commerce and industry and chambers of trade so as to increase the network effect of the instruments and make them more effective.

4. The BUSINESS COOPERATION CENTRE (BRE) specializes in non-confidential searches for business partners and enables firms to be approached direct via the network of local correspondents in all Member States and in certain third countries.

The development of the BRE will be continued in accordance with the approach of recent years, in particular:

- BRE's scope will be extended by increasing the number of correspondents inside and outside the Community;
- the quality of service will be improved by increasing the professionalism of the network correspondents;
- the intensification of cooperation between members of the network will be supported.

The BRE network should also remain a simple and flexible system to use, since these are extremely important factors in making it accessible to the greatest number and in winning the esteem of correspondents and businesses alike.

Thus, a number of operational improvements will be made:

- to identify more clearly the types of cooperation sought and the aims pursued, such as the gradual merger of EIC Conferences with the BRE
- to improve the instrument itself, notably by shortening file processing times in the central unit for managing the network.

5. BUSINESS COOPERATION NETWORK (BC-NET), a large network specializing in confidential searches for business partners, will step up the drive for quality and productivity by focusing on the following points:

- providing stronger support for network members, in terms of training and computerization in particular, so that business advisers are able to give priority to the preliminary information-gathering phase and facilitate contacts between potential partners by giving businessmen an insight into new market opportunities;
- stepping up monitoring activities on the basis of regular reporting so that results can be assessed more closely in terms of agreements concluded and the necessary adjustments can be made to the nomenclatures, the computer system and the management of subnetworks;
- introducing and gradually adjusting charges for the service to help not only to reduce public expenditure, but also to help raise the quality of the service by making the network more homogeneous in terms of its preparation and follow-up capacity; after an initial phase in which a charge would be made for each cooperation profile, the possibility will be discussed with the advisers of changing over to a system of flat-rate annual charges, in the light of market conditions;
- the development of synergies with other Community measures, in particular following those already begun on the improvement of cooperation in the field of human resources and research and development - especially the better use of research results, and in close connection with other Community programmes, such as those for the financing of SMEs and public procurement.

**C) STEPPING UP ACTIVITIES TO PUT BUSINESSMEN IN DIRECT CONTACT WITH ONE ANOTHER UNDER THE EUROPARTENARIAT AND INTERPRISE PROGRAMME AND PROMOTING CROSS-BORDER SUBCONTRACTING**

6. The EUROPARTENARIAT programme will continue to pursue the twin objectives of business expansion and regional development.

On the basis of the results of the internal evaluation currently being carried out, the Commission will endeavour to promote better preparation of enterprises and better follow-up of results in cooperation with national bodies. An effort will be made to ensure the balanced participation of firms in the Community, in neighbouring European countries and in the Mediterranean countries.

The structural impact of the events will be stepped up and special attention paid to the existence in the region concerned of organizations that can provide follow-up.

Europartenariats have so far chiefly concerned Objective 1 regions and this priority will be maintained. It will, however, be necessary to see that they are extended to the Objective 2 and 5(b) regions.

7. The INTERPRISE programme has also attracted strong support from businesses, public bodies, trade associations and chambers of commerce, trade, etc.

Support should continue to be given to sectoral or intersectoral meetings of this type and in particular to schemes promoting cooperation within and beyond the Community on priority topics such as the process of privatization, in which the position and role of SMEs should be strengthened.

Furthermore, to ensure interaction between programmes, Interprise meetings could follow Europartenariats reasonably closely, in order to benefit from all the contacts initiated during the main event, in close coordination with other existing instruments (technology transfer days and investment forums - Sprint).

8. Efforts to build up PARTNERSHIP WITH BUSINESSES OUTSIDE THE COMMUNITY follow a similar approach to the one for those within it.

Since the aim is to encourage businesses in Member States and third countries to cooperate, the necessary finance will be drawn mainly from programmes developed as part of the Community's external relations policy.

An initial project of this type has been run with Tunisia and has confirmed the soundness of the approach. On this basis, a multiannual pilot programme (Med Invest) is being prepared for the Mediterranean countries.

Against such a background, the Interprise programme should continue to be opened up to businesses in third countries in conjunction with its Europeanization and internationalization objectives.

9. In CROSS-BORDER SUBCONTRACTING, account has to be taken of the rapid and far-reaching changes that are affecting the sectors concerned.

The "total quality" approach is now a key factor in competitiveness, which depends not only on product quality but also on management principles designed to reduce malfunctions in the production process. Clearly, the requisite standard of quality must be achieved by all the links in the chain.

Consequently, many main contractors are now signing cooperation agreements with subcontractors in order to bring them up to the same standard of quality. Stocks having been reduced through just-in-time delivery, management is now being taken into account as a factor contributing to competitiveness.

These trends call for action to stimulate partnership on a longer-term basis between large firms and SMEs in order to guarantee product and service quality over time.

In this context, Community action should continue to facilitate the emergence of a European market in subcontracting by:

- improving knowledge of the legal situation and economic importance of subcontracting, even in sectors that are still fairly effectively walled off;
- promoting the harmonization of auditing and certification procedures with a view to arriving at comparable quality standards enabling mutual recognition agreements to be concluded; in general, such action should give preference to mutual recognition agreements entered into on a voluntary basis;
- creating a genuine Europe-wide subcontracting network will facilitate cross-border contacts and exchanges of experience between trade associations; this is especially important for the competitiveness of the European economy, particularly in such key sectors as motor vehicles and electronics, for which pilot projects will be proposed to speed up the adjustment process.

10. Measures to stimulate and back up cooperation between businesses will also be maintained. This is because, although a large number of Community firms already generate a proportion of their turnover outside their home country, notable differences do exist between sectors and regions in the Community. It is therefore essential to bear these sectoral and geographical factors in mind when adapting and diversifying the action to be taken, so as to stimulate the sectors in greatest need and thus contribute to efforts to boost activity.

Likewise, there is no doubt that a firm's size is a factor in determining whether it is able to engage in cross-border cooperation and whether it stands to benefit. Special attention should therefore be devoted to the difficult situation of small firms and craft businesses as part of the single approach to enterprise policy.

D) <u>IMPROVING THE ADMINISTRATIVE AND LEGAL ENVIRONMENT OF ENTERPRISES</u>
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11. Given the likely acceleration in the completion of the internal market, a favourable business environment is increasingly important, especially for SMEs, and will require increased Community action.

The new business environment will impose new responsibilities on Community institutions and national authorities as regards transparency, supervision and partnership. In March 1992 the Commission set up a group to look at these problems and make proposals to the Commission.

The group's report (5) was received on 27 October and the Commission has formulated an initial response (6) ahead of the European Council in Edinburgh. This will form the background for the Commission's proposals to make the Community business environment simpler and more transparent.

12. With this in mind, the Commission has already published two reports on administrative simplification to help businesses, and especially SMEs, in the Community (7). In view of the conclusions of the second report, it intends, in collaboration with the Member States, to increase the future impact of this work by wider circulation of the information gathered and by encouraging follow-up measures in the Member States. Joint studies bringing together the Member States and the Commission should enable progress to be made in perfecting existing simplification techniques, e.g. in terms of cost-benefit analysis.

It is also important to ensure that all decision-makers are more aware of the objectives and techniques of simplification. The Member States should therefore be working towards the same goal as the Commission, as suggested by Council Resolution of 24 November 1992 (8).

13. The incorporation into the Community's decision-making process of a phase of assessment of the impact on enterprises of proposed measures must remain a key element of the Community mechanism for improving the business environment. Impact assessment, based on the assessment form, will require improvement along the lines indicated in the second report on administrative simplification recently adopted by the Commission.

The impact assessment system is still relatively new and a considerable amount of Community legislation predates it. The Commission has stated that, in the preamble to future proposals for legislation, it will set out the reasons for the legislation it is putting forward in the light of the principle of subsidiarity. It will also be re-examining some Community rules so as to bring them into line with that principle. The Member States too might undertake action along the same lines at national, regional and local level.

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(5) The Internal Market After 1992: Meeting the Challenge, SEC(92) 2044, 29 October 1992.

(6) SEC(92) 2277, 26 November 1992.

(7) SEC(89) 726, 19 June 1989 and SEC(92) 1867, 27 October 1992.

(8) Council Resolution on administrative simplification, yet to be published in the Official Journal.

This exercise should cover not only Community legislation proper, but also a number of procedures associated with Community measures, such as formalities to be complied with. The task will be to collect information on the impact on enterprises of existing Community legislation in the light of the experience gained when it was implemented and, where necessary, to make proposals for reducing the administrative burden (9).

14. Finally, greater efforts will have to be made to coordinate activities under the Community's enterprise policy and the various Community programmes which could benefit SMEs, without jeopardizing the objectives of each of the policies concerned.

This should be accompanied by a strengthening of cooperation with the Member States as regards all the initiatives pursued in addition to those existing in some Member States or which are likely to be taken up by public or private intermediaries.

Priority should also be given to intensifying and improving the quality of consultations organized with the trade bodies concerned. Regular meetings will be organized in future and will, as far as possible, involve other Commission departments; this forum should put greater weight on dialogue and conciliation so that, on the one hand, the measures envisaged by the Commission can be made known and, on the other, information can be obtained in return concerning the entrepreneurial sensibilities which should be taken into account at Community level.

To this end, certain initiatives already in progress could be maintained with a view to the increased Europeanization of businesses. Support could be given, for example, to improving the representation of SMEs at European level to facilitate relations with European standardization bodies.

15. In future, increasing attention will have to be paid to the practical obstacles SMEs still have to cope with, if they are to make the most of the single internal market. For example, the increase in cross-border trade will inevitably lead to a proliferation of litigation between nationals of different Member States. Here it might be useful, in line with the report on "The internal market after 1992: meeting the challenge" (10), to think in depth about how to help simplify the formalities governing the reciprocal recognition and enforcement of arbitration awards.

E) <u>PROMOTING COMMUNITY INSTRUMENTS</u>
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16. Businesses are faced with a new rules stemming in particular from the change in the regulatory environment alongside the creation of the single market.

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(9) SEC(92)1867, 27 october 1992.

(10) see note 5

To encourage their development in this new environment, the Community has already implemented a series of appropriate Community programmes and instruments.

It is now up to businesses to take initiatives enabling them to seize these opportunities, thus contributing to efforts to boost the economy. However, the availability of Community programmes and instruments must be complemented by an increased communication and promotion effort and by specific business-stimulation measures.

The Community's communication measures will be maintained and enhanced on the basis of experience with the promotion campaign carried out in 1992 and the mobilization brought about by the European business week in March 1992.

17. One priority for this increased effort will be to strengthen the technological potential of SMEs. This will involve widening SME participation in Community research programmes and improving access by such enterprises to the results of Community research. With this in view, the Commission will see that initiatives are properly coordinated, in compliance with the objectives for each programme, whether these have a horizontal purpose or are intended for specific fields.

Independent SMEs must take a greater part in the Community's research and technological development programmes if they are to have a fair chance alongside large firms in the race to improve international competitiveness and if they are to be better able to integrate the results of research and innovation into their growth strategies.

Close coordination will be ensured with measures to be taken under, for example, the fourth framework programme for research and technological development (11).

A considerable portion of the funds allocated to the promotion of Community instruments will be dedicated to the extension to other specific R&D programmes of the feasibility premiums successfully tried out in the context of Brite/Euram (1987-91).

Also financed will be the extension of the Craft pilot project, currently being carried out, to new research topics and new fields of technology.

Existing measures under Value and Sprint should be continued and encouraged. Specifically, Value relay centres could be set up alongside certain Euro Info Centres to provide additional synergy. The potential of BC-Net could also be exploited for the purpose.

Considerable efforts must also continue to enable firms, and particularly SMEs, to make full use of the results of research and technological development work in the different fields covered. The seed capital pilot scheme has indeed contributed to the exploitation of technological potential, given that nearly three quarters of investments already implemented have related to innovation and technological development and the trend is towards an increase in this proportion. This measure will be strengthened in the period 1993-96.

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(11) COM(92) 406, 9 October 1992.

In addition to the measures provided for under the 3rd and 4th framework programmes in the field of R&DT, and in coordination with them, the following lines of action will be developed:

- informing SMEs more effectively;
- simplifying procedures for submitting research projects;
- evaluating the results of research activities involving SMEs;
- accompanying measures to the setting-up of research projects by means of appropriate financial mechanisms

18. The method applied by EUROMANAGEMENT, which is to select a number of specialist consultants throughout the Community who then carry out an audit and advise businesses, has been used for the first time in the area of research and technological development. An evaluation is currently being made. If it turns out to be positive, the Community will work towards this approach being incorporated into the Member States' own programmes, if necessary by making an initial financial contribution.

The same method might in future be adopted in other areas, to the extent that it is a sound instrument for spreading and supporting the use by enterprises of Community programmes and instruments.

### **III. CONCLUSION**

In view of the deterioration in short-term economic prospects, and of the increasingly complex mechanisms which make up the business environment, the Commission must attach particular importance to supporting, and indeed restoring, the confidence of enterprises, a vital effort in generating the growth needed for the successful implementation of the internal market programme.

It is desirable, therefore, that any measure which is capable of curbing or reversing negative expectations on the part of businessmen should be highlighted and implemented as quickly as possible.

The measures identified in this document have proved their value with regard to informing and supporting enterprises in their attempts to gain access to the internal market, and on expanded markets. The intensification proposed here makes it possible, therefore, not only to boost support for growth but to provide those elements of permanence which enterprise policy needs.

**ENSURING THE CONTINUITY OF A POLICY FOR ENTERPRISE, IN  
PARTICULAR SMEs, IN THE COMMUNITY  
(1994-1997)**

**ENSURING THE CONTINUITY OF A POLICY FOR ENTERPRISE, IN  
PARTICULAR SMEs, IN THE COMMUNITY**

**I. OBJECTIVES**

Enterprise policy, particularly that in favour of SMEs, which, as underlined by the Council resolution of 17 June 1992 (12), is an established part of Community action, could be a key element of the strategy of restoring both the credibility of Community policy and business confidence.

The continued existence of these needs is explained by the fact that many enterprises, particularly SMEs, are still not able to participate fully in an integrated market and to take advantage of the opportunities that the completion of the internal market offers at this stage, thus heightening the uncertainty and negative expectations of enterprises. A great deal more has to be done therefore to restore business confidence.

Of enterprises wishing to, or with the potential to, Europeanize or internationalize their operations, there are still too few SMEs which have anticipated the completion of the internal market and have thus implemented strategies to deal with the progressive globalization of markets (13).

Participating in a process of globalization of markets represents an alternative strategy, requiring different analytical instruments and forms of action, the availability of which depends on the enterprise's size, sector and location and on the existence of associated services.

The Community therefore has a major role to play in providing enterprises with instruments for understanding and analysing the changing economic and social realities in Europe and in the world, as well as specific and direct back-up to help enterprises achieve their full potential.

By providing added value to instruments already existing at national or regional level, the Community can make a significant contribution to the Europeanization and internationalization of enterprises, as shown by the evaluation report on enterprise policy (14). In so doing, the Community may act to improve competitiveness by providing administrations and businesses in Member States with the capacity to analyse and understand situations at Community or indeed European level, with support for coordination of policies and with a capability for experimenting with specific tools and instruments, in particular to assist sectors undergoing development such as the craft industry, the distributive sector, cooperatives, mutual societies and non-profit-making associations and foundations.

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(12) OJ n° L 178 of 15.7.92

(13) European economy and social Europe, Special number 1990 ISBN 92-826-1819-6.

(14) Comments by the Commission on the Deloitte and Touche report on the evaluation of the Community's enterprise policy, SEC(92)1999 of 11 November 1992.

## II. MEASURES TO ENSURE THE CONTINUITY OF ENTERPRISE POLICY

A) <u>MEASURES AIMED MORE PARTICULARLY AT AREAS UNDER DEVELOPMENT</u>
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1. The horizontal nature of enterprise policy means that all types of small, medium-sized and large enterprise, whether in manufacturing or in services, are concerned. The 1990-93 action programme specifically included cooperatives, mutual societies and non-profit-making associations; it also enabled a pilot scheme to be funded for SMEs in the distributive sector.

The Community will ensure the continuity of these specific measures flanking its enterprise policy.

### SMALL FIRMS AND CRAFT BUSINESSES

2. Small businesses, craft businesses and artistic enterprises are nearly five million in number and account for some twenty million people. They should be able to benefit, in the same way as larger enterprises, from the positive impact of completion of the internal market both in terms of developing their working methods and skills and in marketing their products.

However, a number of enterprises of this type are still at a disadvantage faced with the reality of the internal market and the internationalization of the economy. They therefore tend to approach the necessary adjustments from the viewpoint of resistance to increased competition rather than by implementing a strategy of global response to the challenges and opportunities which the single market presents.

In the light of the outcome of the Avignon conference (15) and after wide-ranging discussions with the parties concerned, the gradual implementation of a number of measures has been embarked upon aimed at slowly bringing these enterprises closer to all of the activities pursued by the Community as a preliminary to their involvement in the Community's mechanisms.

The suitability of this approach was acknowledged by the Economic and Social Committee, which, in the recently adopted own initiative report (16), makes a large number of additional requests. The Commission proposes that the following, *inter alia*, be taken up:

- developing mutual awareness among small firms and craft enterprises, particularly by improving the access to information and cooperation between the bodies representing them;
- improving access to new technologies through greater participation in R&D programmes and support for innovation transfer;

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(15) Record of the first European craft industry coinference, CEC-DGXXIII

(16) OJ [pending]; the Deloitte & Touche evaluation report referred to above (see note 14) also stressed the importance of specific measures in this field.

- improving support for crossborder cooperation by taking account of the specific situations of the craft industry in frontier regions in policies on subcontracting, the environment and financial markets;

These new developments in Community action to assist the craft industry will also enable specific measures to be taken as a follow-up to the Avignon conference and to the direction outlined by the Council in Decision 91/319/EEC of 18 June 1991.

#### THE DISTRIBUTIVE SECTOR

3. For enterprises in the distributive sector, the effects of the internal market are felt mainly at the supply level, thus reinforcing the strong concentration trends which already exist. The SMEs in this sector are seeking to obtain comparable advantages so that they can defend themselves against these trends, and horizontal groupings are therefore being formed, increasingly across frontiers. One of the bases for this approach, and one of the conditions for its success, is the integration of new technologies in the organization of distributive activities. The ability of an enterprise in the distributive sector to meet consumer demand will depend on its adaptation to advanced information and communication systems.

Owing to the heterogeneous nature of the management culture in the distributive sector, the SMEs operating in that sector are experiencing major difficulties in making equivalent use of information technologies.

The Community has sought to respond to this phenomenon by means of a limited pilot project, which is currently being assessed. Depending on the results of that assessment, a fresh set of stimulation measures might have to be envisaged designed to create cross-border links between distributive firms and between them and their suppliers through the introduction of new technology.

These measures would be in addition to the horizontal measures listed in the Commission's work programme, which has been welcomed by the Council (17).

#### THE COOPERATIVE, MUTUAL SOCIETIES, NON-PROFIT MAKING ASSOCIATIONS AND FOUNDATIONS

4. In the cooperatives, mutual societies, associations and foundations sector, entities of widely differing size coexist, many of which are SMEs. They are distinguished by their aims and organizational modes, which call for special treatment.

The Commission accordingly adopted on 18 December 1991 three proposals for Regulations on the statutes for a European association, for a European cooperative society and for a European mutual society (18).

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(17) Towards a single market in distribution, COM(91) 41, 11.3.1991, and the Council's conclusions of 26 June 1992.

(18) COM(91) 273, 5.3.1992.

As already announced (19), a work programme to support the efforts of these businesses as they face the changes brought about by the completion of the frontier-free economic area will be implemented with a view to creating an environment conducive to cross-border cooperation and seeking out new activities between partners grouped together in the single market.

**B) ENCOURAGING AN IMPROVED FINANCIAL ENVIRONMENT**

5. The general effort to improve the business environment is intended to facilitate business start-ups, continued operation and growth. Thus, the Community has already been able to play an important role as a catalyst in the area of business start-ups, a role which it intends to intensify in close collaboration with all parties concerned at national and Community level.

Likewise, the conditions governing cross-border business transfers might lead to appropriate initiatives being taken in the light of the results of a forthcoming European conference currently being organized.

6. At all stages of its development, the enterprise is affected by its financial environment, which in the Community is currently characterized by a decline in cash flow together with under-capitalization (especially as compared with enterprises in the United States), in particular in SMEs.

SME organizations all stress that this should be looked at under the Community's enterprise policy, and the Council Resolution of 17 June 1992 called on the Commission to examine the general aspects of financing in the proposals it considered it should put to the Council in order to guarantee continuity in enterprise policy.

As part of its growth initiative, the Community has launched the idea of an investment fund which will comprise a section specifically for SMEs. The task of enterprise policy in this context is essentially to examine the general conditions of finance for SMEs.

7. Access to finance by borrowing is difficult for many enterprises which are not in a position to give traditional financial organizations sufficient guarantees to obtain a loan (fixed assets, personal wealth, reputation, etc.).

One solution to these difficulties which are peculiar to SMEs may lie with mutual guarantee companies (20), for which a European association has just been formed to promote such companies in the Community by means of direct relations between businesses.

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(19) SEC(89) 2187, 18.12.1989.

(20) SEC(91) 1550, 5.9.1991.

In order to overcome this guarantee problem in the area of technology, the "Technology Performance Financing" scheme, which is part of the Sprint programme, aims to make it easier for SMEs, particularly those in traditional industries, to acquire new technology.

In conjunction with the European Investment Bank (EIB), the conditions for granting assistance in providing guarantees to financial intermediaries and shares in risk capital for SMEs in assisted regions are also currently being studied.

8. The difficulties which SMEs have in gaining access to external sources of finance lead them to rely heavily on self-financing to secure growth. It is therefore important to examine the measures which may increase SMEs' capacity for self-financing.

Taxation can play an important role here. For example, the idea of allowing one-man businesses to opt to be taxed as companies, as suggested by the Ruding Committee and taken up in the Commission Communication to the Council and to Parliament (21), might help businesses not constituted as companies to become self-financing, corporation tax being lower in most Member States than the marginal rate of personal income tax.

9. The difficulties SMEs have in increasing their own capital is also one of the clearly identified shortcomings in SME financing.

In certain cases, venture capital can provide a solution to this problem. Its development, in particular at cross-border level, remains an important Community objective and there are a number of programmes to that end, such as Venture Consort and Eurotech Capital, or the cross-border investment forums organized by Sprint, where the Council has mandated the Commission to take action to strengthen innovation-financing infrastructure and activities (22).

As regards seed capital, it should be examined whether the legal and tax provisions applicable to venture capital companies are appropriate for promoting cross-border growth in this field.

But one of the major problems in venture capital operations, and all the more so in seed capital operations, is resale by funds of their own shareholdings, which can prove difficult due to lack of a sufficiently well-developed securities market. In most Member States, SMEs still find it difficult to gain access to stock markets because of the difficulty and the cost of the procedures involved.

Secondary markets in the Community remain under-developed. That is why consideration should be given to the advisability and feasibility of promoting the development in Europe of a network of specialist operators in this field.

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(21) Commission Communication to the Council and to Parliament subsequent to the conclusions of the Ruding Committee indicating guidelines on company taxation linked to the further development of the internal market, SEC(92) 1118, 26.6.1992.

(22) Council Decision 89/286/EEC of 17 April 1989, OJ No L 112, 25.4.1989.

10. Practices concerning payment periods in commercial transactions and public procurement are an important factor both in the operation of the internal market and in improving the short-term financing capacity of SMEs, which in general are creditors in the inter-industrial debt market. This naturally has an adverse impact on their financial situation.

That is why the Commission is undertaking extensive consultation of interested parties to determine the extent to which this difficulty could be alleviated (23). Any action under the new programme will have to take account of the results of this consultation.

11. In addition, the Community is making a direct contribution to solving the problems of SME finance in eligible areas via the structural Funds.

Public authorities will have to ensure the greatest possible involvement of both side of industry, including SME representatives, in the preparation of, and follow-up to, the projects and programmes jointly financed by the structural Funds.

12. It should be remembered that, as far as state aid is concerned, the Commission has always regarded aid to SMEs more favourably than aid in general (24), and will continue to ensure that aid granted to SMEs does not distort competition.

The Commission will also continue to take a viewpoint which is decidedly in favour of cooperation between small and medium-sized businesses in the context of competition policy. Many firms do not know what they are allowed to do under competition rules. It is therefore important to stress the aspects of that policy which protect the development of cooperation, R&D, patent and know-how licensing, franchising and specialization agreements, provided that they do not restrict competition on the market.

In this context, all available resources will be used to improve information on competition policy.

13. The new discussions as part of the Community's action to stimulate an improved environment respond to the wish expressed by the Council in its resolution of 17 June 1992 that Commission proposals designed to ensure the continuity of the enterprise policy should include consideration of general financing aspects.

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(23) SEC(92) 2214, 18.11.1992.

(24) OJ No C 213, 19.8.1992.

**C) OBSERVATION AND EVALUATION OF THE POLICY**

**EUROPEAN SME OBSERVATORY**

**14. A European network of research centres specializing in the observation of SMEs was set up in mid-1992 with Community support.**

**A need has emerged for the Community and enterprises to be given the means of observing the development of SMEs in an environment which is undergoing complete change as a result of the enlargement of markets. Anticipation of changes is vital if enterprises are to adapt and thus improve their competitiveness. This must be accompanied by an analysis and by the means to understand the situation of enterprises, including the very smallest, in the face of these changes. It will thus be possible regularly to adjust policies to help them at both Community and national level, thereby maintaining the confidence of these enterprises.**

**On the basis of annual reports drawn up by this network, it will be possible to conduct a regular debate with representatives of enterprises and the enterprises themselves on the situation of SMEs and the means they have or need to adapt.**

**This innovative scheme, which is a follow-up to Decision 91/319/EEC, has just been launched, and the debate generated by it will provide a consolidated basis for the development of enterprise policy.**

**15. In the context of improving information to businesses, the Community will continue to provide direct information in the form of publications and support for the organization of seminars or conferences, either of a general nature or relating to specific aspects of Community enterprise policy.**

**IMPROVING STATISTICS ON SMES**

**16. The development of statistical tools will continue to be part and parcel of most of the planned measures.**

**The aim will be, among other things, to make the market more transparent through a fuller understanding of the parameters defining the structure, operations and performance of enterprises, and particularly small and medium-sized ones.**

**The work will also endeavour to provide a more accurate picture of the range of products both in services to industry and in related areas.**

**An effort will be made to improve the quality of statistics on individual businesses through greater synergy between public and private registers.**

**Lastly, administrations will be encouraged to make their files available for statistical processing, in order to alleviate some of the burden on businesses.**

#### EVALUATION OF EXISTING POLICY

17. As regards programmes under way, continuous internal assessment, and occasionally external assessment, should continue to keep objectives in line with changing situations and the relative effectiveness of the resources in play.

We must also continue to carry out, or have carried out, accompanying studies to identify and take account of the priority needs of SMEs so that they can take advantage of Community policies and the new dimension of the market.

### III. CONCLUSION

The enterprise dimension now has a sound Community basis, thereby justified by the need to ensure the continuity of the policy to assist business, in particular SMEs. This is all the more important since business is a fundamental element of European society.

Given this situation, the Community must work to make economic support measures more convergent and devise appropriate lines of action and corresponding measures at Community level.

This policy must rest on active partnership between the different parties involved: bodies representing the business interests concerned, Member States and Community institutions. Such synergy is essential if the Europeanization and internationalization process is to be given its full force and effectiveness.

Thus, an environment conducive to the strategic development of enterprises will help to boost positive developments in European competitiveness and support efforts to achieve growth.

**PROPOSALS FOR DECISIONS**

PROPOSAL FOR A  
COUNCIL DECISION

on a multiannual programme (1993-96) of Community measures to intensify  
the priority areas of policy for enterprise, in particular SMEs, in the  
Community

(.../.../EEC)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,  
and in particular Article 235 thereof,

Having regard to the proposal from the Commission,<sup>1</sup>

Having regard to the opinion of the European Parliament,<sup>2</sup>

Having regard to the opinion of the Economic and Social Committee,<sup>3</sup>

1. Whereas on 28 July 1989 the Council adopted Decision 89/490/EEC on the  
improvement of the business environment and the promotion of the  
development of enterprises, and in particular small and medium-sized  
enterprises, in the Community,<sup>4</sup> as revised by Council Decision 91/319/EEC  
of 18 June 1991;<sup>5</sup>

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1 OJ No C of , p. .

2 OJ No C of , p. .

3 OJ No C of , p. .

4 OJ No L 239, 16.8.1989, p. 33.

5 OJ No L 175, 4.7.1991, p. 32.

2. Whereas in its resolution of 17 June 1992 on Community action to support enterprises, in particular small and medium-sized enterprises, including craft industry enterprises,<sup>6</sup> the Council confirmed its undertaking to support the consolidation of the action taken to help enterprises;
3. Whereas the evolution of the economic situation calls for an initiative to relaunch growth, to whose success SMEs have an essential contribution to make;
4. Whereas this situation involves proposing the adoption of a programme of Community measures to assist SMEs which takes full account of this new priority;
5. Whereas the Commission has put before the Council a communication on enterprise policy for the Community, entitled "The enterprise dimension essential to Community growth";<sup>7</sup>
6. Whereas this Decision applies to all forms of enterprise, in particular small and medium-sized enterprises, including those in commerce and the distributive trades and craft enterprises, cooperatives, mutual societies, associations and foundations;
7. Whereas this policy involves, in particular, the intensification and wider distribution of information for enterprises, the stimulation of cooperation and partnership between enterprises, the improvement of the administrative and legal environment of enterprises and the promotion of Community instruments to assist enterprises;
8. Whereas, however, many measures to assist enterprises are carried out at Member State level and Community measures will have to complement these;

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6 OJ No C 178, 15.7.1992, p. 8.

7 yet to be published on the OJ

9. Whereas it is therefore necessary to adopt immediately a programme for a four-year period and to endow it with sufficient resources to attain its objectives;

10. Whereas, the Treaty does not provide, for the adoption of this Decision, powers other than those of Article 235,

HAS DECIDED AS FOLLOWS:

Article 1

A programme to intensify the priority measures for enterprise policy, in particular for small and medium-sized enterprises (SMEs), is hereby adopted for a period of four years from 1 January 1993.

Article 2

The programme referred to in Article 1 is intended to intensify growth-oriented priority measures for enterprise policy.

The principal objectives are as follows:

- A. to develop the Euro Info Centres to facilitate access by enterprises to Community information
- B. to develop the partner-search networks BRE and BC-NET
- C. to step up activities to put businessmen in direct contact with one another under the EUROPARTENARIAT and INTERPRISE programmes and promoting cross-border SUBCONTRACTING

D. to improve the administrative and legal environment of enterprises

E. to promote Community instruments

### **Article 3**

1. The Commission shall implement the measures necessary for the achievement of the objectives laid down in Article 2.

2. The procedure laid down in Article 4 shall be followed for adopting measures relating to:

- the adoption, experimental implementation or extension of any project devised for application of this Decision,
- the content and timetable of and financial assistance for measures and calls for proposals,
- the periodical evaluation of the results of each project in accordance with the timetables laid down.

3. The committee referred to in Article 4 may examine other measures provided for by the programme.

### **Article 4**

The Commission shall be assisted by a committee composed of the representatives of the Member States and chaired by a representative of the Commission.

The representative of the Commission shall submit to the committee a draft of the measures to be taken. The committee shall deliver its opinion on the draft within a time-limit which the chairman may lay down according to the urgency of the matter. The opinion shall be delivered by the majority laid down in Article 148(2) of the Treaty in the case of decisions which the Council is required to adopt on a proposal from the Commission. The votes of the representatives of the Member States within the committee shall be weighted in the manner set out in that Article. The chairman shall not vote.

The Commission shall adopt measures which shall apply immediately. However, if these measures are not in accordance with the opinion of the committee, they shall be communicated by the Commission to the Council forthwith. In that event the Commission shall defer application of the measures which it has decided for a period of two months from the date of communication.

The Council, acting by a qualified majority, may take a different decision within the time-limit referred to in the previous paragraph.

#### Article 5

The Commission shall present an evaluation report on the implementation of this Decision to the European Parliament, the Council and the Economic and Social Committee at the latest by mid-1996.

#### Article 6

The amount of the appropriations allocated annually to the measures provided for by this Decision shall be determined under the annual budgetary procedure.

#### Article 7

This Decision replaces Council Decision 89/490/EEC, as revised by Decision 91/319/EEC.

Done at Brussels,

For the Council

**PROPOSAL FOR A  
COUNCIL DECISION**

**on a multiannual programme (1994-97) of Community measures to ensure the  
continuity of policy for enterprise, in particular SMEs, in the Community**

**(.../.../EEC)**

**THE COUNCIL OF THE EUROPEAN COMMUNITIES,**

**Having regard to the Treaty establishing the European Economic Community,  
and in particular Article 235 thereof,**

**Having regard to the proposal from the Commission,<sup>1</sup>**

**Having regard to the opinion of the European Parliament,<sup>2</sup>**

**Having regard to the opinion of the Economic and Social Committee,<sup>3</sup>**

**1. Whereas on 28 July 1989 the Council adopted Decision 89/490/EEC on the  
improvement of the business environment and the promotion of the  
development of enterprises, and in particular small and medium-sized  
enterprises, in the Community,<sup>4</sup> as revised by Council Decision 91/319/EEC  
of 18 June 1991;<sup>5</sup>**

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1 OJ No C of , p. .

2 OJ No C of , p. .

3 OJ No C of , p. .

4 OJ No L 239, 16.8.1989, p. 33.

5 OJ No L 175, 4.7.1991, p. 32.

2. Whereas in its resolution of 17 June 1992 on Community action to support enterprises, in particular small and medium-sized enterprises, including craft industry enterprises,<sup>6</sup> the Council confirmed its undertaking to support the consolidation of the action taken to help enterprises;

3. Whereas the Council recommended in that resolution that the Commission should press ahead, having regard to the principle of subsidiarity, with the action necessary to create an environment favourable to the competitiveness of enterprises, in particular SMEs, and to back up their integration into the single market after 1992;

4. Whereas the Council also requested the Commission to submit before the end of 1992, in the light of the evaluations made, any proposals it deems necessary to ensure continuity of the policy towards enterprises;

5. Whereas independent experts have carried out, pursuant to Article 3 of Council Decision 91/319/EEC, an evaluation of the results achieved from all aspects of the existing programme; whereas the Commission has submitted the report, together with its comments, to Parliament and the Council;<sup>7</sup>

8. Whereas the report confirms the appositeness of the enterprise policy the Community has carried out thus far, but makes proposals concerning the direction of certain measures;

7. Whereas the Commission has put before the Council a communication on enterprise policy for the Community, entitled "The enterprise dimension essential to Community growth";<sup>8</sup>

8. Whereas this Decision applies to all forms of enterprise, in particular small and medium-sized enterprises, including those in commerce and the distributive trades and craft enterprises, cooperatives, mutual societies, non-profit associations and foundations;

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6 OJ No C 178, 15.7.1992, p. 8.

7 SEC(92) 1999 of 11 november 1992

8 yet to be published in the OJ

9. Whereas small and medium-sized enterprises play an important role in economic activity in general and in regional development, and a fundamental role as regards dynamism, productivity, adaptability and innovation;

10. Whereas the development of a Community enterprise policy based on real competition assumes particular importance as regards making the Community economy more competitive and as regards employment growth, economic and social cohesion in the Community and the continuation of the widening of the market after 1993;

11. Whereas, however, many measures to assist enterprises are carried out at Member State level and Community measures will have to complement these;

12. Whereas it is therefore necessary to adopt a new programme for a four-year period and to endow it with sufficient resources to attain its objectives;

13. Whereas, the Treaty does not provide, for the adoption of this Decision, powers other than those of Article 235,

HAS DECIDED AS FOLLOWS:

Article 1

A programme to ensure the continuity of an enterprise policy, in particular for small and medium-sized enterprises (SMEs), is hereby adopted for a period of four years from 1 January 1994.

**Article 2**

The programme referred to in Article 1 has the following objectives:

- to encourage the adjustment to structural change of sectors under development such as craft industry, the distributive sector, cooperatives, mutual societies, non-profit associations and foundations;
- to encourage an improved financial environment for enterprises;
- to promote better observation of the economic development of enterprises as part of the dynamic of effective implementation of the internal market.

**Article 3**

1. The Commission shall implement the measures necessary to achieve the objectives laid down in Article 2.

2. The procedure laid down in Article 4 shall be followed for adopting measures relating to:

- the adoption, experimental implementation or extension of any project devised for application of this Decision,
- the content and timetable of and financial assistance for measures and calls for proposals,
- the periodical evaluation of the results of each project in accordance with the timetables laid down.

3. The committee referred to in Article 4 may examine other measures provided for by the programme.

Article 4

The Commission shall be assisted by a committee composed of the representatives of the Member States and chaired by a representative of the Commission.

The representative of the Commission shall submit to the committee a draft of the measures to be taken. The committee shall deliver its opinion on the draft within a time-limit which the chairman may lay down according to the urgency of the matter. The opinion shall be delivered by the majority laid down in Article 148(2) of the Treaty in the case of decisions which the Council is required to adopt on a proposal from the Commission. The votes of the representatives of the Member States within the committee shall be weighted in the manner set out in that Article. The chairman shall not vote.

The Commission shall adopt measures which shall apply immediately. However, if these measures are not in accordance with the opinion of the committee, they shall be communicated by the Commission to the Council forthwith. In that event the Commission shall defer application of the measures which it has decided for a period of two months from the date of communication.

The Council, acting by a qualified majority, may take a different decision within the time-limit referred to in the previous paragraph.

Article 5

The Commission shall present an evaluation report on the implementation of this Decision to the European Parliament, the Council and the Economic and Social Committee at the latest by mid-1997.

It shall also present to the Council, the European Parliament and the Economic and Social Committee a report on coordination between the initiatives taken in pursuance of this Decision and the various programmes manifestly in the interests of SMEs and craft industries but not covered by this Decision.

**Article 6**

The amount of the appropriations allocated annually to the measures provided for by this Decision shall be determined under the annual budgetary procedure.

**Article 7**

This Decision replaces Council Decision 89/490/EEC, as revised by Decision 91/319/EEC.

Done at Brussels,

For the Council

**FINANCIAL STATEMENTS**

## FINANCIAL STATEMENT

### 1. TITLE OF OPERATION

"The enterprise dimension essential to Community growth".  
To intensify the priority measures for enterprise policy so as to stimulate growth in the Community.

### 2. BUDGET HEADING INVOLVED

Article B5-320.

### 3. LEGAL BASIS

- Council Decision of 28 July 1989 (OJ No L 239, p. 33)
- Council resolution of 14 November 1989 (OJ No C 297, p. 2)
- Council Decision of 18 June 1991 (OJ No L 175, p. 32)
- Council resolution of 17 June 1992 (OJ No C 178, p. 8).

### 4. DESCRIPTION OF OPERATION

The proposal for a Council Decision to which this financial statement relates follows on from the Council resolution of 17 June 1992, in which the Council recommended that the Commission should press ahead, in accordance with the principle of subsidiarity, with developing the action necessary to create an environment favourable to the competitiveness of enterprises, in particular SMEs, and to back up their integration into the single market after 1992. In framing this proposal, the Commission has drawn the necessary conclusions from the first programme, covering the period 1990-93, and from an evaluation report which it has transmitted to Parliament and the Council. The report confirms the overall appropriateness of the enterprise policy which the Community has carried out so far but makes proposals concerning the direction of certain measures.

In Edinburgh on 11-12 December 1992, the European Council, endorsing the guidelines put forward by the Commission, agreed action on a wide scale to support growth in the Community.

The Declaration on Promoting Economic Recovery in Europe<sup>1</sup> states that: "Recognizing the importance of SMEs for creating employment and stimulating growth, the European Council called upon the Council and the Commission to ensure that the burdens from Community legislation on small and medium-sized enterprises are reduced (including through the use of simplified schemes and exemption limits in the field of indirect taxation) and that full information about Community support is provided to SMEs. It asked the Commission to accelerate the actions in favour of SMEs which have proven their worth at the Community level".

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1 European Council, Edinburgh, 11-12 December 1992, Conclusions of the Presidency, Annex 4 to Part A, point 8.

The operation is therefore a continuation of the measures developed under the first programme, to which the necessary adjustments and improvements have been made in order to comply with the acceleration of this part of enterprise policy for the period 1993-96.

#### 4.1 Specific objectives of operation

- . To develop the Euro-Info-Centres to so as facilitate access by enterprises to Community information;
- . To develop the partner-search networks by expanding the activities of the Business Cooperation Centre (BRE) in the case of non-confidential cooperation, and of the Business Cooperation Network (BC-Net) in the case of confidential cooperation;
- . To step up activities to put businessmen in direct contact with one another under the Europartenariat, Interprise and Promotion of Cross-Border Subcontracting programmes;
- . To improve the administrative and legal environment of enterprises;<sup>2</sup>
- . To promote Community instruments and, in this context, to strengthen the technological potential of SMEs.

#### 4.2 Duration

1993-96.

#### 4.3 Target population

In theory, the above-mentioned measures could affect all SMEs in the Community. In practice, however, the number of SMEs concerned by cross-border measures will necessarily be smaller, reflecting the categories of enterprise.

The measures are also targeted at all trade associations and other intermediaries (for example, chambers of commerce and craft) and the wholesale and retail trades. As many of the measures are implemented via networks of intermediaries, the number of enterprises actually affected cannot be precisely quantified.

### 5. CLASSIFICATION OF EXPENDITURE OR REVENUE

Non-compulsory expenditure; differentiated appropriations.

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<sup>2</sup> Includes consultation of Member States and trade associations (ex-item B5-324).

## 6. TYPE OF EXPENDITURE OR REVENUE

- . Grants for joint financing with other sources in the public and/or private sector.
- . Partial reimbursement through re-use of revenue for certain measures (e.g. in the case of BC-Net, charging from 1 January 1993 for the use of the network by non-Community industrialized countries and by advisers throughout the Community).

## 7. FINANCIAL IMPACT

### 7.1 *Method of calculating total cost of operation*

Experience in current and previous financial years shows that the demands on the policy for SMEs have risen steeply. For a lack of appropriations, the Commission has had to reject many of the projects submitted in response to various calls for proposals. Although in certain cases the Community contribution can be modulated according to the arrangements for implementing the measure in order to finance as many projects as possible, the fact remains that the Commission may well no longer be able to get essential schemes off the ground if its financial contribution is no longer sufficient to attract investments by its partners (businesses or intermediaries); the Commission also has to aim to achieve a critical financial mass in the areas concerned in order to avoid spreading funds too thinly.

This situation is reflected in all the calls for tender organized on the basis of this budget heading. Consequently, the rates of commitment and utilization under this heading have always been extremely high.

The volume of funding requested has to be seen in the context of the merger of headings B5-320, B5-322 and B5-324 which the Commission has proposed in the preliminary draft budget for 1993. Until such time as the 1993 budget is definitively adopted, the figures for that year will remain purely indicative.

## Single heading, indicative amounts

PRIORITY AREAS FOR INTENSIFICATION	1993	1994	1995	1996	TOTAL 1993/1996
- DEVELOPMENT OF EURO-INFO-CENTRES to facilitate access to Community information	7.00	8.00	9.00	10.00	34.00
DEVELOPMENT OF PARTNER-SEARCH NETWORKS BRE and BC-Net	0.80	0.90	1.00	1.30	4.00
STEPPING UP DIRECT CONTACTS BETWEEN BUSINESSMEN UNDER THE EUROPARTENARIAT, INTERPRISE AND PROMOTION OF CROSS-BORDER SUBCONTRACTING PROGRAMMES	6.70	7.50	7.80	8.00	30.00
IMPROVEMENT OF THE ADMINISTRATIVE AND LEGAL ENVIRONMENT OF ENTERPRISES <sup>1</sup>	0.90	1.20	1.40	1.50	5.00
PROMOTION OF COMMUNITY INSTRUMENTS - STRENGTHENING THE TECHNOLOGICAL POTENTIAL OF SMEs	2.90	2.50	3.10	3.50	12.00
	18.30	20.10	22.30	24.30	85.00

<sup>1</sup> Includes consultation of Member States and trade associations (ex-item B5-324).

7.3 *Indicative schedule of commitment appropriations (without mini-budget)*

Preliminary draft budget for 1993	Indicative planning			
	1994	1995	1996	1993-96
18.30	20.10	22.30	24.30	85 000

8. **ANTI-FRAUD MEASURES PLANNED IN THE PROPOSAL FOR THE OPERATION**

Measures to be funded and services or studies performed are checked by the Commission before payment, with due regard to contractual obligations and the principles of economy and sound financial or general management. Anti-fraud measures (checks, reporting, etc.) are included in all agreements or contracts between the Commission and recipients of funds.

9. **ELEMENTS OF COST-EFFECTIVENESS ANALYSIS**

9.1 *Assessment and analysis of objectives*

Quantification

The reader is referred to the table set out in point 7.2, which gives the figures for the different types of measure (under both the old programme and the proposed new one).

- speeding up the adjustment of SMEs to structural change (information for businesses, promotion, advertising, grants): 50%
- cooperation and partnership: 19.33%
- administrative, legal and financial environment which will benefit enterprises: 3.72%
- evaluation and development of enterprise policy: 6.78%.

## 9.2 Grounds for the operation

As far as subsidiarity is concerned, all the action taken here by the Community is such that it produces decisive added value, in particular as a result of the size of networks and the scale of the measures developed, the impartiality of decisions taken at the centre and the attention devoted to regional balance.

This emerges clearly from the independent evaluation report and is stressed in the explanatory memorandum.

Although Member States can themselves take a large proportion of the measures to assist enterprises, it is for the Community to take the cross-border measures, set up networks extending across the Community or beyond and organize schemes for the exchange of experience or know-how between financial institutions, chambers of commerce and craft and other intermediaries, as well as actual businesses looking for cross-border cooperation opportunities. Making such action a national preserve would not only be impracticable and less effective, but would also create distortions of competition since the level of support provided by each Member State would vary widely (a number of host structures have, for example, decided to close down their Euro-Info-Centre on the grounds that the burden on their finances was too heavy in comparison with the Commission's contribution).

The Commission ensures that all intermediaries and all businesses can benefit from Community measures on an equal footing and in fair and transparent conditions (as witnessed by the large number of calls for proposals published in the Official Journal). It also sees to it that the added value deriving from the network effect and the know-how built up at Community level are redistributed and made available to all interested parties, including in the Community's less-favoured or outlying regions.

### 9.2.1 Cost

The Council decided on 18 June 1991 to revise the programme, adding an extra budget of ECU 25 million to the ECU 110 million already deemed necessary for the period 1990-93.

The European Council, meeting in Edinburgh on 11-12 December 1992, "asked the Commission to accelerate the actions in favour of SMEs which have proven their worth at the Community level".

Consequently, the strengthening of the priority measures for enterprise policy so as to stimulate growth in the Community is proposed for the period 1993-96 and is based on the experience acquired during the previous programme. These assessment aspects are also raised in the evaluation report and in the Commission's comments on it.

The following details can be given on the various measures (the figures for each old and new measure are given in the table in point 7.2):

- information for businesses:
  1. development of the EICs to facilitate access to Community information (stimulation, training, grants, databases);
- development of partner-search networks:

BRE and BC-Net: development of both networks within the Community and beyond; for BC-Net, implementation of a policy of specialization (particularly in innovation and technical cooperation) and a drive to raise the calibre of advisers (training) ahead of the generalized introduction of charges on 1 January 1993;
- stepping up direct contacts between businessmen under the Europartenariat, Interprise and Promotion of Cross-Border Subcontracting programmes:
  1. partnership: intensification of the efforts to put businesses in direct contact with one another through Europartenariat, Interprise and similar international events;
  2. subcontracting: the programme, which was updated in the Commission's communication to the Council of January 1992, is aimed in particular at ensuring a business approach to the market and covers measures on communication between businesses, certification and sectoral measures (electronics);
- improvement of the administrative and legal environment of enterprises: administrative simplification and trade associations. Consultation of trade associations and support for stimulation measures and the dissemination of their information among the 8 million businesses they represent;
- promotion of Community instruments and strengthening the technological potential of SMEs.

#### 9.2.2 Spin-off effects

Action under the above-mentioned instruments and measures relates in particular both to improving the business environment and the supply of business information and to the search for and bringing together of partners with the specific aim of developing cross-border cooperation agreements.

This is vital to the effective functioning of the single market, with regard to which enterprises must base their development strategy on goals that extend beyond the confines of their home country.

The main spin-off effect will thus be to make enterprises more competitive, in particular through:

- greater opportunities for businesses to Europeanize and internationalize their operations;
- development of the network effect;
- lower costs, particularly for pilot schemes;
- positive effects on growth and the economy in general;
- positive effects on employment and the entire package of measures enabling SMEs to grasp the new opportunities offered by completion of the internal market and relations with third countries.

### 9.2.3 Multiplier effects

The planned measures graft a European dimension onto existing services provided by national partners. Planned expenditure from the Community budget will consequently generate considerable investment by public and private partners, thus exerting a significant catalytic effect and bringing about lasting structural change.

For example, Euro Info Centres are set up in conjunction with host structures such as chambers of commerce offering information and advisory services, to which the EICs add a European dimension.

Similarly, Europartenariat events are specifically aimed at developing cooperation between businesses in Objective 1, 2 and 5(b) regions and enterprises in other regions of the Community. Given that the Member State concerned contributes one third of the budget for each event and the participating firms meet their own travel and subsistence expenses, the multiplier effect can be estimated at 300%.

Although it is desirable for the Commission to aim for a large multiplier effect, this should not be the only deciding factor in the choice of its action. The limitations of such an approach are amply demonstrated by the Commission's low level of financial support for the EIC network: a number of host structures have decided to close down their Euro-Info-Centre on the grounds that their share of the costs was too large and the Commission's too small.

### 9.3 Evaluation

- Performance indicators selected:

Evaluation reports based on quantitative criteria (e.g. number of queries answered, number of cooperation profiles generated) and matching the instrument to the needs (e.g. level of detail of nomenclatures, quality of documentation, targeting).

Results will be evaluated by regular monitoring based on in-house checks and expert assessments by outside specialists where necessary.

The cost of many of the measures taken is very moderate in relation to the market, as noted at certain points in the evaluation report.

Development of measures targeted to the different markets for business information, cooperation and support.

- Details and frequency of planned evaluation:

Annual evaluation on an institutional basis (annual report provided for by Article 6 of the proposed Decision). This proposal is based on the evaluation report submitted by outside experts and transmitted by the Commission to the European Parliament and the Council in accordance with Article 3 of the Council Decision of 18 June 1991.

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