

## *The "JOINT EUROPEAN VENTURE" Initiative: Creating Employment through New European Joint Ventures*



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At the proposal of Christos PAPOUTSIS, Commissioner responsible for enterprise policy, and in conjunction with President Jacques SANTER and Commissioner Yves-Thibault de SILGUY, the "Joint European Venture" (JEV)<sup>1</sup> initiative was launched by the Commission on 5 November 1997. It aims to support and encourage the development of transnational joint ventures between small and medium-sized enterprises (SMEs) within the Community and to stimulate new activities capable of creating viable and stable jobs.

With a budget of 5 million ecus for 1997, the JEV initiative will finance up to a maximum of 100,000 ecus per project, to cover part of the costs involved in setting up a joint venture in the European Union between at least two European SMEs. In the initial phase, each project will receive a repayable advance of 50,000 ecus maximum, which represents up to 50% of the costs for conceiving and setting up the joint venture. In a second phase, once the joint venture is operational, the project will receive the rest of the contribution, up to 10% of total investment.

By sharing the costs incurred during the project's feasibility phase and by participating in the investment itself, the JEV initiative aims to help SMEs unblock necessary financing and transform their ambitions into reality. The acquisition of existing enterprises will not be considered under this initiative as this often involves restructuring and job losses. JEV is designed to create new activities and new viable long-term employment.

Currently, transnational joint ventures are rather rare. This is undoubtedly due to reluctance on the part of banks to support such projects because of the high risk factor, because they have limited knowledge of a partner from another Member State, the local commercial environment and the target markets. Therefore, promising projects capable of reinforcing the international competitiveness of an enterprise and of creating employment never get off the ground as SMEs are simply unable to take on the venture by themselves. This is the level at which the Commission's new JEV initiative is designed to act by drawing attention to this area and to the existing opportunities. JEV will stimulate the interest of financial institutions and will make them more receptive to the projects of dynamic enterprises wishing to exploit the enormous potential of the single market. The JEV initiative will be followed up next year with a new proposal and additional financing from the 1998 budget.

<sup>1</sup> OJ of the EC L310 of 13.11.1997 - Decision of the Commission of 5 November 1997 giving approval to a support mechanism for the creation of transnational joint companies.

## “JOINT EUROPEAN VENTURE” (JEV)

### • Eligible costs and maximum amount per project

The Community contribution is aimed at covering certain expenses incurred during the creation of a transnational joint venture. **The maximum amount of the contribution per project is 100,000 ecus** covering:

- a) up to 50% of eligible expenses<sup>2</sup>, up to a maximum 50,000 ecus.
- b) up to 10% of the total investment.

*Within the 50% of eligible expenses* (with a ceiling of 50,000 ecus), a repayable advance of 50% (maximum 25,000 ecus) is transferred once the project has been accepted by the Commission. A second payment of 50% (maximum 25,000 ecus) will be made upon presentation of documents justifying the total expenses incurred based on a detailed final report which will allow a judgement to be made as to the viability of the joint company as well as to the foreseen investments. Once these documents have been accepted by the Commission, the repayable advance is converted into a subsidy.

*As for the investment made*, a complementary transfer limited to 10% of the investment will be made once the investment has been completed upon presentation of proof that the new activity is under way.

All SMEs benefiting from the third transfer (10% of investment) are obliged to submit information to the Commission concerning the activities of the joint venture for a period of 5 years, in particular, information on the number of jobs created.

### • Selection process

The dossiers are sent to the Commission through a network of financial intermediaries comprised of institutions specialised in investment financing. This network will be formed following a call for expressions of interest published in the Official Journal of the European Communities. The Commission will verify the eligibility of the dossiers with regard to the objectives of the initiative with special attention placed on the employment criteria. The Commission will call upon the services of the network of financial intermediaries of the JOP programme (Joint Venture Programme - PHARE / TACIS) in order to implement the JEV initiative as quickly as possible. An inter-service group will be set up under the direction of DG XXIII and the operational and financial services (SOF) of DG II (Economic and Financial Affairs). Its role will be to certify the financial intermediaries and the requests submitted by interested SMEs.

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## LATE PAYMENTS: Massive Support for the Commission Initiative

On 9 July 1997 the European Commission adopted a communication on late payments in commercial transactions<sup>3</sup>. All parties interested by the communication were invited to make their comments on it known, either in writing or at a public hearing which was held in Brussels on 7 October 1997.

During the public hearing, the Commission initiative received massive support, including that of representatives from the European Parliament and the Economic and Social Committee<sup>4</sup>.

<sup>2</sup> The eligible expenses are those related to the conception and establishment of a transnational joint company created by European SMEs. They include the cost of market studies, preparation of the legal framework and the business plan, the environmental impact study and all other expenses essential to setting up the joint company.

<sup>3</sup> OJ of the EC C216 of 17.07.1997.

<sup>4</sup> See EURO-INFO nos. 105 and 103.

Amongst the 114 written responses received by the Commission, 91 (80%) were favourable to the initiative, 23 (20%) were against the main points in the initiative while maintaining a favourable position with regard to specific questions such as late payments in the public sector.

The written responses were in favour of a sufficiently high rate of interest on late payments to dissuade bad payers. In addition, the right of the creditor to be compensated for total collection charges, such as administrative and legal fees, also received enormous support. All those who presented observations on the public sector are favourable to legislative action, for example, to set maximum payment periods and the automatic right to default interest from the public sector. There was also unanimous support for a harmonised reservation of title clause and many responses favoured simplified means of redress.

The responses came from many countries and in general defined the position of national professional associations representing a great many sectors. Observations were also presented by European organisations, including those representing enterprises, lawyers and collection agencies.

Given these results, Mr Christos PAPOUTSIS, Member of the Commission responsible for enterprise policy, has confirmed his intention to propose rapidly a **directive** aimed at resolving the problem of late payments in Europe.

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## **“EMPLOYMENT AND TOURISM”: Guidelines for Action**

The European Council of Amsterdam in June 1997 emphasised the European Union's commitment to employment. The organisation of an extraordinary European Council on Employment on 20-21 November 1997 lent credence to this EU priority. Within this perspective, the European Commission and the Luxembourg Presidency organised on 4-5 November 1997 an important Conference on the topic “**Employment and Tourism: Guidelines for Action**”. More than 300 people participated in the conference, including the main actors and decision-makers from the world of the tourist industry, national and international professional organisations, representatives from the trade unions, Member State administrations and Community institutions. The objective of the conference was to propose general guidelines as a contribution toward defining the approach which the European Union should adopt in the future to fully exploit the job creation potential of the sector. The main guidelines proposed are as follows:

- Promote the enterprise culture and in particular ensure that innovative SMEs are created and modernised in the sector.
- Stimulate formulas that are appropriate to the particularities of the tourist activities, with regard both to the seasonal nature and the concentration of activities in certain regions, by creating an administrative environment and adapted social rules.
- Organise flexible systems of “employability” which are adapted to evolutions in the tourist sector.
- Take full advantage of tourist professions within the perspective of evolving careers in the sector by promoting professional training and the development of alternative training.
- Promote methods of mutual recognition at the European level for qualifications acquired.
- Promote a structured social dialogue, particularly within the framework of specific sectoral negotiations, in a spirit of improving the quality and the competitiveness of European tourism. Adapt the obligatory fiscal and social costs to the special nature of the tourism sector and give serious study to the ties between taxation and the potential for job creation in this sector.

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## **“INDUSTRY” COUNCIL: Exchange of Views on Commission Initiatives in Favour of SMEs**

European Industry Ministers, meeting in Brussels on 13 November 1997, supported the initiatives of the European Commission aimed at stimulating electronic commerce<sup>5</sup> and invited it to continue in its efforts to eliminate obstacles to the internal market. They adopted conclusions on this topic and later held long discussions on the competitiveness of the industry; they linked this subject to research and development which are not adequately adapted to the capacities of SMEs.

The Council session ended with a speech from Commissioner PAPOUTSIS centred on the problem of “Enterprise Policy, Competitiveness and Job Creation”<sup>6</sup>. The ministers then held a long exchange of views on the creation of a business culture, the improvement of the business environment, access to research, innovation and training, and access to financing (launch of JEV).

Mr Christos PAPOUTSIS brought the Council up to date on the Commission’s initiatives in favour of SMEs: Commission Recommendation (adopted 22 April 1997) on improving and simplification of the environment for enterprises in the start up phase<sup>7</sup>; the Commission Communication entitled “The European capital markets for SMEs: perspectives and potential obstacles to their progress”<sup>8</sup>. Commissioner PAPOUTSIS also informed the Fifteen about the launch of the JEV initiative, the support mechanism for the creation of transnational joint companies for SMEs in the Community (see pages 1 and 2). Mr PAPOUTSIS likewise announced to the Ministers the intention of the Commission to present a draft directive on late payments in the EU. The Commissioner deplored that, although the situation in matters of administrative simplification seems to be improving in the majority of Member States, the problem of late payments is generally becoming worse.

## **“TOURISM” COUNCIL: New commitments in favour of employment and the fight against sex tourism involving children, but still no agreement on the multiannual programme PHILOXENIA**

The “Tourism Council”, in its meeting of **26 November 1997**, did not come to a political agreement on the proposal for the first multiannual programme in favour of European tourism “PHILOXENIA” (1997-2000)<sup>9</sup> as two delegations were unable to adhere to the compromise proposed by the Luxembourg Presidency. Presented by the Commission in April 1996, the Commission proposal had been examined under the Italian and Irish Presidencies. The dossier had not advanced further in the Council due to the opposition of several delegations who invoked the principle of subsidiarity in the field of tourism. The Luxembourg Presidency thus presented a compromise text which, while taking account of the principle of subsidiarity, provided for a five-year programme (1998-2002). The actions foreseen were of a horizontal nature and focused on improving coordination and strengthening cooperation between the actors involved in tourism at the European level.

At the final press conference, Christos PAPOUTSIS, Commissioner responsible for tourism, expressed his “profound disappointment” at the Council’s inability to adopt the PHILOXENIA Programme<sup>10</sup>. He also underscored that it is “extremely disappointing that only five days after the Luxembourg Summit for Employment, the Council was unable to adopt a programme in favour of a sector so important in the creation of jobs, a fact which has been unanimously recognised and emphasised by the Ministers in the Council conclusions under the heading of “Tourism and Employment” (see above).

The Council continued with an exchange of views on **the fight against sex tourism involving children**<sup>11</sup>, presented to the Council by Commissioner PAPOUTSIS. Following this exchange, the Council adopted a declaration underlining in particular: “The Council, the Commission and the Member States denounce and condemn the perversion of tourism known as sex tourism involving children in certain regions of the world” ... “The Council and the Member States welcome the Commission Communication ... and are prepared to encourage all appropriate measures aimed at strengthening the concertation amongst Member States, as well as cooperation with the tourist industry, non-governmental organisations and other international bodies, to bring this scourge to an end...”.

The Commissioner presented to the Council **a report on the measures effecting tourism**<sup>12</sup> which gives an overview of the Community measures taken in 1995/96 with regard to tourism. The majority of the measures described were implemented within the general framework of Community actions and programmes whose objectives are not specifically defined in terms of tourism but which exert an influence on the development of the tourism industry.

<sup>5</sup> COM(97)157 of 16 April 1997.

<sup>6</sup> Information note on enterprise policy, competitiveness and job creation.

<sup>7</sup> OJ of the EC L145 of 05.06.1997.

<sup>8</sup> COM(97) 187 final.

<sup>9</sup> COM(96)168 final.

<sup>10</sup> The legal base for the proposal, article 235 of the Treaty, requires unanimity.

<sup>11</sup> COM(96) 547 final - 27.11.1996

<sup>12</sup> COM(97) 332 final - 02.07.1997

In addition, on the point “**Employment and Tourism**”, the Council adopted “conclusions” in which it “confirms that the balanced development of European tourism could contribute significantly to the fight against unemployment in the Member States”. It recognises, amongst others, “the needs expressed by the tourist industry to improve the quality and the competitiveness of European tourism in particular by assisting SMEs and encouraging partnerships between concerned parties” ... and “recognises the need take full advantage of the contribution tourism makes to creating employment in the framework of different Community programmes and policies...”.

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## “EMPLOYMENT THROUGH INNOVATION”: The Priorities of the Third European Conference on the Craft Industry and Small Enterprises

The Third European Conference on the Craft Industry and Small Enterprises was held in MILAN on 20-21 November 1997<sup>13</sup>. This conference brought together 2000 participants from 30 countries under the theme “Employment through Innovation”.

*The priorities* which emerged from the Conference are as follows:

- I To encourage the economic success of small and craft businesses by creating an environment (fiscal, administrative and regulatory, financial, technical) conducive to their development.
- II To promote the emergence and development of a European small-business culture.
- III To ensure that the special nature of the small and craft business sector is taken into account from the very outset in the planning of national and Community measures and/or policies in the economic and social field. Such account must be taken, in particular, in consultations and negotiations at all levels.
- IV To encourage small and craft businesses and their representatives to become involved in the processes of exchange and cooperation, both intra-Community and with non-member countries.
- V To increase competitiveness and innovation in small and craft business.

In order to ensure the effective implementation of these priorities, the Conference suggested that a group be set up to monitor progress with the priorities which were identified in Milan. The conclusions of the Milan Conference were presented by the European Commission to the extraordinary European Council for Employment which was also held on 20-21 November 1997 in Luxembourg. The European Council took this presentation into account when drafting its own conclusions.

EURO-INFO will dedicate a forthcoming special edition to the results of the 3rd European Conference on the Craft Industry and Small Enterprises.

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## The Fifth Annual Report of the European Observatory for SMEs is Published

Presented in Brussels on 25 November 1997 during a specially organised conference, the Fifth Annual Report of the European Observatory for SMEs provides an overview of the current situation and perspectives of SMEs in all Member States of the European Economic Area and Switzerland. This report, which was prepared by the European network for SME research-ENSR, underscores that within the European Union approximately **one million new enterprises** are started up each year, but that employment created by the new companies is rather unstable. After five years, only half of these businesses still survive, but those that do survive create jobs. According to the report, however, **micro-enterprises (less than 10 workers) and enterprises where**

<sup>13</sup> The first European Conference on Craft and Small Businesses was organised in Avignon in 1990. It was followed by the Berlin Conference in 1994

**the owner is personally responsible for all debts, are less apt to fail than the larger enterprises.** The survival rate for new enterprises could be improved by reducing administrative charges, improving the conditions for transferring the enterprise from one generation to the next and by reducing late payments.

The report also contains certain thematic studies. One of them is dedicated to “**SMEs and the Environment**” and concluded that taking into account the high environmental demands is a condition of the long-term competitiveness of the industry. Savings in energy and raw materials, reduction in pollution, use of more environmentally-friendly materials and the development of recyclable products should be included in the formulation of business strategies. The study emphasises that environmental constraints can also present opportunities for SMEs such as cost reductions derived from savings of intermediate products, opportunities derived from new markets and products, etc. Eco-business represents real opportunities for SMEs active in this innovative sector of the economy.

Another thematic study deals with **the tourism sector** which is dominated by SMEs. According to the report, these enterprises are faced with a new set of challenges, including the increasing importance of quality, globalisation of the market, deregulation and liberalisation of some tourism sectors, etc. The statistics available for 1985-95 show that tourism has been one of the main providers of employment in Europe, supplying work for approximately nine million people. Furthermore, the report indicates that the tourism sector should create 1.7 million new jobs in the European Union over the next decade.

It should be recalled that the European Commission decided in 1992 to establish a “European Observatory for SMEs” which would produce an independent report every year. This report, which is now in its fifth edition, has been prepared by the “European Network for SME Research” (ENSR)<sup>14</sup> and coordinated by “EIM Small Business Research and Consultancy” in the Netherlands.

The executive summary in three languages (EN, DE, FR), the speech by Commissioner PAPOUTSIS and the slides with the main points of the participants’ speeches at the Conference are available on the Internet Site of DG XXIII at: [http://europa.eu.int/en/comm/dg23/guide\\_en/eurobs.htm](http://europa.eu.int/en/comm/dg23/guide_en/eurobs.htm) (executive summary and slides) and [http://europa.eu.int/en/comm/dg23/guide\\_en/speech.htm](http://europa.eu.int/en/comm/dg23/guide_en/speech.htm) (speech by Commissioner Papoutsis).

The report is available in English (and soon in French and German) from the EIM. Price: 65 ecus.

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## **INTERPRISE: Initiative to Encourage Partnerships in Europe**

The INTERPRISE programme (Initiative to Encourage Partnership between Industries and/or Services in Europe) is designed to support local, regional and national actions aimed at stimulating cooperation between small and medium-sized enterprises in Europe. Within this context, the programme is designed to support the actions (distribution of a catalogue containing the desired cooperation profiles, organisation of meeting days with pre-arranged bilateral rendez-vous) aimed at putting heads of enterprise into direct contact with each other in order to facilitate their cooperation efforts.

This programme is conceived on the model of the Europartenariat programme and is directed at all regions, whether eligible for structural funds or not, and provides for the organisation of small-scale events. The projects must include at least three regions from three European Union countries and may, in certain instances, also be extended to regions from non-member countries.

The following events will take place in the coming months:

### **INTERPRISE “SICILIAN AND MEDITERRANEAN COUNTRIES PARTENARIAT”**

Meetings: 12-13 February 1998 in CATANIA, Italy

Countries involved: Italy, France, Greece

Sectors: Agro-food stuffs and applied information technology

Organisation: CONFINDUSTRIA - M.G. VOLPE - Viale dell’Astronomia,30 - I-0144 - ROMA - Italie - Tél.: +39.6.59.03.613

Fax: +39.6.59.10.629

### **EUROLYON**

Meetings: 13-14 February 1998 in LYON, France

Countries involved: France, Austria, Switzerland, Germany, Italy

Sectors: metallurgy, electronics, chemical products, medical apparatus

<sup>14</sup> The ENSR network is made up of national organisations specialised in SME research. It covers the 15 Member States, the European Economic Area and Switzerland.

Organisation: HANDWERKSKAMMER ZU KÖLN - M. Franz-Josef KNEIPS - Heumarkt, 12 - D-50667 KÖLN  
Tél.: +49.221.20.22.0 - Fax: +49.221.20.22.320

#### INTERPRISE FORUM DE LA HAUTE TECHNOLOGIE

Meetings: 3-4 March 1998 in FLORENCE, Italy

Countries involved: Italy, France, Sweden

Sectors: aerospace, electronics and telecommunications

Organisation: ICE-ISTITUTO NAZIONALE PER IL COMMERCIO ESTERO - Roberto LUONGO - via Liszt, 21 - I-00144  
ROMA - Tél.: +39-6.599.26.638 - Fax: +39-6.596.47.438.

- *For further information on a specific INTERPRISE event*, please contact the organiser.
- *For information on the INTERPRISE programme itself*: European Commission - DG XXIII/B2 - INTERPRISE - rue de la Loi, 200 (AN80) - B-1049 Brussels - Fax: +32-2/295.17.40

### FOR YOUR INFORMATION

**EURO INFO CENTRES: the first results of the SME awareness campaign on safety and hygiene in the workplace - Many other events in 1998.**

Within the framework of the SAFE action (Safety Actions For Europe), Directorate-General V (Social Affairs and Employment) and Directorate-General XXIII of the European Commission decided to use the expertise of the EURO INFO CENTRES Network and their knowledge of the terrain and of SMEs to launch an enormous campaign throughout Europe to make SMEs aware of the concepts of safety and hygiene in the workplace. Using an specific approach that is both practical and dynamic, "PR Events" are organised for employers and heads of enterprise interested in reducing professional risks in their sector and in optimising working conditions.

With the participation of many figures from political, economic and social circles, these events (open house days, visits to model enterprises, practical demonstrations followed by discussions, exposure to documentation, etc) have met with a great success which has been widely echoed in the local and national press. They have given the participants the opportunity to visualise specific innovative solutions on site, which can be transferred to their own enterprise. In addition, participants have been able to meet with specialists in the field of health and safety in the workplace and discuss possible or existing solutions to guarantee the best possible working conditions for their employees.

The meetings which have already taken place have dealt with widely divers sectors of activity such as construction, transformation of metals, as well as the chemical, mechanical and electricity/electronics industries in addition to other sectors such as textiles, furniture, food (bakery, hotel management, pastry), the environment and energy.

One common point emerged from all the enterprises which have attended a "PR Event": their technical solutions are innovative, and serve as examples of "good practice" to SMEs in the sector concerned.

In the weeks and months to come, some 70 more events will take place in different countries of the European Union. They will be aimed at demonstrating to SMEs that the improvement of health and safety standards is not only a legal obligation, and an additional investment made by the company, but also an opportunity to open the way to a maximum use of the factors of productivity.

The coordination of these "PR Events" has been entrusted to the EURO INFO CENTRE of Luxembourg, to which all requests for information about this campaign should be addressed. **For information:** EURO INFO CENTRE Luxembourg - Chambre de Commerce / FEDIL - Sabrina SAGRAMOLA - 7, rue Alcide de Gasperi - L-2981 Luxembourg - Tel: +352/42.39.39.333 - Fax: +352/43.83.26.

*EURO-INFO and many other sources of information are available on the INTERNET via the EUROPA server:*

<http://europa.eu.int/en/comm/dg23/index.htm>

\* EURO-INFO is a newsletter for small businesses and craft trades. It is distributed free of charge to business organisations, voluntary organisations and groups and to correspondents of the Business Cooperation Centre (BRE) to members of the BC-NET (Business Cooperation Network) and to EURO INFO CENTRES and to SME executives who request copy. EURO-Info appears 10 times per year.

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